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**Evergrande Real Estate Group Limited**

**恒大地產集團有限公司**

(於開曼群島註冊成立的有限責任公司)

(股份代號：3333)

### 海外監管公告

本海外監管公告乃根據香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)第13.09(2)條刊發。

茲提述恒大地產集團有限公司(「本公司」)於2011年1月10日及2011年1月14日就發行票據刊發的公告(「該等公告」)。除另有界定者外，本公告所用詞彙與該等公告所界定者具有相同涵義。

請參閱隨附之票據發售備忘錄(「發售備忘錄」)，發售備忘錄已於2011年1月24日在新加坡證券交易所有限公司之網站刊發。

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承董事會命  
恒大地產集團有限公司  
主席  
許家印

香港，2011年1月24日

於本公告日期，執行董事為許家印先生、夏海鈞先生、李鋼先生、謝惠華先生、徐湘武先生、徐文先生、賴立新先生及何妙玲女士；而獨立非執行董事為余錦基先生、周承炎先生及何琦先生。

## OFFERING MEMORANDUM



### Evergrande Real Estate Group Limited

恒大地产集团有限公司

(incorporated in the Cayman Islands with limited liability)

**RMB 5,550,000,000 US\$ Settled 7.50% Senior Notes due 2014**  
**RMB 3,700,000,000 US\$ Settled 9.25% Senior Notes due 2016**

**Issue Price 2014 Notes: 100%**

**Issue Price 2016 Notes: 100%**

Evergrande Real Estate Group Limited, or the Company, is offering US\$ settled 7.50% Senior Notes due 2014 in the aggregate principal amount of RMB 5,550,000,000, or the 2014 Notes, and US\$ settled 9.25% Senior Notes due 2016 in the aggregate principal amount of RMB 3,700,000,000, or the 2016 Notes, together with the 2014 Notes, the Notes, each, a series. The 2014 Notes will bear interest at the rate of 7.50% per annum and will mature on January 19, 2014. The 2016 Notes will bear interest at the rate of 9.25% per annum and will mature on January 19, 2016. Interest will be payable semi-annually in arrears on January 19 and July 19 of each year, beginning July 19, 2011.

The Notes are denominated in Renminbi and will be settled in U.S. dollars. Based on a face value of RMB 1,000,000 for each Note, an issue price of 100% for the 2014 Notes and of 100% for the 2016 Notes, and an exchange rate of RMB 6.5997 to US\$1.00, the settlement amount payable with respect to each 2014 Note is US\$151,522.04 and for each 2016 Note is US\$151,522.04. Interest on the Notes will be paid in U.S. dollars in the U.S. Dollar Settlement Amount (as defined in the "Description of the 2014 Notes" and the "Description of the 2016 Notes" herein) calculated as of the relevant Rate Calculation Date (as defined in the "Description of the 2014 Notes" and the "Description of the 2016 Notes" herein). Upon maturity of the 2014 Notes on January 19, 2014 and the 2016 Notes on January 19, 2016, we will pay to each holder of the applicable series of the Notes the aggregate principal amount of the Notes held by such holder (plus accrued and unpaid interest, if any) in U.S. dollars in the U.S. Dollar Settlement Amount calculated as of the relevant Rate Calculation Date.

The Notes are senior obligations of the Company guaranteed by certain of our existing subsidiaries, or the Subsidiary Guarantors, other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in the sections entitled "Description of the 2014 Notes" and "Description of the 2016 Notes." We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee. We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time and from time to time, we may redeem up to 35% of any series of the Notes, at a redemption price of the U.S. Dollar Settlement Amount of 107.50% with respect to the 2014 Notes and 109.25% with respect to the 2016 Notes, respectively, of the principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, we may redeem any series of the Notes, in whole but not in part, at any time prior to January 19, 2014 in the case of the 2014 Notes and January 19, 2016 in the case of the 2016 Notes, at a price equal to the U.S. Dollar Settlement Amount of 100% of the principal amount of such series of the Notes plus (i) accrued and unpaid interest (if any) to the redemption date and (ii) a premium as set forth in this offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in the indentures governing the Notes, or the Indentures), we must make an offer to repurchase all such Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase in U.S. dollars in the U.S. Dollar Settlement Amount calculated as of the relevant Rate Calculation Date.

Each series of the Notes will be (1) at least *pari passu* in right of payment against the Company with the Company's 13% Senior Notes due 2015, or the 2015 Notes, and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law), (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (3) effectively subordinated to the other secured obligations of the Company (if any), the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the pledge of any collateral. See the section entitled "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral."

For a more detailed description of the Notes, see the sections entitled "Description of the 2014 Notes" and "Description of the 2016 Notes."

**Investing in the Notes involves risks. See the section entitled "Risk Factors."**

Approval in-principle has been received for the listing of the Notes on the Singapore Exchange Securities Trading Limited, or the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) for either series have not been and will not be registered under the United States Securities Act of 1933, as amended, or the U.S. Securities Act, and may not be offered or sold within the United States or to any U.S. persons. The Notes are being offered and sold only outside the United States to non-U.S. persons in compliance with Regulation S under the U.S. Securities Act. For a description of certain restrictions on resale or transfer, see the section entitled "Transfer Restrictions."

Each series of the Notes will be evidenced by a global note, or the Global Note, in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV, or Euroclear, and Clearstream Banking, société anonyme, or Clearstream. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out herein, individual certificates for any series of Notes will not be issued in exchange for beneficial interests in the Global Note. It is expected that delivery of the Global Notes will be made on January 19, 2011 or such later date as may be agreed by the Company and the Initial Purchasers (as defined in "Plan of Distributions").

*Sole Global Coordinator*

**BofA Merrill Lynch**

*Joint Lead Managers and Joint Bookrunners*

**BofA Merrill Lynch**

**Deutsche Bank**

**Citi**

**BOC International**

The date of this offering memorandum is January 13, 2011

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**This offering memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.**

**IN CONNECTION WITH THIS OFFERING, MERRILL LYNCH INTERNATIONAL, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME WHICH IS NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.**

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this offering memorandum and the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

This offering memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering memorandum before making a decision whether to purchase the Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled “Transfer Restrictions” below.

No representation or warranty, express or implied, is made by the Initial Purchasers or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors’ examination of us and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

We are not, and the Initial Purchasers are not, making an offer to sell the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), and distribution of this offering memorandum, see the sections entitled “Transfer Restrictions” and “Plan of Distribution” below.

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the Notes.

We reserve the right to withdraw the offering of the Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

## **CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION**

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we,” “us,” “our,” the “Company” and words of similar import, we are referring to Evergrande Real Estate Group Limited itself, or to Evergrande Real Estate Group Limited and its consolidated subsidiaries, as the context requires.

Market data, industry forecast and PRC and property industry statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Initial Purchasers or their respective directors and advisors, and neither we, the Initial Purchasers nor our or their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly inconsistent collection methods and other problems, such statistics herein may be inaccurate. You should not unduly rely on such market data, industry forecast and PRC and property industry statistics.

In this offering memorandum, all references to “US\$” and “U.S. dollars” are to United States dollars, the official currency of the United States of America, or the United States or U.S.; all references to “HK\$” and “H.K. dollars” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC, or Hong Kong; and all references to “RMB” or “Renminbi” are to Renminbi, the official currency of the People’s Republic of China, or China or the PRC.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB 6.7815 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2010, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK\$7.7865 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2010. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see the section entitled “Exchange Rate Information.”

References to “PRC” and “China,” for the statistical purposes of this offering memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the PRC, or Macau, or Taiwan. “PRC government” or “State” means the central government



of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

Our Accountants' Report as set out in the prospectus dated October 22, 2009 relating to our IPO, audited financial statements for the year ended December 31, 2009 and unaudited financial information are prepared in accordance with Hong Kong Financial Reporting Standards, or HKFRS, which may differ in material respects from generally accepted accounting principles in other countries. You should seek professional advice with respect to such difference in generally accepted accounting principles.

References to "share" are to, unless the context indicates otherwise, an ordinary share, with a nominal value of US\$0.01, in our share capital.

References to the "Reorganization" are to the corporate reorganization we underwent shortly before our initial public offering of shares listed on The Stock Exchange of Hong Kong Limited, or the Hong Kong Stock Exchange, in November 2009, or our IPO.

References to the "2015 Notes" are to our US\$1,350,000,000 13% Senior Notes due 2015 issued on January 27, 2010 and April 16, 2010. See "Description of Material Indebtedness and Other Obligations — 2015 Notes."

References to the "Notes" are to our 2014 Notes and 2016 Notes. See the sections entitled "Description of the 2014 Notes" and "Description of the 2016 Notes."

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and gross floor area, or GFA, information presented in this offering memorandum represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies.

In this offering memorandum, unless the context otherwise requires, all references to "affiliate" are to a person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to "subsidiary" are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, or the Listing Rules.

In this offering memorandum, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus.

In this offering memorandum, a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用證) issued by a local real estate and land resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a certificate of completion refers to a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection; and a property ownership certificate refers to a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.

Totals presented in this offering memorandum may not total correctly because of rounding of numbers.

## FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- our business and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- projects under development or held for future development;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the regions where we operate, which affect land supply, types of property projects, availability and cost of financing, pre-sale, pricing, foreign investments in property development, and volume of our property development projects;
- significant delay in obtaining the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- changes in currency exchange control and rates; and
- other factors beyond our control.

In some cases, you can identify forward-looking statements by such terminology as “may,” “will,” “should,” “could,” “would,” “expect,” “intend,” “plan,” “anticipate,” “going forward,” “ought to,” “seek,” “project,” “forecast,” “believe,” “estimate,” “predict,” “potential” or “continue”



or the negative of these terms or other comparable terminology. Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance, some of which may not materialize or may change. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. In addition, unanticipated events may adversely affect the actual results we achieve. Important factors that could cause actual results to differ materially from our expectations are disclosed under the section entitled “Risk Factors” in this offering memorandum. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this offering memorandum, whether as a result of new information, future events or otherwise after the date of this offering memorandum. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set forth in this section.

## SUMMARY

*This summary does not contain all the information that may be important to you in deciding to invest in the Notes. You should read the entire offering memorandum, including the section entitled “Risk Factors” and our consolidated financial statements and related notes thereto, before making an investment decision.*

### Overview

We are one of the largest developers of quality residential property projects and a leader in adopting a standardized operational model to manage our various projects in different cities across China. Founded in Guangzhou, Guangdong Province in 1996, we have become a leading national property developer through our economies of scale and widely recognized brand name, under the leadership of our management team. Over the years, our focus on a centralized management system, a standardized operational model and quality products has allowed us to quickly replicate our success across China. We focus primarily on provincial capitals and other selected cities that we believe have high-growth potential. We believe our land reserves cover the most provincial capitals and municipalities among all PRC property developers. Through our standardized operational model, we have been able to simultaneously manage projects in various development and sale stages in 62 cities across China as of December 31, 2010.

Our residential property development integrates planning, design, construction and property management and follows our standardized process management to ensure development speed and product quality. We have been awarded the highest recognition in China in real estate development, architectural planning and design, construction, construction supervision and property management, and have been ranked among the “Top 10 Property Developers of China” for seven consecutive years since 2004 by China Real Estate Top 10 Research Group, an organization constituted by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Real Estate Research Center and China Index Academy.

According to a report published on January 1, 2011 by China Real Estate Appraisal, a non-profit professional evaluation institution, and CRIC Holdings Limited, or CRIC, we were ranked No. 2 among property developers in China in terms of GFA pre-sold for the year ended December 31, 2010, and were among the top five property developers in China in terms of aggregate value of contracted sales for the year ended December 31, 2010.

We believe we have the largest land reserves among all PRC property developers, with a total GFA of approximately 96.0 million square meters of high-quality and low-cost land as of December 31, 2010 with an average cost of approximately RMB 520 per square meter. As of December 31, 2010, we have an aggregate of approximately RMB 19.3 billion outstanding land premiums, of which RMB 10.3 billion is expected to be paid in 2011 and RMB 5.2 billion is expected to be paid in 2012. As of December 31, 2010, we had a total of 121 property projects, more than 60% of which were projects located in provincial capitals or municipalities. As of December 31, 2010, we had completed development of a total GFA of approximately 13.6 million square meters since our inception, and we had properties under development with a total GFA of approximately 55.8 million square meters, and properties held for future development with a total GFA of approximately 40.2 million square meters.

As of December 31, 2010, 69 of our property projects under development had construction permits with a total GFA of approximately 24.0 million square meters and a saleable GFA under construction of approximately 23.7 million square meters, and 56 of our projects had obtained pre-sale permits for a total GFA under construction of approximately 8.6 million square meters, of which approximately 4.5 million square meters remained unsold.

Over the years, we have developed and introduced various distinctive product series to the market, including:

- *Mid- to mid-high-end series* represented by products within our Evergrande Oasis (恒大綠洲) series, Evergrande Metropolis (恒大名都) series, Evergrande City (恒大城) series and Evergrande Atrium (恒大雅苑) series which we target to account for approximately 70% of the number of our current projects, and are marketed towards middle to upper-middle income residents, who currently constitute the largest segment of residential real estate purchasers. Evergrande Metropolis and Evergrande City are urban residential complexes in major cities, while Evergrande Oasis and Evergrande Atrium are located in areas with the requisite natural landscape. These series are equipped with well-developed facilities and amenities within the complexes.
- *High-end series* represented by products within our Evergrande Palace (恒大華府) series and Evergrande Royal Scenic (恒大御景) series, which we target to account for approximately 10% of the number of our current projects, and are positioned as high-end and premium residential properties in urban centers. Properties of our Evergrande Palace and Evergrande Royal Scenic Peninsula series target high-income residents in such regions.
- *Tourism-related series* represented by products within our Evergrande Splendor (恒大金碧天下) series and Evergrande Scenic Garden (恒大山水城) series, which we target to account for approximately 20% of the number of our current projects. Products within our Evergrande Splendor and Evergrande Scenic Garden series are positioned as large-scale resort projects that offer a mix of residential, commercial and tourism-related properties.

We design and develop all of our product series under our standardized operational model and market them under the brand name of “Evergrande” on a nationwide basis.

We strive to provide high-quality residential products to the market by focusing on every step of the development process, from site selection, planning, landscaping, construction to fitting-out and property management. We aim to deliver “best-in-class” end-products to our customers. Over the years, our products have gained wide brand recognition among consumers as reflected by our strong contracted sales and sales records. For the year ended December 31, 2010, our contracted sales amounted to approximately RMB 50.4 billion. Of the contracted sales, approximately RMB 5.6 billion remained outstanding as of December 28, 2010 and is expected to be received from our customers in the future pursuant to our sales contracts. Our total cash (including cash equivalents and restricted cash) amounted to RMB 18,816.8 million and our aggregate outstanding borrowings amounted to RMB 30,970.1 million as of December 28, 2010. For the year ending December 31, 2011, we have set a total contracted sales target of RMB 70 billion, which is 40% higher than our total contracted sales in the year ended December 31, 2010.

### **Our Competitive Strengths**

We believe that we possess the following principal strengths that enable us to compete in the residential property market in China:

- We are a leader of the standardized operational model for large-scale quality property developments;
- We have strategically acquired large low-cost land reserves, with 96.0 million square meters in 62 cities across China as of December 31, 2010, focusing on provincial capitals and other selected cities that we believe have high-growth potential;
- We have leveraged our industry-leading brand name and strategic partnerships with renowned suppliers to develop quality products that are well-recognized by the market;

- We offer a comprehensive product mix that caters to different market segment demands;
- We are able to effectively control our costs at every stage of the project development;
- We possess a highly experienced and stable management team with proven execution capabilities to adapt and respond to market changes; and
- We have proven capability to develop projects and achieve asset turnover rapidly.

You should refer to the section entitled “Business — Our Competitive Strengths” for further information about these strengths.

### **Our Business Strategies**

Our principal business strategies are:

- Continue to focus on provincial capitals and other selected cities that we believe have high-growth potential;
- Continue to optimize and leverage our standardized operational model;
- Maintain a comprehensive product offering with a primary focus on residential properties; and
- Focus on product quality to enhance our brand.

You should refer to the section entitled “Business — Business Strategies” for further information about these strategies.

### **General Information**

We were incorporated in the Cayman Islands on June 26, 2006 as an exempted company with limited liability, with registered number MC-169971. Our principal place of business in China is at 23rd Floor, Talent Building, 45 Tianhe Road, Guangzhou, Guangdong Province 510075, PRC. Our place of business in Hong Kong is at Suite 1501–1507, One Pacific Place, 88 Queensway, Hong Kong. Our registered office is located at Uglan House, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands. Our website is <http://www.evergrande.com>. Information contained on our website does not constitute a part of this offering memorandum.

## The Offering

Terms used in this summary and not otherwise defined have the meanings given to them in the sections entitled “Description of the 2014 Notes” and “Description of the 2016 Notes.”

Issuer	Evergrande Real Estate Group Limited.
Notes offered	2014 Notes: RMB 5,550,000,000 aggregate principal amount of US\$ settled 7.50% Senior Notes due 2014.  2016 Notes: RMB 3,700,000,000 aggregate principal amount of US\$ settled 9.25% Senior Notes due 2016.
Offering price	2014 Notes: 100% of the principal amount of the 2014 Notes, settled in US\$, at an exchange rate of RMB 6.5997 to US\$1.00, resulting in a US\$ issue price of US\$151,522.04 per RMB 1,000,000 in principal amount of the 2014 Notes.  2016 Notes: 100% of the principal amount of the 2016 Notes, settled in US\$, at an exchange rate of RMB 6.5997 to US\$1.00, resulting in a US\$ issue price of US\$151,522.04 per RMB 1,000,000 in principal amount of the 2016 Notes.
Maturity date	2014 Notes: January 19, 2014.  2016 Notes: January 19, 2016.
Interest	2014 Notes: The 2014 Notes will bear interest from and including January 19, 2011 at the rate of 7.50% per annum, payable semi-annually in arrears.  2016 Notes: The 2016 Notes will bear interest from and including January 19, 2011 at the rate of 9.25% per annum, payable semi-annually in arrears.
Interest payment dates	January 19 and July 19 of each year, commencing July 19, 2011.
Ranking of the Notes	The Notes are: <ul style="list-style-type: none"><li>• general obligations of the Company;</li><li>• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;</li><li>• at least <i>pari passu</i> in right of payment with the 2015 Notes and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);</li><li>• guaranteed by the Subsidiary Guarantors (as defined below) on a senior basis, subject to certain limitations described under the sections entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” and “Description of the 2014 Notes — The Subsidiary Guarantees” and “Description of the 2016 Notes — The Subsidiary Guarantees;”</li></ul>

- effectively subordinated to the other secured obligations of the Company (if any), the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors (as defined below) and subject to certain limitations described under the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will:

- be entitled to a lien on the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors, subject only to any permitted liens;
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to priority rights of such unsecured obligations pursuant to applicable law); and
- rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by each Subsidiary Guarantor Pledgor securing the Notes (subject to priority rights of such unsecured obligations pursuant to applicable law).

#### Subsidiary Guarantees

Each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes, provided that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount (as defined in the sections entitled “Description of the 2014 Notes — Definitions” and “Description of the 2016 Notes — Definitions”).

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor (if any) may be released in certain circumstances. See the sections entitled “Description of the 2014 Notes — Release of the Subsidiary Guarantees,” “Description of the 2016 Notes — Release of the Subsidiary Guarantees” and “— Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees.”

The initial Subsidiary Guarantors will consist of all of the Company's Restricted Subsidiaries on the Original Issue Date other than (i) the Restricted Subsidiaries existing on the Original Issue Date that are Subsidiaries organized under the laws of the PRC, or the PRC Subsidiaries, and (ii) Success Will Group Limited, any Subsidiaries of Success Will Group Limited, Ever Grace Group Limited, Tianding Holding Limited, Tianji Holding Limited, Lanbowan (BVI) Limited, Chuangfeng (BVI) Limited, Luckyman Group Limited, Luckyup Group Limited, Shengtong Holding Limited, Mass Joy Holdings Limited, Will Glory Holdings Limited, Shengtong (BVI) Limited, Evergrande International Hotels Group Limited, Sure Fast Group Limited, Grandday Group Limited and Lucky Grow Holdings Limited.

The initial Subsidiary Guarantors do not have significant operations.

Any future Restricted Subsidiary, as defined under the sections entitled "Description of the 2014 Notes — Definitions" and "Description of the 2016 Notes — Definitions" (other than future PRC Subsidiaries), will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee immediately upon becoming a Restricted Subsidiary.

Ranking of Subsidiary  
Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with the 2015 Notes and all other unsecured, unsubordinated indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law).

Ranking of JV Subsidiary  
Guarantees

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount (as defined in the sections entitled "Description of the 2014 Notes — Definitions" and "Description of the 2016 Notes — Definitions");
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;



- subject to the limitation to the JV Entitlement Amount (as defined in the sections entitled “Description of 2014 Notes — Definitions” and “Description of the 2016 Notes — Definitions”), will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- subject to the limitation to the JV Entitlement Amount (as defined in the sections entitled “Description of 2014 Notes — Definitions” and “Description of the 2016 Notes — Definitions”), will rank at least *pari passu* with the 2015 Notes and all other unsecured, unsubordinated indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law).

After the pledge of the Collateral (as described below) by the Company and the Subsidiary Guarantor Pledgors, the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor (subject only to any permitted liens); and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee.

The JV Subsidiary Guarantees of each JV Subsidiary Guarantor will not be secured.

See the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

#### Intercreditor Agreement

The Company, the Subsidiary Guarantor Pledgors, the Collateral Agent, the Trustee for the 2014 Notes and the 2016 Notes and the trustee for the 2015 Notes will enter into an intercreditor agreement as of the issue date of the Notes. This agreement provides that the security interests created by the Collateral will be shared on a *pari passu* basis among (i) the holders of the 2015 Notes, (ii) the holders of the Notes and (iii) any other creditors with respect to Permitted *Pari Passu* Secured Indebtedness.

#### Security to be granted

The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, all of the capital stock of each initial Subsidiary Guarantor other than that of any Subsidiary Guarantor owned directly by a PRC Restricted Subsidiary, or the Collateral (subject only to the any permitted liens) on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indentures and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee of each series of the Notes.

The security created in respect of the Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each Subsidiary Guarantor Pledgor may incur Permitted Pari Passu Secured Indebtedness which would be secured by the security created in respect of the Collateral on a *pari passu* basis with the Notes and the Subsidiary Guarantees. See the section entitled “Description of the 2014 Notes — Security” and “Description of the 2016 Notes — Security.”

Use of proceeds

We intend to use not less than 45% of the net proceeds to fund the repayment of onshore bank borrowings and to replenish cash reserves that have been used to repay onshore bank borrowings since January 1, 2011 and the remaining portion to finance our existing and new property projects and for general corporate purposes.

We may adjust our acquisition and development plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest such net proceeds in “Temporary Cash Investments” as defined under the sections entitled “Description of the 2014 Notes — Definitions” and “Description of the 2016 Notes — Definitions.”

Optional Redemption

At any time prior to January 19, 2014, the Company may at its option redeem the 2014 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2014 Notes plus the Applicable Premium as defined in the section entitled “Description of the 2014 Notes — Definitions” as of, and accrued and unpaid interest, if any, to the redemption date.

At any time prior to January 19, 2016, the Company may at its option redeem the 2016 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes plus the Applicable Premium as defined in the section entitled “Description of the 2016 Notes — Definitions” as of, and accrued and unpaid interest, if any, to the redemption date.

At any time and from time to time, the Company may redeem up to 35% of the aggregate principal amount of the 2014 Notes at a redemption price of 107.50% of the principal amount of the 2014 Notes, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

At any time and from time to time, the Company may redeem up to 35% of the aggregate principal amount of the 2016 Notes at a redemption price of 109.25% of the principal amount of the 2016 Notes, plus accrued and unpaid interest, if any, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

Repurchase of Notes upon a Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event as defined under the sections entitled “Description of the 2014 Notes — Definitions” and “Description of the 2016 Notes — Definitions,” the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the repurchase date.

Redemption for taxation reasons	Subject to certain exceptions and as more fully described herein, the Company may redeem each series of the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor or a JV Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See the sections entitled “Description of the 2014 Notes — Redemption for Taxation Reasons” and “Description of the 2016 Notes — Redemption for Taxation Reasons.”
Covenants	<p>The Notes, the Indentures governing the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) of each series of Notes will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> <li>● incur or guarantee additional indebtedness and issue disqualified or preferred shares or stock;</li> <li>● declare dividends on its shares or capital stock or purchase or redeem shares or capital stock;</li> <li>● make investments or other specified restricted payments;</li> <li>● issue or sell capital stock of Restricted Subsidiaries;</li> <li>● guarantee indebtedness of Restricted Subsidiaries;</li> <li>● sell assets;</li> <li>● create liens;</li> <li>● enter into sale and leaseback transactions;</li> <li>● engage in any business other than permitted business;</li> <li>● enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;</li> <li>● enter into transactions with shareholders or affiliates; and</li> <li>● effect a consolidation or merger.</li> </ul> <p>These covenants are subject to a number of important qualifications and exceptions described in the sections entitled “Description of the 2014 Notes — Certain Covenants” and “Description of the 2016 Notes — Certain Covenants.”</p>
Transfer restrictions	The Notes will not be registered under the U.S. Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See the section entitled “Transfer Restrictions.”

Form, denomination and registration	Each series of the Notes will be issued only in fully registered form, without coupons, in minimum denominations of RMB 1,000,000 of principal amount and integral multiples of RMB 10,000 in excess thereof and will be initially represented by one or more Global Notes registered in the name of a nominee of a common depository for Euroclear and Clearstream.
Book-entry only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see the sections entitled “Description of the 2014 Notes — Book-Entry; Delivery and Form” and “Description of the 2016 Notes — Book-Entry; Delivery and Form.”
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about January 19, 2011, or the Original Issue Date, which the Company expects will be the fourth business day following the date of this offering memorandum referred to as “T+3.” You should note that initial trading of the Notes may be affected by the “T+3” settlement. See the section entitled “Plan of Distribution.”
Trustee	Citicorp International Limited
Collateral Agent	Citicorp International Limited
Paying Agent, Transfer Agent and Registrar	Citibank, N.A., London Branch
Listing	Approval in-principle has been received for the listing of the Notes on the SGX-ST.
Ratings	The Notes have been rated BB- by Standard and Poor’s Rating Services and B2 with a negative outlook by Moody’s Investors Service. In addition, the Company has been assigned a long-term corporate credit rating of BB with a stable outlook by Standard and Poor’s Rating Services, a corporate family rating of B1 with a negative outlook by Moody’s Investors Service and a long-term foreign currency issuer default rating of BB with a stable outlook by Fitch Ratings. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the Notes.
ISIN/Common Codes	The Notes have been accepted for clearance through Euroclear and Clearstream with a Common Code of 057638222 for the 2014 Notes and 057638249 for the 2016 Notes. The International Securities Identification Numbers are XS0576382229 for the 2014 Notes and XS0576382492 for the 2016 Notes.
Governing law	The Notes and the Indentures will be governed by and will be construed in accordance with the laws of the State of New York.
Risk factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see the section entitled “Risk Factors.”

## Summary Consolidated Financial and Other Data

The following table presents our summary financial and other data. The summary consolidated statement of comprehensive income data for the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2009 and the summary consolidated balance sheet data as of December 31, 2007, 2008 and 2009 set forth below (except for EBITDA data) have been derived from our Accountants' Report as set out in the prospectus dated October 22, 2009 relating to our IPO and our consolidated financial statements for the year ended December 31, 2009 as audited by PricewaterhouseCoopers, independent certified public accountants, and included elsewhere in this offering memorandum. The summary financial information as of and for the six months ended June 30, 2010 set forth below (except for EBITDA data) has been derived from our unaudited condensed consolidated financial information included elsewhere in this offering memorandum. The unaudited condensed consolidated financial information as of and for the six months ended June 30, 2010 contain all adjustments that our management believes are necessary for the fair presentation of such information.

Results for interim periods are not indicative of results for the full year. Our Accountants' Report, our financial information and our financial statements have been prepared and presented in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," our Accountants' Report and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

### Summary Consolidated Statement of Comprehensive Income and Other Financial Data

	Year ended December 31,			Six months ended June 30,		
	2007	2008	2009	2009	2010	
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)
	(unaudited)					
	(in thousands)					
Revenue	3,166,692	3,606,791	5,722,657	1,635,130	20,366,292	3,003,213
Cost of sales	(1,945,261)	(2,124,420)	(3,776,308)	(1,089,782)	(15,419,512)	(2,273,761)
<b>Gross profit</b>	<b>1,221,431</b>	<b>1,482,371</b>	<b>1,946,349</b>	<b>545,348</b>	<b>4,946,780</b>	<b>729,452</b>
Fair value gains on investment properties	657,067	77,415	842,570	299,657	750,554	110,677
Other gains	796,877	531,090	347,554	301,094	58,208	8,583
Selling and marketing costs	(220,651)	(665,299)	(1,075,142)	(415,259)	(797,900)	(117,658)
Administrative expenses	(470,579)	(545,273)	(744,960)	(349,034)	(542,392)	(79,981)
Other operating expenses	(23,356)	(34,439)	(63,890)	(6,187)	(44,240)	(6,524)
<b>Operating profit</b>	<b>1,960,789</b>	<b>845,865</b>	<b>1,252,481</b>	<b>375,619</b>	<b>4,371,010</b>	<b>644,549</b>
Fair value change on embedded financial derivatives	(562,684)	—	—	—	—	—
(Provisions)/reversals of financial guarantees	—	(65,997)	197,403	146,341	—	—
Finance (costs)/income, net	118,765	186,520	(3,709)	(12,308)	48,314	7,124
<b>Profit before income tax</b>	<b>1,516,870</b>	<b>966,388</b>	<b>1,446,175</b>	<b>509,652</b>	<b>4,419,324</b>	<b>651,673</b>
Income tax (expenses)/credit	(437,766)	(333,958)	(329,371)	12,708	(1,919,253)	(283,013)
<b>Profit for the year/period</b>	<b>1,079,104</b>	<b>632,430</b>	<b>1,116,804</b>	<b>522,360</b>	<b>2,500,071</b>	<b>368,660</b>
<b>Other comprehensive income:</b>						
Gain/loss recognized directly in equity	—	—	—	—	—	—
<b>Total comprehensive income for the year/period</b>	<b>1,079,104</b>	<b>632,430</b>	<b>1,116,804</b>	<b>522,360</b>	<b>2,500,071</b>	<b>368,660</b>
<b>Attributable to:</b>						
Shareholders of the Company	1,081,533	524,760	1,046,428	500,172	2,328,682	343,387
Non-controlling interests	(2,429)	107,670	70,376	22,188	171,389	25,273
	<b>1,079,104</b>	<b>632,430</b>	<b>1,116,804</b>	<b>522,360</b>	<b>2,500,071</b>	<b>368,660</b>
Dividends	—	125,651	105,000	—	—	—
<b>Other Financial Data</b>						
EBITDA <sup>(1)</sup>	1,350,336	809,912	482,827	109,172	3,667,828	540,857
EBITDA margin <sup>(2)</sup>	42.6%	22.5%	8.4%	6.7%	18.0%	18.0%

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- (1) EBITDA for any period consists of profit from operating activities before fair value gains on the investment properties plus depreciation and amortization expenses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year/period under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indentures governing the Notes. Interest expense excludes amounts capitalized. See the sections entitled "Description of the 2014 Notes — Definitions" and "Description of the 2016 Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures governing the Notes.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

## Summary Consolidated Balance Sheet Data

	As of December 31,			As of June 30,	
	2007	2008	2009	2010	
	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)				
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment . . . . .	217,978	450,141	395,775	766,892	113,086
Land use rights . . . . .	470,820	250,868	279,498	309,580	45,651
Investment properties . . . . .	1,571,468	1,741,390	3,130,800	4,400,305	648,868
Other receivables . . . . .	—	281,849	302,964	312,660	46,105
Deferred income tax assets . . . . .	123,904	324,364	522,166	337,824	49,816
	<u>2,384,170</u>	<u>3,048,612</u>	<u>4,631,203</u>	<u>6,127,261</u>	<u>903,526</u>
<b>Current assets</b>					
Land use rights . . . . .	6,514,092	8,644,245	15,923,120	22,430,758	3,307,640
Properties under development . . . . .	3,287,017	9,049,192	20,557,151	17,343,685	2,557,500
Completed properties held for sale . . . . .	986,962	2,240,713	2,004,932	3,854,866	568,439
Trade and other receivables and prepayments . . . . .	4,845,432	3,590,360	5,318,893	10,920,707	1,610,366
Income tax recoverable. . . . .	—	31,816	257,909	256,897	37,882
Restricted cash . . . . .	1,725,849	1,167,942	7,044,824	8,536,886	1,258,849
Cash and cash equivalents . . . . .	1,640,863	749,718	7,333,232	9,951,414	1,467,436
	<u>19,000,215</u>	<u>25,473,986</u>	<u>58,440,061</u>	<u>73,295,213</u>	<u>10,808,112</u>
<b>Total assets</b> . . . . .	<u>21,384,385</u>	<u>28,522,598</u>	<u>63,071,264</u>	<u>79,422,474</u>	<u>11,711,638</u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to shareholders of the Company</b>					
Share capital . . . . .	125,000	209,332	1,044,079	1,044,079	153,960
Share premium . . . . .	—	6,000,560	7,958,022	7,958,022	1,173,490
Reserves . . . . .	(640,465)	389,837	1,219,385	1,356,587	200,042
Retained earnings . . . . .	1,153,145	1,662,139	2,640,351	4,828,244	711,973
	<u>637,680</u>	<u>8,261,868</u>	<u>12,861,837</u>	<u>15,186,932</u>	<u>2,239,465</u>
Non-controlling interests . . . . .	213,593	321,263	295,309	466,698	68,819
<b>Total equity</b> . . . . .	<u>851,273</u>	<u>8,583,131</u>	<u>13,157,146</u>	<u>15,653,630</u>	<u>2,308,284</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings. . . . .	8,915,516	4,226,413	7,816,044	23,178,175	3,417,854
Convertible Preferred Shares . . . . .	3,153,928	—	—	—	—
Embedded financial derivatives . . . . .	816,436	—	—	—	—
Deferred income tax liabilities. . . . .	482,137	451,527	600,497	779,359	114,924
	<u>13,368,017</u>	<u>4,677,940</u>	<u>8,416,541</u>	<u>23,957,534</u>	<u>3,532,778</u>
<b>Current liabilities</b>					
Borrowings. . . . .	646,200	6,213,843	6,359,745	2,094,990	308,927
Trade and other payables . . . . .	4,194,060	4,469,168	9,799,761	13,937,301	2,055,194
Receipt in advance from customers . . . . .	1,763,544	3,503,265	24,306,136	21,946,599	3,236,246
Financial guarantee liabilities . . . . .	—	197,403	—	—	—
Current income tax liabilities . . . . .	561,291	877,848	1,031,935	1,832,420	270,209
	<u>7,165,095</u>	<u>15,261,527</u>	<u>41,497,577</u>	<u>39,811,310</u>	<u>5,870,576</u>
<b>Total liabilities.</b> . . . . .	<u>20,533,112</u>	<u>19,939,467</u>	<u>49,914,118</u>	<u>63,768,844</u>	<u>9,403,354</u>
<b>Total equity and liabilities</b> . . . . .	<u>21,384,385</u>	<u>28,522,598</u>	<u>63,071,264</u>	<u>79,422,474</u>	<u>11,711,638</u>
<b>Net current assets</b> . . . . .	<u>11,835,120</u>	<u>10,212,459</u>	<u>16,942,484</u>	<u>33,483,903</u>	<u>4,937,536</u>
<b>Total assets less current liabilities</b> . . . . .	<u>14,219,290</u>	<u>13,261,071</u>	<u>21,573,687</u>	<u>39,611,164</u>	<u>5,841,062</u>



## RISK FACTORS

*You should carefully consider the risks and uncertainties described below and other information contained in this offering memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occurs, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.*

### **Risks Relating to Our Business**

***Our business is subject to extensive governmental regulation and, in particular, we are susceptible to policy changes in the PRC property sector***

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, and impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector. Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. Starting from the second half of 2009, the residential property prices in certain cities in China rose rapidly. In order to prevent the overheating of the property market and the possible formation of a speculative bubble, the PRC government introduced a series of regulatory measures in an effort to stabilize the real estate market and facilitate its sustainable development, including raising the down payment ratio and residential mortgage loan interest rate, limiting the number of houses that a single household may purchase, increasing the supply of affordable housing to low- and middle-income families, increasing the supply of public housing to targeted populations and restricting foreign investments in properties in China. We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. If we fail to adapt our operations to such new policies, regulations and measures that may come into effect from time to time, our business prospects, results of operations and financial condition may be materially and adversely affected.

You should read the various risk factors under the section entitled “— Risks Relating to the Property Industry in China” below for more risks and uncertainties relating to the extensive PRC regulations.

***We are highly dependent on the performance of the residential property markets in China, particularly in the regions where we have or will have operations***

Our business and prospects depend on the performance of the PRC residential property markets. Any housing market downturn in China generally or in the regions where we operate could adversely affect our business, results of operations and financial condition. As of December 31, 2010, we had 112 properties under development or held for future development across the country located in 24 provinces or municipalities and 62 cities. As of December 31, 2010, based on our GFA under development, Jiangsu Province constituted our largest regional property market in China, with considerable GFA

under development concentrated in Qidong City. Over-concentration of our properties under development within any particular city or region, such as Qidong City, during any protracted period of time may expose us to more regional risks. Any adverse developments in regional economies where we have significant operations could have a material adverse effect on our results of operations and financial condition.

Overall demand for private residential properties in China grew rapidly in recent years. However, the market also experienced fluctuations in property prices during the same period. There have been increasing concerns over housing affordability and sustainability of market growth. In addition, demand for properties in China has been adversely affected and will continue to be so affected by the macro-economic control measures implemented by the PRC government and the recent and potential future global economic downturns. You may find a more detailed risk factor relating to the PRC government control measures in the property sector in the section entitled “— Risks Relating to the Property Industry in China — The PRC government may adopt further measures to slow down growth in the property sector.” We cannot assure you that the demand for new residential properties in geographical locations where we have or will have operations, will continue to grow in the future or that there will not be over-development or market downturn in the domestic residential property sector. Any such adverse development and the ensuing decline in property sales or decrease in property prices in China may adversely affect our business and financial condition.

***We have substantial indebtedness and a deterioration of our cash flow position could materially and adversely affect our ability to service our indebtedness and to continue our operations***

We maintain a significant level of indebtedness to finance our operations. As of December 31, 2007, 2008 and 2009 and June 30, 2010, our aggregate outstanding borrowings were RMB 9,561.7 million, RMB 10,440.2 million, RMB 14,175.8 million and RMB 25,273.2 million (US\$3,726.8 million), respectively. Our total borrowings described above did not include our guarantees or indemnity obligations of approximately RMB 1,464.2 million, RMB 2,087.0 million, RMB 12,531.5 million and RMB 18,869.1 million (US\$2,782.4 million) as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. Out of our total borrowings of RMB 25,273.2 million (US\$3,726.8 million) as of June 30, 2010, RMB 2,095.0 million (US\$308.9 million) was due within a period not exceeding one year, RMB 23,028.2 million (US\$3,395.7 million) was due within a period of more than one year but not exceeding five years and RMB 150.0 million (US\$22.1 million) was due within a period of more than five years. We have incurred and will incur a significant amount of interest expenses in relation to our bank and other borrowings, the 2015 Notes and other financing arrangements. Most of these interest expenses have been or will be capitalized as a part of the properties under development rather than being recorded as expenses in our income statement upon their incurrence. Accordingly, such capitalized interest expenses may adversely affect our gross profit margin upon recognition of the sales of the relevant properties in 2010 and future periods.

We also recorded net operating cash outflow in the six months ended June 30, 2010. The PRC governmental policies in the property sector will continue to exert pressure on our operating cash flow. The PRC government currently requires that a land grant contract be entered into within 10 working days after the closing of the land grant, and that the down-payment of 50% of the land premium be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of land grant contract. We cannot assure you that we will be able to generate sufficient cash flow from operations to support the repayment of our current indebtedness. If we are unable to make scheduled payments in connection with our debt and other fixed payment obligations as they become due, we may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or timely or that we would be able to refinance our obligations on acceptable terms or at all. If financial institutions decline to lend additional funds to us or to refinance our existing loans when they mature as a result of our credit risk and we fail to raise financing through other means, our financial condition, cash flow position and our business prospects may be materially and adversely affected.

In addition, some of our financing arrangements contain provisions that may not work to our advantage when we encounter difficulties in servicing our debt obligations. For example, the Indentures to our Notes and the indenture to our 2015 Notes define “events of default” in a broad manner and contain cross-default provisions that will make a default under one debt a default under the other debt, including the Notes and the 2015 Notes. You may find additional information relating to “events of default” under the Notes and the 2015 Notes in the sections entitled “Description of the 2014 Notes — Events of Default,” “Description of the 2016 Notes — Events of Default” and “Description of Material Indebtedness and Other Obligations — 2015 Notes.”

Although it is never our intention to default under any of our agreements, we cannot assure you that we will be able to maintain the relevant financial ratios from time to time and that we will not default. If we are unable to obtain forbearance or waiver arrangements with the relevant lenders and upon occurrence of any default, event of default or cross-default in the future, it could lead to, among other things, an acceleration in our debt obligations, which could in turn have a material adverse effect on our financial condition. See “— Risks Relating to the Notes — If we are unable to comply with the restrictions and covenants in our debt agreements or the Indentures, there could be a default under the terms of these agreements or the Indentures, which could cause repayment of our debt to be accelerated.”

#### ***We may not have adequate financing to fund our land acquisitions and property developments***

Property development is capital intensive. We finance our property projects primarily through a combination of internal funds, pre-sale and sale proceeds, borrowings from financial institutions, and proceeds from our equity and debt financing, including the offering of the Notes. Our ability to obtain adequate financing for land acquisition and property development on terms which will allow us to achieve a reasonable return is dependent on a number of factors that are beyond our control, such as general economic conditions, credit availability from financial institutions, as well as monetary policies in China and PRC regulations relating to the property sector. We cannot assure you that the PRC government will not limit our access to capital, our flexibility and ability to use bank loans or other forms of financing to finance our property development. In November 2009, the PRC government raised the minimum down-payment of land premium to 50%. In March 2010, the PRC government further tightened this requirement by setting the minimum land premium at no less than 70% of the prevailing price at the locality of the land parcel granted, and the bidding deposit at not less than 20% of such minimum land premium. Currently, the PRC government requires that a land grant contract must be entered into within 10 working days after the closing of the land grant, and the down-payment of 50% of the land premium must be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of land grant contract. Such change of policy may constrain our cash otherwise available for additional land acquisition and construction. The PRC government could also introduce other initiatives that may further limit our access to capital, and/or consequently reduce our flexibility and ability to use bank loans or other forms of financing to finance our acquisitions and property developments. For example, in April 2010, the State Council of the PRC (中華人民共和國國務院), or the State Council, issued the Notice on Resolutely Curbing the Excessive Hike of Property Prices in Some Cities 《國務院關於堅決遏制部分城市房價過快上漲的通知》, which mandates that developers who hold idle land or speculate in land will not be granted bank loans for the development of new property projects. In September 2010, People’s Bank of China (中國人民銀行), the central bank of China, or PBOC, and China Banking Regulatory Commission (中國銀行業監督管理委員會), or CBRC, jointly issued a notice to prohibit banks from lending to any property developer for its new projects or renewal of its existing loans if such developer has a track record of maintaining idle land, changing the use and nature of land without proper approval, delaying the construction commencement or completion date, hoarding properties or other non-compliance. We cannot assure you that we will be able to secure adequate financing to fund our land acquisitions (including any unpaid land premium for past acquisitions) to finance our project construction or to renew our existing credit facilities prior to their expiration. Our failure to do so may adversely affect our business, financial condition and results of operations.

### ***Changes in interest rates may increase our financing costs***

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. The benchmark one-year bank lending rates published by PBOC for the years ended December 31, 2007, 2008, 2009 and 2010 were 7.47%, 5.31%, 5.31% and 5.81%, respectively. As of June 30, 2010, the average annualized interest rate on our outstanding Renminbi borrowings was 5.63%, and the average annualized interest rate on our outstanding foreign currency borrowings was 13.7%. Interest expenses of bank borrowings we incurred in 2007, 2008, 2009 and the six months ended June 30, 2010 were RMB 413.9 million, RMB 1,232.3 million, RMB 1,207.1 million and RMB 853.2 million (US\$125.8 million), respectively. We cannot assure you that PBOC will not raise lending rates or that interest rates for U.S. dollar loans will not fluctuate significantly. Any further increase in these rates will increase our financing cost and may materially and adversely affect our business, financial condition and results of operations.

### ***We may not always be able to obtain land reserves that are suitable for our future property development***

We derive our revenue principally from the sale of properties that we have developed. To have a steady stream of developed properties available for sale and continuous growth in the long term, we need to replenish and increase our land reserves that are suitable for development. Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control. The availability of substantially all of the land in China is controlled by the PRC government. Thus the PRC government's land policies have a direct impact on our ability to acquire land use rights for development and our costs of acquisition. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land for property development. The PRC government also controls land supply through zoning, land usage regulations and other means. All these measures further intensify the competition for land in China among property developers. For example, subsequent re-zoning by the PRC government may adversely affect our ability to obtain land use rights. We won the bidding for a piece of land located in Tianhe District of Guangzhou at a land auction for an offer of RMB 4.1 billion in January 2008, and have paid an auction deposit of RMB 130 million. We also entered into a land grant contract with the government, but did not pay the remaining land premium. This land was originally designated for residential use, but has since been re-designated by Guangzhou City government as a result of its re-zoning of this area as part of a newly established financial district in Guangzhou City. We are in negotiation with the Guangzhou City government on this project although the Guangzhou City government has announced its unilateral termination of this land grant contract. We may be subject to forfeiture of the auction deposit of RMB 130 million (US\$19.2 million) and, as a result, we have made a full provision for this amount in our condensed consolidated interim financial information for the six months ended June 30, 2010.

In March 2010, the Ministry of Land and Resources issued the Circular on Strengthening Real Estate Land Supply and Supervision 《關於加強房地產用地供應和監管有關問題的通知》, under which the minimum price for a given land transfer is required to be equal to at least 70% of the benchmark price for land in the surrounding locality and the bidding deposit for such land transfer is required to be equal to at least 20% of the applicable minimum transfer price. Property developers are also required to pay 50% of the land premium (taking into account any deposits previously paid) as a down-payment within one month of signing a land grant contract and pay the remaining land premium in full within one year from the date of the land grant contract. In addition, in September 2010, PRC Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部), formerly known as PRC Ministry of Construction (中華人民共和國建設部), or MOHURD, issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction 《關於進一步加強房地產用地和建設管理調控的通知》, which stipulates, among other things, that the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of any parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the plot ratio for residential land is required to be more than 1.0. In

addition, a property developer and its shareholders will be prohibited from participating in any bidding to acquire additional land until any illegal behavior in which it has engaged, such as leaving its land idle for more than one year, has been completely rectified. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital.

If we fail to acquire sufficient land reserves suitable for development in a timely manner and at acceptable prices, our prospects and competitive position may be adversely affected and our business strategies, growth potential and performance may be materially and adversely affected.

***We may forfeit land to the PRC government if we fail to comply with the terms of the land grant contracts***

Under PRC laws, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, specified usage of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty and/or order us to forfeit the land. Under the current PRC laws and regulations, if we fail to pay any outstanding land premium by the stipulated deadline, we may be subject to a late payment penalty calculated on a per-day basis. As of December 31, 2010, we had outstanding land premiums with respect to a small number of projects which we had not paid based on the underlying land grant contracts. We have obtained the relevant local governments' approvals to either extend the payment of the outstanding land premiums or pay such outstanding land premiums in installments, except for several projects that we are in discussions with the relevant local governments regarding their potential re-zoning plans. We cannot assure you that we will be able to secure similar government approvals if we fail to pay land premiums in the future. Currently, the PRC government requires that a land grant contract must be entered into within 10 working days after the closing of the land grant, and the down-payment of 50% of the land premium must be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of land grant contract. Such change of policy may materially and adversely affect our ability to make timely payment of land premiums.

In addition, if we fail to commence development of a property project within the stipulated period as required under the current PRC laws without the approval from the relevant PRC land authorities, the relevant PRC land bureau may serve a warning notice on us and impose idle land fees up to 20% of the land premium unless such failure is caused by a government action or a force majeure event. The Notice on Promoting Economization of Land Use 《關於促進節約集約用地的通知》 issued by the State Council in January 2008 further confirmed the idle land fee at 20% of the land premium. If we fail to commence such development for more than two years, the land is subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. Even if the commencement of the land development complies with the land grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project or if the total capital expenditure is less than 25% of the total investment of the project and the suspension of the development of the land is more than one year without government approval, the land will still be treated as idle land. If we are required to pay substantial idle land fees, our results of operations and our reputation may be adversely affected. If we forfeit land, we will not only lose the opportunity to develop the property projects on such land, but may also lose all our investments in the land, including land premiums paid and development costs incurred.

***We are exposed to pre-sale related contractual and legal risks***

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and PRC laws and regulations provide for remedies with respect to any breach of such undertakings. For example, if we pre-sell a property project and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, our purchasers may seek compensation for late delivery pursuant to either their contracts with us or PRC



laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and claim compensation. We cannot assure you that we will not experience delays in completion and delivery of our projects.

***Our business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available***

Substantially all purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down-payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive or less available or less attractive to potential property purchasers. In recent years, to curtail the overheating of the PRC property market, the PRC government implemented a series of measures to tighten mortgage financing, including (i) requiring that the number of housing units owned by individual purchasers applying for mortgage loans be determined by taking into account all housing units owned by the family members (including any spouse or minor children) of such purchaser and that purchasers of second or subsequent housing units shall be subject to different credit policies when applying for mortgage loans; (ii) raising the minimum down payment to 30% for all first-time home purchasers using mortgage financing, and requiring commercial banks in China to suspend mortgage loans to customers for their third residential property purchases and beyond, or to any non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period; (iii) requiring a minimum down payment of at least 20% where a first-time home purchaser (including his or her spouse and minor children) uses housing reserves to buy an ordinary home for self-use with a unit floor area of less than 90 square meters, or at least 30% where the unit floor area is more than 90 square meters; (iv) requiring a minimum down payment of at least 50% with a minimum lending interest rate of 110% of the benchmark rate for a second-time home purchaser using housing reserves; (v) stipulating that the second housing reserve loan will only be available to families whose per capita living area is below the average in the locality and such loan is only used to purchase an ordinary home for self-use in order to improve living conditions; and (vi) stipulating that loans from housing reserves to families for their third residential property and beyond are suspended. See “Regulation — Mortgages of Real Estate.” For commercial property buyers, banks are no longer allowed to finance the purchase of any pre-sold properties. The minimum down-payment for commercial property buyers has increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark one-year bank lending interest rate and maximum maturities of no more than 10 years. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower’s monthly income or if the total debt service of the individual borrower would exceed 55% of such individual’s monthly income. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

In line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers up until we complete the relevant property and the individual property ownership certificates with respect to the relevant properties are issued to our purchasers and the mortgage registrations for the relevant properties have been completed. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and the banks would not accept any alternative guarantees by third parties, or if no third party is available or willing in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks and other financial institutions during sales and pre-sales of our properties. Such difficulties in financing could result in a substantially lower rate of sale and pre-sale of our properties, which would materially and adversely affect our cash flow, financial condition and results of operations.

***Intensified competition might adversely affect our business and our financial position***

In recent years, many property developers, including overseas developers, have entered the property development markets in Guangdong Province and other regions of China where we have operations. Competition among property developers may cause an increase in land premiums and raw material costs, shortages in quality construction contractors, further delays in issue of government approvals, and higher costs to attract or retain talented employees.

Moreover, residential property markets across China are influenced by various other factors, including changes in economic conditions, banking practices and consumer sentiments. If we fail to compete effectively or to adapt to the changes in market conditions, our business operations and financial condition will suffer.

***Potential liability for environmental damages could result in substantial outflow of our resources***

We are subject to a variety of laws and regulations concerning the protection of health and environment. The particular environmental laws and regulations that apply to any given project development site vary according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Efforts taken to comply with environmental laws and regulations may result in delays in development, cause us to incur substantial compliance costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and we are required to submit an environmental impact assessment report to the relevant governmental authorities for approval before commencement of its construction. Although the environmental audits conducted by the relevant PRC environmental protection agencies to date have not revealed any environmental violations that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that there are potential material environmental liabilities of which we are unaware. In addition, we cannot ensure that our operations will not result in environmental liabilities or that our contractors will not violate any environmental laws and regulations in their operations that may be attributed to us. You should refer to the section entitled "Business — Environmental and Safety Matters" for more information in respect of environmental matters.

***We have limited experience in hotel management and our results in this segment may be adversely affected by our inexperience***

Certain residential projects that we have developed or will develop include upscale hotels and other ancillary commercial facilities, such as our Hotel Evergrande within Evergrande Royal Scenic Peninsula in Guangzhou and our Hotel Evergrande in Evergrande Splendor Chongqing. We believe our hotel management business primarily serves as a value enhancer to our brand and an organic component of our overall residential property market strategy. Our experience in hotel management is limited and we cannot assure you that we will be able to successfully leverage our experience in residential property development to meet challenges in the hotel management business. We plan to operate some of these hotels ourselves and engage hotel and resort management companies to manage the others upon the completion of their construction. We currently manage the two hotels mentioned above through our own hotel management teams. We cannot assure you that we will be able to procure the services of professional hotel and resort management companies for such projects. We could face considerable reputational and financial risks if such hotels are mismanaged or do not meet the expectations of our residential, business and other customers. Additionally, we cannot assure you that there will be sufficient demand for such resort and hotel facilities in the localities of these properties. If we fail in our efforts in such hotel and resort business, our financial condition and results of operations will be adversely affected.



***We may not be able to execute our contemplated expansion plan successfully***

As of December 31, 2010, we had completed development of nine projects and partially completed development of 40 projects with a total GFA of 13.6 million square meters. As of the same date, we had 112 properties under development or held for future development with an estimated total GFA of 96.0 million square meters in 62 strategically selected cities across 21 provinces and three municipalities in China. Although our planned projects are carefully chosen after rounds of screening, review and deliberation, such large-scale and rapid expansion have placed and may continue to place a substantial strain on our managerial and financial resources. The rapid increase in the volume of our developments brought by such expansion has also presented and may continue to present challenges in terms of project construction and delivery management. Although we have formulated a standardized operational model to facilitate the management of our projects nationwide, any failure to follow our standards or inconsistencies in our compliance across different geographical regions in China may negatively impact our reputation and damage our brand. In addition, any failure in effectively managing our large volume of developments within a short period of time may adversely affect our ability to deliver properties to our buyers in a timely manner and harm our reputation and our growth prospect. Also, our expansion plans are based on our forward-looking assessment of the market prospects. Although we believe that such judgments and decisions constitute one of our strengths, we cannot assure you that our market assessment will turn out to be accurate, or that we will be able to execute our contemplated expansion plan successfully or that we will succeed in integrating our expanded operations despite our standardized operational model. We cannot assure you that we will be able to effectively manage our rapid expansion or that our expanded operations will generate adequate returns on our investments or positive operating cash flows.

***Our land appreciation tax provisions and prepayments may not be sufficient to meet our LAT obligations***

In accordance with the current PRC laws and regulations on land appreciation tax, or LAT, all persons, including companies and individuals, that receive income from the sale or transfer of state-owned land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property, with certain exemptions available for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the deductible items as defined in the relevant LAT regulations. Pursuant to the relevant rules issued by the State Administration of Taxation of China (中華人民共和國國家稅務總局), or the State Administration of Taxation, LAT obligations must be settled with the relevant tax bureaus within specific timeframes subsequent to the delivery of the completed projects. Accordingly, we have settled LAT payments on our four completed property projects in China that are subject to LAT settlement. See “Regulation — Mainland China Taxation — Our Operations in Mainland China — Land Appreciation Tax” for a more detailed description of the PRC regulations on LAT.

We prepaid LAT in the aggregate amount of RMB 665.7 million with respect to our pre-sales made during the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we made LAT provisions in the amount of RMB 199.7 million, RMB 332.5 million, RMB 191.9 million and RMB 883.2 million (US\$130.2 million), respectively. In May 2010, the State Administration of Taxation issued the Notice on Strengthening the Collection of Land Appreciation Tax 《關於加強土地增值稅徵管工作的通知》, which requires that the minimum LAT prepayment rate be at 2% for provinces in the eastern region of China, 1.5% for provinces in the central and northeastern regions of China, and 1% for provinces in the western region of China. According to the notice, the local tax bureaus will determine the applicable LAT prepayment rates based on the types of the properties. However, there are uncertainties in the interpretation and implementation of the LAT regulations. Although we believe we have made sufficient prepayments and/or provisions for LAT in compliance with PRC laws and regulations as interpreted by local tax authorities, we cannot assure you that our LAT prepayments and provisions will be sufficient to cover our LAT liabilities and that the relevant tax authorities will agree

with the basis on which we calculated our LAT liabilities. Our results of operations, cash flow and financial condition may be adversely affected if our LAT liabilities, as finally determined by the relevant tax authorities, are substantially higher than our LAT provisions and prepayments.

***Our success depends on the continuing services of our key management members***

We depend on the services provided by our senior management and other skilled and experienced key staff members, in particular, our chairman, Dr. Hui, and our other executive officers. Most of them have more than 10 years of experience in the PRC property markets and have in-depth knowledge of various aspects of the property development. As competition for experienced managerial talents and skilled personnel in the property development market is intense and the pool of qualified candidates is limited, we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. The loss of the services of our senior management or other key personnel and failure to find qualified replacements could disrupt and adversely affect our operations. Moreover, along with our rapid growth and expansion into other regional markets in China, we will need to hire and retain skilled managers to lead and manage our regional operations. If we cannot attract and retain qualified personnel, our business and future growth may be adversely affected.

***We may not be able to complete our development projects on time or at all***

Property development projects require substantial capital expenditures prior to and during the construction period, and construction of a property project may take many months or several years before it generates positive cash flow through pre-sales or sales. Meanwhile, the progress and cost for a development project can be adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from governmental agencies or authorities;
- relocation of existing residents and/or demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions; and
- changes in city zoning, planning and plot ratios.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets as a result of the above factors may adversely affect our results of operations and financial position and may also cause reputational damage. We cannot assure you that we will not experience such delays in delivery of our property projects in the future.

***Our business will be adversely affected if we fail to obtain, or experience material delays in obtaining, necessary governmental approvals for any major property development***

Real estate markets in China are strictly regulated by the PRC government. Property developers must comply with various laws and regulations of the PRC government, including rules issued by local governments to enforce these laws and regulations. To develop and complete a property project, we must apply for various licenses, permits, certificates and approvals, including land use rights certificates,

construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion, at the relevant government departments. Before the government issues any certificate or permit, we must first meet specific conditions. We cannot assure you that we will not encounter serious delays or other difficulties in fulfilling such conditions, or that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry. There may also be delays on the part of the relevant regulatory bodies in reviewing our applications and granting approvals. In the event that we fail to obtain, or encounter significant delays in obtaining, the necessary governmental approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations will be adversely affected.

***Our failure to meet all requirements for the issue of property ownership certificates may lead to compensatory liability to our customers***

According to PRC law, property developers must meet various requirements within 90 days after delivery of property or such other time period provided in sales contracts for the customers to apply for property ownership certificates, including passing various governmental clearances, formalities and procedures. We usually stipulate the delivery dates in our sales contracts so as to leave sufficient time for us to complete the formalities and obtain the relevant approvals. However, we cannot assure you that there will not be delays in our property development. There may also be factors beyond our control that may delay the delivery of property ownership certificates, including shortage in human resources at various governmental offices and time-consuming inspections and approval processes at various government agencies. Under current PRC laws and regulations and under our sales contracts, we are required to compensate our customers for delays in our deliveries. In the case of serious delays on one or more property projects, our business and reputation will be harmed.

***If we cannot continue to obtain qualification certificates, our business may be adversely affected***

As a precondition to engaging in real estate property development in China, a property developer must obtain a qualification certificate and renew it on an annual basis unless the rules and regulations allow a longer renewal period. According to the current PRC regulations on qualification of property developers, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be extended for a maximum of two years. If 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. Experienced property developers must also apply for renewal of their qualification certificates once every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates.

Property developers in China must also produce valid qualification certificates when they apply for pre-sale permits. We cannot assure you that we will be able to pass the annual verification of the qualification certificates or that we or each of our project companies will be able to obtain formal qualification certificates in a timely manner, or at all, as and when they become due to expire. If we or our project companies do not possess valid qualification certificates, the government will refuse to issue pre-sale and other permits necessary for our property development business. In addition, the government may impose a penalty on us and our project companies for failure to comply with the relevant licensing requirements. If we or any of our project companies are unable to meet the relevant requirements, and therefore unable to obtain or renew the qualification certificates or pass the annual verification, our business and financial condition could be materially and adversely affected.

***The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability***

We are required to reassess the fair value of our investment properties at every balance sheet date for which we issue financial statements. Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our income statements in the period in which they arise. Our valuations are based on a direct comparison approach, under which our investment properties are directly compared with other comparable properties of similar size, character and location, in order to provide a fair comparison of capital values.

Capitalization approach has also been adopted, under which the estimated net income generated from the investment properties is capitalized at an appropriate rate to arrive at the value conclusions. Our investment properties were revalued by an independent property valuer as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively, on an open market, existing use basis, which reflected market conditions on those dates. Based on such valuation, we recognized the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognized fair value gains on investment properties and the relevant deferred tax on our consolidated income statements. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, the fair value gains on our investment properties were RMB 657.1 million, RMB 77.4 million, RMB 842.6 million and RMB 750.6 million (US\$110.7 million), respectively, and accounted for approximately 43.3%, 8.0%, 58.3% and 17.0%, respectively, of our profit before tax.

The significant increase in the fair market value of our investment properties in the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 was primarily due to the addition of our new investment properties and the overall appreciation of the existing investment properties nationwide. Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us and, therefore, do not increase our liquidity in spite of the increased profit. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure you that changes in the market conditions will continue to create fair value gains on our investment properties at the previous levels or at any level at all, or that the fair value of our investment properties will not decrease in the future. In particular, the fair value of our investment properties could decline in the event that our industry experiences a downturn as a result of PRC government regulatory policies or a global economic downturn. Any significant decreases in the fair value of our investment properties may materially and adversely impact our profitability.

***We may not be able to obtain land use rights certificates with respect to certain parcels of land under contract***

We have entered into land grant contracts, transfer agreements or certain land transaction confirmation letters, but have not obtained all land use rights certificates in respect of some projects as disclosed in the section entitled “Business — Project Overview — Properties Held for Future Development” and “ — Other Development Project.” If we fail to obtain, or experience material delays in obtaining, the land use rights certificates with respect to these parcels of land, our business, financial condition and results of operations may be adversely affected.

***We rely on third-party contractors for certain services in our property development***

We engage third-party contractors to provide various services, including construction, landscaping, gardening, equipment installation, interior decoration, mechanical and electrical installation and utilities installation. We generally select third-party contractors through our standardized tender process. We endeavor to employ only companies with good reputations, strong track records, performance reliability and adequate financial resources, and we have implemented strict quality control procedures and closely monitor the construction progress. However, we cannot assure you that such third-party contractors will always provide satisfactory services at the quality required by us. If the performance of any third-party contractor is not satisfactory, we may need to replace such contractor or take other remedial actions,

which could adversely affect the cost and development schedule of our projects. In addition, as we are expanding our business into additional cities in China, there may be a shortage of third-party contractors that meet our quality requirements in such regions. Moreover, the contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may adversely affect their ability to complete our property projects on time, within budget or at all. All of these third-party related factors may have an adverse impact on our reputation, credibility, financial position and business operations.

***We guarantee mortgage loans of our customers and may become liable to mortgagee banks if our customers default on their mortgage loans***

As we pre-sell properties before their actual completion of construction, in accordance with industry practice, banks require us to guarantee our customers' mortgage loans. Typically, we guarantee mortgage loans taken out by our customers up until we complete the relevant properties and the property ownership certificates and certificates are delivered to the mortgagee banks. If a purchaser defaults on a mortgage loan, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loans. In line with industry practice, we do not conduct any independent credit checks on our customers whose mortgage loans we guarantee but rely on the evaluation of such customers by the mortgagee banks.

As of December 31, 2007, 2008 and 2009 and June 30, 2010, our outstanding guarantees in respect of our customers' mortgage loans amounted to RMB 1,464.2 million, RMB 2,087.0 million, RMB 12,531.5 million and RMB 18,869.1 million (US\$2,782.4 million), respectively. During the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we encountered defaulted mortgage loans in an aggregate amount of less than RMB 10 million. Should substantial defaults occur and if we are called upon to honor our guarantees, our financial condition and results of operations could be adversely affected.

***We bear demolition and resettlement costs associated with some of our property developments and such costs may increase***

We are required to compensate owners and residents of demolished buildings on some of our property developments for their relocation and resettlement in accordance with the PRC urban housing demolition and relocation regulations. The compensation we pay is calculated in accordance with formulas published by the relevant local authorities. These formulas take into account the location, type of building subject to demolition, local income levels and many other factors. We cannot assure you that these local authorities will not change or adjust their formulas from time to time without sufficient advance notice. If they do so, the land costs may be subject to substantial increases, which can adversely affect our cash flow, financial condition and results of operations. In addition, despite these government-sanctioned formulas, if we fail to reach an agreement over the amount of compensation with any existing owner or resident, either we or such owner or resident may apply to the relevant authorities for a ruling on the amount of compensation. Dissenting owners and residents may also refuse to relocate. This administrative process or such resistance or refusal to relocate may delay the timetable of our development projects, and an unfavorable final ruling may result in us paying more than the amount calculated under the formulas. Such delays in our development projects will also lead to an increase in the cost and delay the cash inflow from pre-sales of the relevant projects, which may in turn adversely affect our business, results of operations and financial condition.

***Property owners may cease to engage us as the provider of property management services***

We provide property management services to our property owners through our wholly owned property management subsidiary, Jinbi Property Management Co., Ltd. (金碧物業有限公司), or Jinbi Property Management. Under PRC laws and regulations, the property owners of a residential development have the right to change the property management service provider upon the approval by a



certain percentage of the property owners. If owners of the properties that we have developed choose to terminate our property management services, or our property management services receive unsatisfactory reviews by property owners, our reputation, future sales of our properties and our results of operations could be adversely affected.

***We have limited insurance to cover our potential losses and claims***

We do not carry insurance against all potential losses or damages with respect to our properties before their delivery to customers other than those buildings over which our lending banks have security interests and for which we are required to maintain insurance coverage under the relevant loan agreements. In addition, we do not maintain insurance coverage against liability from tortious acts or other personal injuries related to our project constructions. We believe that such liabilities should be borne by construction companies. However, we cannot assure you that we would not be sued or held liable for damages due to such tortious acts and other personal injuries. Moreover, there are certain losses for which insurance is not available on commercially practicable terms in China, such as losses suffered due to earthquakes, typhoons, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in the course of our operations and property development, we may not have sufficient financial resources to remedy the damages or to satisfy our potential obligations. In addition, any payments we make to cover any losses, damages or liabilities may have a material adverse effect on our business, results of operations and financial condition.

***Our results of operations may vary significantly from period to period***

We derive a majority of our revenue from the sale of residential properties that we have developed. In accordance with our accounting policy, we recognize revenue upon the completion and delivery of the properties to purchasers, which may take place up to 18 months after the commencement of pre-sale. As a result, our results of operations may vary significantly from period to period due to the construction timetables and timing of sales and delivery of our various development projects. Additionally, selling prices of properties vary and are largely determined by local market conditions. Although our properties are developed under the standardized operational model, the average selling price for properties in the same series may vary from city to city, which may affect our business, results of operations and financial condition. Seasonal variations may cause further fluctuations in our interim revenue and profits. For example, we have a number of projects in northern China where winter weather conditions can hinder the execution of our development projects and delay our timetable and revenue recognition. In addition, we recognized significant non-recurring gains during the years ended December 31, 2007, 2008 and 2009. Such gains may not recur and bear little indication of our future financial performance. For additional information, you should refer to the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness” and “— Results of Operations.” In light of the above, we believe that period-to-period comparisons of our results of operations may not be as meaningful as they would be for a business with mostly recurring revenue from period to period.

***We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law, which may subject us to PRC taxation on our worldwide income, require us to withhold taxes on interest we pay on the Notes and require holders of the Notes to pay taxes on gains realized from the sale of the Notes***

We are a Cayman Islands holding company with substantially all of our operations conducted through our operating subsidiaries in China. Under the PRC Enterprise Income Tax Law that took effect on January 1, 2008, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” for PRC tax law purposes and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation regulations issued by the State Council relating to the PRC Enterprise Income Tax Law, a “de facto management body” is defined as the body that has the significant and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State

Administration of Taxation promulgated a circular to clarify the definition of “de facto management bodies” for enterprises incorporated overseas with controlling shareholders being PRC enterprises. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for overseas enterprises that are not controlled by PRC enterprises. Therefore, it remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by a Hong Kong permanent resident as is in our case. Although we are currently not treated as a PRC resident enterprise by the relevant PRC tax authorities, substantially all of our management is currently based in China and will remain in China in the future. As a result, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. If we are deemed to be a PRC resident enterprise, we would be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. Furthermore, we would be obligated to withhold PRC income tax of 10% on payments of interest and other amounts on the Notes to investors that are non-resident enterprises or lower rates for investors who qualify for the benefits of a double-taxation treaty with China, because the interest and other distributions would be regarded as being derived from sources within China. Similarly, any gain realized by such non-resident enterprise investor from the transfer of the Notes would be regarded as being derived from sources within China and accordingly would be subject to a 10% PRC withholding tax.

***We rely principally on dividends paid by our subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business***

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we incur and to pay any dividend we declare. If any of our subsidiaries incurs debt in its own name, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries on a combined basis only out of their retained earnings, if any, determined in accordance with the PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on the PRC accounting standards each year for their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of associations. As a result, our PRC subsidiaries combined may be restricted in their ability to transfer any portion of their net income to us whether in the form of dividends, loans or advances. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, service our debts or otherwise fund and conduct our business. Under the PRC Enterprise Income Tax Law and its implementation regulations, PRC income tax at the rate of 10% is applicable to dividends paid by PRC enterprises from their earnings derived since January 1, 2008 to “non-resident enterprises” (enterprises that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) subject to any lower withholding tax rate as may be contained in any income tax treaty or agreement that China has entered into with the government of the jurisdiction where such “non-resident enterprises” were incorporated. If we or our non-PRC subsidiaries are considered “non-resident enterprises” under the PRC tax law, any dividend that we or any such non-PRC subsidiary receive from our PRC subsidiaries may be subject to PRC taxation at the 10% rate unless any lower treaty rate is applicable.

***We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies***

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises 《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》, or SAT Circular 698, issued by State Administration of Taxation on December 10, 2009 with retroactive effect from January 1, 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than



12.5% or (ii) does not tax foreign income of its residents, the foreign investor must report such indirect equity transfer to the competent PRC tax authorities with jurisdiction over the PRC resident enterprise. The PRC tax authorities have generally relied on the “substance over form” principle to disregard the corporate existence of the overseas holding company if such corporate existence lacks a reasonable commercial purpose and was established primarily for the purpose of evading PRC taxes. As a result, gains derived from such indirect transfers may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant PRC tax authorities have the power to make a reasonable adjustment with respect to the taxable income of the transaction.

There exists uncertainty as to the application of SAT Circular 698. For example, while the term “indirect transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant PRC authorities have not yet promulgated any formal announcements or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, or how to report such an indirect transfer to the competent PRC tax authorities. Neither has there been any formal governmental announcement on how to determine the existence of such an abusive arrangement to evade PRC taxes. As a result, we may become at risk of being taxed under SAT Circular 698 due to any future transfer of equity interests. We may be required to allocate significant resources to comply with SAT Circular 698 or to establish that we should not be taxed under SAT Circular 698, which may have a material adverse effect on our financial condition and results of operations.

***We may be involved from time to time in material disputes, legal and other proceedings arising out of our operations and may face significant liabilities as a result***

We may be involved from time to time in material disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction workers, original residents, partners, banks and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management’s attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may commence legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our property developments. For more information, you should refer to the section entitled “Business — Legal Proceedings.”

***We may be exposed to intellectual property infringement, misappropriation or other claims by third parties and a deterioration in our brand image could adversely affect our business***

We believe that we have built an excellent reputation in China for the quality of our various product series. We have also placed great importance on the continuous enhancement of our brand name and the increase in our brand recognition. Our brand strategy, however, depends on our ability to use, develop and protect our intellectual properties, such as our trademarks. Although we have applied for trademark registration for our names and logos, we have not successfully registered all of these trademarks in China or elsewhere. As a result, we could be subject to trademark disputes. The defense and prosecution of intellectual property lawsuits and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert our resources and the time and attention of our management personnel. An adverse ruling in any such litigation or proceedings could subject us to significant liabilities to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or subject us to injunctions prohibiting the use of our name and logo.

***The global economic slowdown, crisis in the global financial markets and volatility of the property prices have negatively impacted, and may continue to negatively impact, our business and our ability to obtain necessary financing for our operations***

The global economic slowdown and turmoil in the global financial markets in late 2008 resulted in a general credit crunch, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. The slowdown of worldwide economy, including that of China, caused a rapid slide in property prices. Although global economic conditions have improved significantly, economic recovery and growth have remained slow and uncertain on a global basis. Such global economic slowdown and financial market turmoil adversely impacted home owners and potential property purchasers, which led to a decline in the general demand for our products and an erosion of their selling prices. We cannot assure that such or similar global economic slowdown will not recur or the global financial markets will not be subject to such or similar turmoil, in which event the PRC property markets and, therefore, our business and prospects may be materially and adversely affected.

### **Risks Relating to the Property Industry in China**

***The PRC government may adopt further measures to slow down growth in the property sector***

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the increase in property investments, the PRC government has, since 2004, introduced various policies and measures to curtail property developments, including:

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- suspending land supply for villa construction and restricting land supply for high-end residential property construction;
- requiring that at least 70% of the land supply approved by any local government for residential property development during any given year must be used for developing low- to medium-cost and small- to medium-size units for sale or as low-cost rental properties;
- requiring that at least 70% of the total development and construction area of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 square meters and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from MOHURD;
- requiring any first-time home owner using mortgage financing to pay the minimum amount of down-payment at 30% of the purchase price of the underlying property;
- requiring any second-time home buyer to pay an increased minimum amount of down-payment at 50% of the purchase price of the underlying property and an increased minimum mortgage loan interest rate at 110% of the relevant PBOC benchmark one-year bank lending interest rate;
- suspending mortgage loans to purchasers for their third residential properties and beyond, and to non-local residents who have not paid local tax or social security for longer than a one-year period;

- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down-payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate, and (iv) limiting the terms of such bank borrowings to no more than 10 years, with commercial banks allowed flexibility based on their risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down-payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;
- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties; and
- imposing more restrictions on the types of property developments that foreign investments may engage in.

These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China and adversely affect our business and prospects. See “Regulation — Land for Property Development.”

***Changes of laws and regulations with respect to pre-sale may adversely affect our cash flow position and performance***

We depend on cash flows from pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance the development of such properties. In August 2005, PBOC in a report entitled “2004 Real Estate Financing Report” recommended to discontinue the practice of pre-selling unfinished properties because such practices, in PBOC’s opinion, create significant market risks and generate transactional irregularities. In July 2007, an economic research group under the PRC National Development and Reform Commission (中華人民共和國國家發展和改革委員會), or NDRC, recommended the abolishment of the pre-sale system. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. In April 2010, MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing 《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》. The notice urges local governments to enact regulations on the sale of completed residential properties in light of local conditions and encourages property developers to sell residential properties only when they are completed. No local government has yet promulgated any such regulation. We cannot assure you that the PRC governmental authority will not ban the practice of pre-selling residential properties prior to completion or implement further restrictions on the pre-sale of such properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would require that we seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow, results of operations and financial condition.

***Our investments in China are subject to PRC government's control over foreign investment in the property sector***

The PRC government has in the past imposed restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. In May 2007, the PRC Ministry of Commerce (中華人民共和國商務部), or MOFCOM, and PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局), or SAFE, jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in China 《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》, which, among other things, provides that:

- foreign investment in the PRC property sector relating to high-end properties should be strictly controlled;
- prior to obtaining approval for the establishment of foreign-invested real estate enterprises, or FIREEs, either (i) both the land use right certificates and property ownership certificates should be obtained, or (ii) contracts for obtaining land use rights or property ownership should be entered into; and
- FIREEs approved by local authorities must immediately register with MOFCOM through a filing made by the local authorities; and the SAFE authorities and banks authorized to conduct foreign exchange businesses may not effect foreign exchange settlements of capital account items for those FIREEs which have not completed their filings with MOFCOM or have failed to pass the annual inspection.

In June 2008, MOFCOM issued the Notice Regarding Completing the Registration of Foreign Investment in the Real Estate Sector 《關於做好外商投資房地產業備案工作的通知》, often known as Notice 23. According to Notice 23, MOFCOM has entrusted provincial MOFCOM departments to verify materials on file by foreign-invested real estate enterprises. Notice 23 requires that each FIREE may engage in one approved real estate project only.

In December 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry 《關於加強外商投資房地產業審批備案管理的通知》, which provides that, among other things, in the case that a real estate enterprise is established in China with overseas capital, it is prohibited to purchase and/or sell real estate properties completed or under construction for arbitrage purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in the real estate development and management.

Restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and, as a result, may limit our business growth and have an adverse effect on our business, financial condition and results of operations.

**Risks Relating to China**

***PRC economic, political and social conditions as well as governmental policies can affect our business***

The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- political structure;

- degree of government involvement and control;
- degree of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. Although we believe these reforms will have a positive effect on the overall and long-term development of China, we cannot predict whether changes in the PRC economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

***Changes in PRC foreign exchange regulations may adversely affect our business operations***

The PRC government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive substantially all our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or service their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Subsequent to this offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from this offering in the form of registered capital or a shareholder loan into our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. Our investment decisions are additionally affected by various other measures taken by the PRC government relating to the PRC property market as we have disclosed in the section entitled “Industry Overview — PRC Property Markets — Measures Taken by PRC Government in Recent Years Relating to PRC Property Markets.” In addition, our transfer of funds to our subsidiaries in China is subject to approval by PRC governmental authorities in the case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans at all. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

***Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries***

The value of Renminbi depends, to a large extent, on the PRC domestic and international economic, financial and political developments and governmental policies, as well as the currency’s supply and demand in the local and international markets. From 1994 to 2005, the conversion of Renminbi into foreign currencies was based on exchange rates set and published daily by PBOC in light



of the previous day's interbank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The official exchange rate for the conversion of Renminbi into the U.S. dollar was largely stable until July 2005. On July 21, 2005, PBOC revalued Renminbi by reference to a basket of foreign currencies, including the U.S. dollar. As a result, the value of Renminbi appreciated by more than 2% on that day. Since then, PBOC has allowed the official Renminbi exchange rate to float against a basket of foreign currencies. We cannot assure you that such exchange rate will not fluctuate widely against the U.S. dollar or any other foreign currency in the future. Since our income and profits are denominated in Renminbi, any appreciation of Renminbi will increase the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Conversely, any depreciation of Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Fluctuation of the value of Renminbi will also affect the amount of our foreign debt service in Renminbi terms since we have to convert Renminbi into foreign currencies to service our indebtedness denominated in foreign currencies.

***Interpretation of PRC laws and regulations involves uncertainty***

Our core business is conducted within China and is governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be used as a reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty.

Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

***The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics***

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may adversely affect our financial condition and results of operations.

***We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy, the PRC real estate industry and the selected PRC regional data contained in this offering memorandum***

Facts, forecasts and other statistics in this offering memorandum relating to China, the PRC economy, the PRC real estate industry and the selected PRC regional data have been derived from various official or other publications available in China and may not be consistent with other information compiled within or outside China. However, we cannot guarantee the quality or reliability of

such source materials. They have not been prepared or independently verified by us, the Initial Purchasers or any of our or their affiliates or advisors (including legal advisors), or other participants in this offering and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics. We have, however, taken reasonable care in the reproduction and/or extraction of the official and other publications for the purpose of disclosure in this offering memorandum. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this offering memorandum may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy, the PRC real estate industry and the selected PRC regional data contained in this offering memorandum.

### **Risks Relating to the Notes**

***We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries***

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2010, our Non-Guarantor Subsidiaries had unsubordinated indebtedness in the amount of RMB 16,323.3 million (US\$2,407.0 million) and capital commitments and contingent liabilities arising from guarantees of RMB 52,136.4 million (US\$7,688.0 million). The Notes, the 2015 Notes and their respective indentures permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of a 20% to 49% equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.



***We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations***

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total borrowings, including both current and non-current borrowings, and the 2015 Notes as of December 31, 2007, 2008 and 2009 and as of June 30, 2010 were RMB 9,561.7 million, RMB 10,440.2 million, RMB 14,175.8 million and RMB 25,273.2 million (US\$3,726.8 million) respectively. We intend to use our internal funds and a portion of the net proceeds from this offering to fund the repayment of certain onshore bank borrowings and to replenish cash reserves that have been used to repay onshore bank borrowings since January 1, 2011.

Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Notes, the 2015 Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we cannot assure you that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the terms of the Indentures and the indenture governing the 2015 Notes prohibit us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our financing arrangements also impose operating and financial restrictions on our business. See the section entitled “Description of Material Indebtedness and Other Obligations.” Such restrictions in the Indentures, the indenture governing the 2015 Notes and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or

withstand a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes, the 2015 Notes and other debt.

***Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries***

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes and the 2015 Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In practice, our PRC project companies may pay dividends only after they have completed not only the project development, at least the development of a phase or a stand-alone tower or building, and the revenue recognition but also the required government tax clearance and foreign exchange procedures. In addition, starting from January 1, 2008, dividends for the year 2008 and onward paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such PRC withholding tax rate may be lowered to 5%, although there exists uncertainty due to a recent PRC governmental circular regarding whether and the extent to which Hong Kong holding companies may be eligible for the benefits under this arrangement. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or to satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loan to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such events, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes or the 2015 Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident under certain circumstances) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes, the 2015 Notes or the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

***Under PRC regulations, we may not be able to transfer to our PRC subsidiaries proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of interest, or even principal, under the Notes or the 2015 Notes***

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities. In addition, in July 2007, SAFE issued a circular indicating that it would not process any foreign debt registration or conversion of foreign debt for foreign-invested enterprises in the real estate sector that was approved by the local office of MOFCOM and was filed with MOFCOM on or after June 1, 2007. Foreign invested-enterprises include joint ventures and wholly foreign owned enterprises established in China, such as most of our PRC subsidiaries. Therefore, the proceeds of the current offering that will be used for land acquisitions and developments in China may only be transferred to our PRC subsidiaries as equity investments and not as loans. Without having the flexibility to transfer funds to our PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes or the 2015 Notes, or on the maturity date to pay the principal of the outstanding Notes or the 2015 Notes.

***We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly the U.S. dollar***

The Notes are denominated in Renminbi but settled in U.S. dollars. Holders of the Notes are required to pay the issue price for their Notes in U.S. dollars based on the exchange rate between Renminbi and the U.S. dollar fixed on the pricing date of the Notes. Although substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi, we are required to settle all amounts due under the Notes (including principal, premium, if any, interest and redemption payments) in U.S. dollars at the prevailing exchange rate between Renminbi and the U.S. dollar at the time of payment. Pursuant to reforms of the exchange rate system announced by PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. On June 19, 2010, PBOC announced its intention to proceed with the reform of the Renminbi exchange rate regime to increase the PRC currency's exchange rate flexibility. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar by approximately 21% from July 21, 2005 to November 30, 2010. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes. In addition, we may not be able to remit proceeds from this offering into China and convert them into the RMB on a timely basis, due to foreign exchange regulations, in China, and therefore may be subject to foreign exchange losses of the RMB appreciates against U.S. dollars during the interim period.

The U.S. dollar return on the Notes, or yield to maturity, will depend on the principal amount, the coupon and the premium converted into U.S. dollars at the prevailing exchange rate at the time of the relevant payments. Any volatility of the exchange rate between Renminbi and the U.S. dollar during the term of the Notes will affect the return on the Notes in U.S. dollars. In particular, any devaluation of the Renminbi against the U.S. dollar during the term of the Notes will decrease the U.S. dollar return on the Notes and will result in the yield to maturity of the Notes in U.S. dollars being less than the stated yield to maturity thereof, which is calculated in Renminbi. In the event of a material devaluation of the Renminbi against the U.S. dollar, holders of the Notes may not receive the full U.S. dollar subscription money upon maturity or redemption of the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging arrangements permitted under the Indentures, and these arrangements may be secured by pledges of our cash and other assets as permitted under the Indentures. If we were unable to provide such collateral, it could constitute a default under such hedging arrangements.

***We may not be able to repurchase the Notes and the 2015 Notes upon a change of control triggering event***

We must offer to purchase the Notes and the 2015 Notes upon the occurrence of a change of control triggering event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest in accordance with the terms of the respective indentures. See the sections entitled “Description of the 2014 Notes,” “Description of the 2016 Notes” and “Description of Material Indebtedness and Other Obligations — 2015 Notes.”

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any change of control triggering event to make purchases of outstanding Notes and the outstanding 2015 Notes. Our failure to make the offer to purchase or to purchase the outstanding Notes and the outstanding 2015 Notes would constitute an Event of Default under the Notes and the 2015 Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and the 2015 Notes and repay the debt. Moreover, the ability of the Collateral Agent, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise will be subject to the terms of the Intercreditor Agreement and the Security Documents as well as in certain instances to perfection and priority status. See “Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

In addition, the definition of change of control triggering event for purposes of the Indentures does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of change of control triggering event for purposes of the Indentures also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

***We will be able to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC “resident enterprise”***

In the event, as described in the risk factor above, we are treated as a PRC “resident enterprise” under the PRC Enterprise Income Tax Law, we will be required to withhold PRC tax on interest payable to certain of our non-resident investors, including holders of the Notes. In such case, we will, subject to certain exceptions, be required to pay such additional amounts so that a holder of a Note will receive the same amounts as he would have received had no such withholding been required. As described under “Description of the 2014 Notes — Redemption for Taxation Reasons” and “Description of the 2016 Notes — Redemption for Taxation Reasons,” in the event we are required to pay additional amounts as a result of certain changes in or interpretations of tax law, including any change or interpretation that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC “resident enterprise,” we may instead select to redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest. A holder of the Notes may therefore be redeemed at an earlier time.

***The insolvency laws of the Cayman Islands and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar***

Because we and some of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) may be incorporated, under the laws of the Cayman Islands, an insolvency proceeding relating to us or any such Subsidiary Guarantor or JV Subsidiary Guarantor, even if brought in the United States, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law. In addition, our other Subsidiary Guarantors and JV Subsidiary Guarantors (if any) are incorporated or may be incorporated in the BVI or Hong Kong and the insolvency laws of the BVI and Hong Kong may also differ from the laws of the United States or other jurisdictions with which the holders of the Notes are familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. Any JV Subsidiary Guarantors which become equity holders of our PRC subsidiaries would also be subject to such laws. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

***We may be unable to obtain and remit foreign exchange***

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident under certain circumstances) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the Notes or the 2015 Notes.



***If we are unable to comply with the restrictions and covenants in our debt agreements or the Indentures, there could be a default under the terms of these agreements or the Indentures, which could cause repayment of our debt to be accelerated***

If we are unable to comply with the restrictions and covenants in the Indentures or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indentures and the indenture governing our 2015 Notes, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes or the 2015 Notes, or result in a default under our other debt agreements, including the Indentures and the indenture governing our 2015 Notes. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

***Our operations are restricted by the terms of the Notes and 2015 Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk***

The Indentures and the indenture governing our 2015 Notes include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

***A trading market for the Notes may not develop, and there are restrictions on resale of the Notes***

The Notes are a new issue of securities for which there is currently no trading market. Although approval in-principle has been received for the listing of the Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing on the SGX-ST, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your Notes in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled “Transfer Restrictions.” We cannot predict whether an active trading market for the Notes will develop or be sustained.

***The ratings assigned to the Notes and our corporate ratings may be lowered or withdrawn in the future***

The Notes have been assigned a rating of BB- by Standard and Poor’s Ratings Services, or S&P, and B2 with a negative outlook by Moody’s Investors Service, or Moody’s. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned a long-term corporate credit rating of BB with a stable outlook by S&P, a corporate family rating of B1 with a negative outlook by Moody’s, and a long-term foreign currency issuer default rating of BB with a stable outlook by Fitch Ratings, or Fitch. Our 2015 Notes have been assigned a rating of BB- by S&P, B2 with a negative outlook by Moody’s and BB by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to us, the Notes or our 2015 Notes may adversely affect the market price of the Notes.

***The liquidity and price of the Notes following the offering may be volatile***

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

***There may be less publicly available information about us than is available in certain other jurisdictions***

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which may in turn be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial information and our consolidated financial statements and related footnotes between HKFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between HKFRS and any other GAAP and how those differences might affect the financial information contained in this offering memorandum.



***The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies***

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes representing the Notes will trade in book-entry form only, and notes in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes for purposes of the Indentures. The common depository for Euroclear and Clearstream will be the sole registered holder of the global notes. Accordingly, you must rely on the procedures of Euroclear or Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indentures. Upon the occurrence of an Event of Default under the Indentures, unless and until definitive registered notes are issued with respect to all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See “Description of the 2014 Notes — Book-Entry; Delivery and Form” and “Description of the 2016 Notes — Book-Entry; Delivery and Form.”

***We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries***

We will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

#### **Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral**

***Our initial Subsidiary Guarantors do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees***

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries and their direct PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of PRC or their future PRC or non-PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries. See the sections entitled “Description of the 2014 Notes — The Subsidiary Guarantees” and “Description of the 2016 Notes — The Subsidiary Guarantees” for a list of the Non-Guarantor Subsidiaries. Moreover, the Collateral will not include the capital stock of our existing or future Non-Guarantor Subsidiaries, including our PRC subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. In addition, the Subsidiary Guarantors also guarantee our obligations under the 2015 Notes. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes and the 2015 Notes if we are unable to do so. See the section entitled “— Risks Relating to the Notes — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.”

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a minority interest in such subsidiary or its direct or indirect majority

shareholders (subject to the satisfaction of certain conditions including a cap on the non-guaranteed portion of the assets of JV Subsidiary Guarantors). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company.

***The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees***

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the Cayman Islands, the BVI, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor (as the case may be), and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

***The pledge of certain Collateral may in some circumstances be voidable***

The pledge of the Collateral may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands and the BVI at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of shares or capital stock of future Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under the risk factor entitled “— The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees” above.

If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us and the Subsidiary Guarantor Pledgors.

***The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes, the 2015 Notes and other pari passu secured indebtedness***

The Collateral will consist only of the shares or capital stock of certain of the initial Subsidiary Guarantors. The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the Notes, to repay other debt or to make investments in properties and assets that will not be pledged as additional Collateral.

The ability of the Collateral Agent, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise will be subject to the terms of the Intercreditor Agreement and the Security Documents as well as in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Collateral Agent or holders of the Notes will be able to enforce the security interest. In addition, although the Trustee may instruct the Collateral Agent to foreclose the Collateral upon the occurrence of an event of default that is continuing, such instruction may be overruled by a contrary instruction to the Collateral Agent from holders of more than 50% of the indebtedness that is subject to the Intercreditor Agreement.

The value of the Collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the Collateral have been prepared by or on behalf of us in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Notes. By its nature, the Collateral, which consists solely of the shares or capital stock of any existing or future Subsidiary Guarantor, is likely to be illiquid and is unlikely to have a readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

Subject to the Intercreditor Agreement, the Collateral will be shared on a *pari passu* basis by the holders of the Notes and the holders of the 2015 Notes and may be shared on a *pari passu* basis with holders of other indebtedness ranking *pari passu* with the Notes and the holders of the 2015 Notes that we may issue in the future. Accordingly, in the event of a default on the Notes, the 2015 Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness. The value of the Collateral securing the Notes, the 2015 Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the obligations of the Company and each of the Subsidiary Guarantor Pledgors under the Notes, the 2015 Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes, the 2015 Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of additional Notes, additional 2015 Notes or other *pari passu* indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indentures and the indenture governing the 2015 Notes.

***The Intercreditor Agreement may impact our ability and the ability of the Subsidiary Guarantors to pay amounts due under the Notes and the Subsidiary Guarantees and the Intercreditor Agreement may limit the rights of holders of the Notes to the Collateral***

The Collateral Agent is required to take action to enforce the Collateral in accordance with the instructions of holders of the Notes and 2015 Notes given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Collateral Agent will adversely affect our entitlement to receive distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Notes. Further, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Collateral Agent is permitted to take enforcement actions. If an Event of Default occurs under the Notes, the holders of the 2015 Notes, the holders of the Notes and creditors of other Permitted *Pari Passu* Secured Indebtedness must decide whether to take any enforcement action and thereafter, through their respective trustee or agent, may instruct the Collateral Agent to take such enforcement action. By virtue of the instructions given to the Collateral Agent described above, actions may be taken in respect of the Collateral that may be adverse to holders of the Notes. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes and the Subsidiary Guarantees.

The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Intercreditor Agreement and as trustee and agent in respect of the 2015 Notes. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents or the Intercreditor Agreement and the underlying indentures that are in conflict with the interests of the holders of the Notes and the holders of the 2015 Notes. The Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes or the 2015 Notes, unless such holders have offered to the Collateral Agent indemnity and/or security satisfactory to the Collateral Agent against any loss, liability, cost or expense.

In addition, the Collateral has already been granted in favor of the trustee for the 2015 Notes. Although the Collateral will also be granted in favor of the Collateral Agent to secure the Notes and the Subsidiary Guarantees of the applicable Subsidiary Guarantor Pledgors on the issue date of the Notes, and the Company, the Subsidiary Guarantor Pledgors, the trustee for the 2015 Notes, the Trustee and the Collateral Agent will enter into, and agree under, the Intercreditor Agreement to be entered into on the issue date of the Notes that the Collateral will be shared on a *pari passu* basis, under Hong Kong and BVI laws, the security interests held by the trustee for the 2015 Notes do have legal priority over the Collateral, varied only by contractual arrangements under the Intercreditor Agreement. If the Hong Kong courts or the BVI courts do not recognize the Intercreditor Agreement or if the Intercreditor Agreement has become invalid or void, the security interests held by the Collateral Agent (for the benefit of the holders of the Notes) over the Collateral will rank behind the security interests held by the trustee for

the 2015 Notes (for the benefit of the holders of the 2015 Notes) over the Collateral. The foregoing does not apply to any new Collateral that will be created over the capital stock of future Subsidiary Guarantors.

*The pledge of certain Collateral may be released under certain circumstances*

In the event the conditions applicable to the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee are satisfied, we are permitted to release the pledge of the shares granted by such Subsidiary Guarantor, as well as the pledge of the shares granted by the subsidiaries of such Subsidiary Guarantor. We are only required to deliver a replacement share pledge for the shares that we continue to hold in such JV Subsidiary Guarantor (but not the subsidiaries of such JV Subsidiary Guarantor) following the sale of the equity interests in such Subsidiary Guarantor. As a result, in the event we sell minority equity interests in our Subsidiary Guarantors or otherwise create JV Subsidiary Guarantors in accordance with the terms of the Indentures, the Collateral will be reduced in value and scope, and holders of the Notes would be subject to increased risks.

## **USE OF PROCEEDS**

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$1,379.7 million. We intend to use not less than 45% of the net proceeds to fund the repayment of onshore bank borrowings and to replenish cash reserves that have been used to repay onshore bank borrowings since January 1, 2011 and the remaining portion to finance our existing and new property projects and for general corporate purposes.

We may adjust our acquisition and development plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest such net proceeds in “Temporary Cash Investments” as defined under the sections entitled “Description of the 2014 Notes” and “Description of the 2016 Notes.”



## EXCHANGE RATE INFORMATION

### China

PBOC publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. On June 20, 2010, PBOC announced that it intended to further reform the RMB exchange rate regime by allowing greater flexibility in the RMB exchange rate. From July 21, 2005 to November 30, 2010, the value of the Renminbi appreciated by approximately 24% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC authorized the China Foreign Exchange Trading Centre, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon buying rate			
	Period end	Average <sup>(1)</sup>	High	Low
	(RMB per US\$1.00)			
2006 .....	7.8041	7.9579	8.0702	7.8041
2007 .....	7.2946	7.5806	7.8127	7.2946
2008 .....	6.8225	6.9193	7.2946	6.7800
2009 .....	6.8259	6.8295	6.8470	6.8176
2010 .....	6.6000	6.7603	6.8330	6.6000
July .....	6.7735	6.7762	6.7807	6.7709
August .....	6.8069	6.7873	6.8069	6.7670
September .....	6.6905	6.7396	6.8102	6.6869
October .....	6.6707	6.6678	6.6912	6.6397
November .....	6.6670	6.6538	6.6892	6.6330
December .....	6.6000	6.6497	6.6745	6.6000
2011 .....				
January (through January 7) .....	6.6276	6.6069	6.6276	6.5850

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

On January 7, 2011, the noon buying rate for U.S. dollars in New York City for cable transfers in Renminbi was US\$1.00 = RMB 6.6276 as certified for customs purposes by the Federal Reserve Bank of New York.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated short-term debt, as well as our consolidated long-term debt, the capital and reserves attributable to shareholders and non-controlling interests and capitalization as of June 30, 2010:

- on an actual basis; and
- on an adjusted basis after giving effect to: (i) the issue of the Notes in this offering after deducting the underwriting discounts and commissions and other estimated expenses of this offering payable by us, and (ii) our repayment of onshore bank borrowings since January 1, 2010 and planned repayment of onshore bank borrowings in an aggregate principal amount of RMB 4,097.6 million, assuming an aggregate amount of such repayment equal to 45% of the aggregate net proceeds of this offering.

The as-adjusted information below is illustrative only and, other than disclosed in the second bullet points above, does not take into account any changes in our short-term borrowings and capitalization after June 30, 2010.

	As of June 30, 2010 <sup>(3)</sup>			
	Actual		As adjusted for this offering	
	(RMB)	(US\$)	(RMB)	(US\$)
	(unaudited) (in millions)			
<b>Cash and cash equivalents<sup>(1)</sup></b> . . . . .	18,488.3	2,726.3	23,496.4	3,485.1
<b>Short-term debt:</b>				
Short-term bank and other borrowings (including the current portion of long-term bank borrowings) . . . . .	2,095.0	308.9	1,569.1 <sup>(4)</sup>	229.2
Total short-term debt . . . . .	2,095.0	308.9	1,569.1	229.2
<b>Long-term debt:</b>				
Long-term bank and other borrowings (net of current portions) . . . . .	14,228.3	2,098.1	10,656.6 <sup>(4)</sup>	1,556.9
2015 Notes . . . . .	8,949.9	1,319.8	8,949.9	1,319.8
2014 Notes to be issued . . . . .	—	—	5,463.4	827.8
2016 Notes to be issued . . . . .	—	—	3,642.3	551.9
Total long-term debt . . . . .	23,178.2	3,417.9	28,712.2	4,256.4
<b>Equity:</b>				
Total equity . . . . .	15,653.6	2,308.3	15,653.6	2,308.3
<b>Total capitalization<sup>(2)</sup></b> . . . . .	38,831.8	5,726.2	44,365.8	6,564.7

(1) Cash and cash equivalents include restricted cash.

(2) Total capitalization is calculated as long-term debt plus total equity.

(3) The U.S. dollar conversion for the repayment amount of the onshore bank borrowings and the amount of net proceeds of this offering is based on the January 13, 2011 spot rate of RMB 6.5997 per US\$1.00.

(4) For illustrative purposes only, the repayments of onshore long-term and short-term bank borrowings are presented based on their respective portion to total bank borrowings as of June 30, 2010.

As of June 30, 2010, our PRC subsidiaries had bank and other borrowings in the amount of RMB 16,323.3 million (US\$2,407.0 million) and capital commitments of approximately RMB 33,267.3 million (US\$4,905.6 million). There was a RMB 5,696.9 million net increase in our short-term debt and long-term debt from June 30, 2010 to December 28, 2010.

Except as otherwise disclosed in this offering memorandum, and other than the drawdown and repayment of bank and other borrowings in the ordinary course of our business, there has been no material adverse change in our borrowings and capitalization since June 30, 2010.

## SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected consolidated statement of comprehensive income data for the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2009 and the selected consolidated balance sheet data as of December 31, 2007, 2008 and 2009 set forth below (except for EBITDA data) have been derived from our Accountants' Report and our consolidated financial statements for such years/period and as of such dates, as audited by PricewaterhouseCoopers, independent certified public accountants, and included elsewhere in this offering memorandum. The selected financial information as of and for the six months ended June 30, 2010 set forth below (except for EBITDA data) has been derived from our unaudited condensed consolidated financial information included elsewhere in this offering memorandum. The unaudited condensed consolidated financial information as of and for the six months ended June 30, 2010 contain all adjustments that our management believes are necessary for the fair presentation of such information.

Results for interim period are not indicative of results for the full year. Our Accountants' Report, financial statements have been prepared and presented in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions. The selected financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," our Accountants' Report and our consolidated financial information and the notes to those statements included elsewhere in this offering memorandum.

### Selected Consolidated Statement of Comprehensive Income and Other Financial Data

	Year ended December 31,			Six months ended June 30,		
	2007	2008	2009	2009	2010	
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)					
	(unaudited)					
Revenue . . . . .	3,166,692	3,606,791	5,722,657	1,635,130	20,366,292	3,003,213
Cost of sales . . . . .	<u>(1,945,261)</u>	<u>(2,124,420)</u>	<u>(3,776,308)</u>	<u>(1,089,782)</u>	<u>(15,419,512)</u>	<u>(2,273,761)</u>
<b>Gross profit</b> . . . . .	1,221,431	1,482,371	1,946,349	545,348	4,946,780	729,452
Fair value gains on investment						
properties . . . . .	657,067	77,415	842,570	299,657	750,554	110,677
Other gains . . . . .	796,877	531,090	347,554	301,094	58,208	8,583
Selling and marketing costs . . . . .	(220,651)	(665,299)	(1,075,142)	(415,259)	(797,900)	(117,658)
Administrative expenses . . . . .	(470,579)	(545,273)	(744,960)	(349,034)	(542,392)	(79,981)
Other operating expenses . . . . .	<u>(23,356)</u>	<u>(34,439)</u>	<u>(63,890)</u>	<u>(6,187)</u>	<u>(44,240)</u>	<u>(6,524)</u>
<b>Operating profit</b> . . . . .	1,960,789	845,865	1,252,481	375,619	4,371,010	644,549
Fair value change on embedded						
financial derivatives . . . . .	(562,684)	—	—	—	—	—
(Provisions)/reversals of financial						
guarantees . . . . .	—	(65,997)	197,403	146,341	—	—
Finance (costs)/income, net . . . . .	<u>118,765</u>	<u>186,520</u>	<u>(3,709)</u>	<u>(12,308)</u>	<u>48,314</u>	<u>7,124</u>
<b>Profit before income tax</b> . . . . .	1,516,870	966,388	1,446,175	509,652	4,419,324	651,673
Income tax (expenses)/credit . . . . .	<u>(437,766)</u>	<u>(333,958)</u>	<u>(329,371)</u>	<u>12,708</u>	<u>(1,919,253)</u>	<u>(283,013)</u>
<b>Profit for the year/period</b> . . . . .	<u>1,079,104</u>	<u>632,430</u>	<u>1,116,804</u>	<u>522,360</u>	<u>2,500,071</u>	<u>368,660</u>
<b>Other comprehensive income:</b>						
Gain/loss recognized directly in equity . . . . .	—	—	—	—	—	—
<b>Total comprehensive income for the year/period</b>	<u>1,079,104</u>	<u>632,430</u>	<u>1,116,804</u>	<u>522,360</u>	<u>2,500,071</u>	<u>368,660</u>
<b>Attributable to:</b>						
Shareholders of the Company . . . . .	1,081,533	524,760	1,046,428	500,172	2,328,682	343,387
Non-controlling interests . . . . .	<u>(2,429)</u>	<u>107,670</u>	<u>70,376</u>	<u>22,188</u>	<u>171,389</u>	<u>25,273</u>
	<u>1,079,104</u>	<u>632,430</u>	<u>1,116,804</u>	<u>522,360</u>	<u>2,500,071</u>	<u>368,660</u>
Dividends . . . . .	<u>—</u>	<u>125,651</u>	<u>105,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Other Financial Data</b>						
EBITDA <sup>(1)</sup> . . . . .	<u>1,350,336</u>	<u>809,912</u>	<u>482,827</u>	<u>109,172</u>	<u>3,667,828</u>	<u>540,857</u>
EBITDA margin <sup>(2)</sup> . . . . .	<u>42.6%</u>	<u>22.5%</u>	<u>8.4%</u>	<u>6.7%</u>	<u>18.0%</u>	<u>18.0%</u>

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- (1) EBITDA for any period consists of profit from operating activities before fair value gains on the investment properties plus depreciation and amortization expenses. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year/period under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indentures governing the Notes. Interest expense excludes amounts capitalized. See the sections entitled "Description of the 2014 Notes — Definitions" and "Description of the 2016 Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures governing the Notes.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

## Selected Consolidated Balance Sheet Data

	As of December 31,			As of June 30,	
	2007	2008	2009	2010	
	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)				
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment . . . . .	217,978	450,141	395,775	766,892	113,086
Land use rights . . . . .	470,820	250,868	279,498	309,580	45,651
Investment properties . . . . .	1,571,468	1,741,390	3,130,800	4,400,305	648,868
Other receivables . . . . .	—	281,849	302,964	312,660	46,105
Deferred income tax assets . . . . .	123,904	324,364	522,166	337,824	49,816
	<u>2,384,170</u>	<u>3,048,612</u>	<u>4,631,203</u>	<u>6,127,261</u>	<u>903,526</u>
<b>Current assets</b>					
Land use rights . . . . .	6,514,092	8,644,245	15,923,120	22,430,758	3,307,640
Properties under development . . . . .	3,287,017	9,049,192	20,557,151	17,343,685	2,557,500
Completed properties held for sale . . . . .	986,962	2,240,713	2,004,932	3,854,866	568,439
Trade and other receivables and prepayments . . . . .	4,845,432	3,590,360	5,318,893	10,920,707	1,610,366
Income tax recoverable . . . . .	—	31,816	257,909	256,897	37,882
Restricted cash . . . . .	1,725,849	1,167,942	7,044,824	8,536,886	1,258,849
Cash and cash equivalents . . . . .	1,640,863	749,718	7,333,232	9,951,414	1,467,436
	<u>19,000,215</u>	<u>25,473,986</u>	<u>58,440,061</u>	<u>73,295,213</u>	<u>10,808,112</u>
<b>Total assets</b> . . . . .	<u>21,384,385</u>	<u>28,522,598</u>	<u>63,071,264</u>	<u>79,422,474</u>	<u>11,711,638</u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to shareholders of the Company</b>					
Share capital . . . . .	125,000	209,332	1,044,079	1,044,079	153,960
Share premium . . . . .	—	6,000,560	7,958,022	7,958,022	1,173,490
Reserves . . . . .	(640,465)	389,837	1,219,385	1,356,587	200,042
Retained earnings . . . . .	1,153,145	1,662,139	2,640,351	4,828,244	711,973
	<u>637,680</u>	<u>8,261,868</u>	<u>12,861,837</u>	<u>15,186,932</u>	<u>2,239,465</u>
Non-controlling interests . . . . .	213,593	321,263	295,309	466,698	68,819
<b>Total equity</b> . . . . .	<u>851,273</u>	<u>8,583,131</u>	<u>13,157,146</u>	<u>15,653,630</u>	<u>2,308,284</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings . . . . .	8,915,516	4,226,413	7,816,044	23,178,175	3,417,854
Convertible Preferred Shares . . . . .	3,153,928	—	—	—	—
Embedded financial derivatives . . . . .	816,436	—	—	—	—
Deferred income tax liabilities . . . . .	482,137	451,527	600,497	779,359	114,924
	<u>13,368,017</u>	<u>4,677,940</u>	<u>8,416,541</u>	<u>23,957,534</u>	<u>3,532,778</u>
<b>Current liabilities</b>					
Borrowings . . . . .	646,200	6,213,843	6,359,745	2,094,990	308,927
Trade and other payables . . . . .	4,194,060	4,469,168	9,799,761	13,937,301	2,055,194
Receipt in advance from customers . . . . .	1,763,544	3,503,265	24,306,136	21,946,599	3,236,246
Financial guarantee liabilities . . . . .	—	197,403	—	—	—
Current income tax liabilities . . . . .	561,291	877,848	1,031,935	1,832,420	270,209
	<u>7,165,095</u>	<u>15,261,527</u>	<u>41,497,577</u>	<u>39,811,310</u>	<u>5,870,576</u>
<b>Total liabilities</b> . . . . .	<u>20,533,112</u>	<u>19,939,467</u>	<u>49,914,118</u>	<u>63,768,844</u>	<u>9,403,354</u>
<b>Total equity and liabilities</b> . . . . .	<u>21,384,385</u>	<u>28,522,598</u>	<u>63,071,264</u>	<u>79,422,474</u>	<u>11,711,638</u>
<b>Net current assets</b> . . . . .	<u>11,835,120</u>	<u>10,212,459</u>	<u>16,942,484</u>	<u>33,483,903</u>	<u>4,937,536</u>
<b>Total assets less current liabilities</b> . . . . .	<u>14,219,290</u>	<u>13,261,071</u>	<u>21,573,687</u>	<u>39,611,164</u>	<u>5,841,062</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with the section entitled "Selected Consolidated Financial and Other Data" and our Accountants' Report and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.*

*Our consolidated financial information and our consolidated financial statements were prepared in accordance with HKFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to "2007," "2008" and "2009" refer to our fiscal years ended December 31, 2007, 2008 and 2009, respectively.*

### Overview

We are one of the largest developers of quality residential property projects and a leader in adopting a standardized operational model to manage our various projects in different cities across China. Founded in Guangzhou, Guangdong Province in 1996, we have become a leading national property developer through our economies of scale and widely recognized brand name under the leadership of our management team. Over the years, our focus on a centralized management system, a standardized operational model and quality products has allowed us to quickly replicate our success across China. We focus primarily on provincial capitals and other selected cities that we believe have high-growth potential. We believe our land reserves cover the most provincial capitals and municipalities among all PRC property developers. Through our standardized operational model, we have been able to simultaneously manage projects in various development and sale stages in 62 cities across China as of December 31, 2010.

We believe we have the largest land reserves among all PRC property developers, with a total GFA of approximately 96.0 million square meters of high-quality and low-cost land as of December 31, 2010 with an average cost of approximately RMB 520 per square meter. As of December 31, 2010, we have an aggregate of approximately RMB 19.3 billion outstanding land premiums, of which RMB 10.3 billion is expected to be paid in 2011 and RMB 5.2 billion is expected to be paid in 2012. As of December 31, 2010, we had a total of 121 property projects, more than 60% of which were projects located in provincial capitals or municipalities. As of December 31, 2010, we had completed development of a total GFA of approximately 13.6 million square meters since our inception, and we had properties under development with a total GFA of approximately 55.8 million square meters, and properties held for future development with a total GFA of approximately 40.2 million square meters.

As of December 31, 2010, 69 of our property projects under development had construction permits with a total GFA of approximately 24.0 million square meters and a saleable GFA under construction of approximately 23.7 million square meters, and 56 of our projects had obtained pre-sale permits for a total GFA under construction of approximately 8.6 million square meters of which approximately 4.5 million square meters remained unsold.

We strive to provide high-quality residential products to the market by focusing on every step of the development process, from site selection, planning, landscaping, construction to fitting-out and property management. We aim to deliver "best-in-class" end-products to our customers. Over the years, our products have gained a wide brand recognition among consumers as reflected by our strong contracted sales and sales records. For the year ended December 31, 2010, our contracted sales amounted to approximately RMB 50.4 billion. Of the contracted sales, approximately RMB 5.6 billion remained outstanding as of December 28, 2010 and is expected to be received from our customers in the future pursuant to our sales contracts. Our total cash (including cash equivalents and restricted cash) amounted to RMB 18,816.8 million and our aggregate outstanding borrowings amounted to RMB



30,970.1 million as of December 28, 2010. For the year ending December 31, 2011, we have set a total contracted sales target of RMB 70 billion, which is 40% higher than our total contracted sales in the year ended December 31, 2010.

## **Key Factors Affecting Our Results of Operations**

### ***Economic Growth, Speed of Urbanization and Demand for Residential Properties in China***

Economic growth, urbanization and rising standard of living in China have been the main driving forces behind the increasing market demand for residential properties. Since the second half of 2008, the global economic slowdown and turmoil in the global financial markets have adversely impacted the overall economy of China, including the PRC real estate market, from which our entire revenues are generated. Although global economic conditions have exhibited signs of stabilization in 2010, the economic conditions and volatility of property prices may continue to impact our business and results of operations. At the current stage of the PRC economic development, the real estate industry is significantly dependent on the overall economic growth and the resultant consumer demand for residential properties. Because we primarily target middle to upper-middle income level residents, we believe that private sector developments and urbanization in China are especially important to our operations. These factors will continue to have a significant impact on the number of potential property buyers and the pricing and profitability of residential properties, which directly affect our results of operations.

### ***Regulatory Measures in the Real Estate Industry in China***

PRC governmental policies and measures on property development and related industries have a direct impact on our business and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through regulating, among others, land supply, pre-sale of properties, land usage, plot ratio, bank financing and taxation. Prior to the second half of 2008, the PRC government had implemented a series of measures to slow down the growth of the economy, including the property markets. Starting from the second half of 2009, in response to the property price rises across the country, the PRC government announced a series of new policies and adopted new measures to prevent overheating and curtail speculations in the property market and imposed more stringent requirements on the payment of land premiums by property developers and mortgage financing. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations. You should refer to the sections entitled “Industry Overview — PRC Property Markets — Measures Taken by PRC Government in Recent Years Relating to PRC Property Markets” and “Regulation” for more details on the relevant PRC regulations.

### ***Abilities to Acquire Suitable Land***

Our continuing growth will depend in large part on our ability to acquire quality land at prices that can yield reasonable return. As the PRC economy continues to grow at a relatively high speed and demand for residential properties remains relatively strong, we expect that competition among developers for land reserves will remain intense as well. In addition, the statutory means of public tender, auction and listing-for-sale for the grant of state-owned land use rights are also likely to increase competition for land for development and increase land acquisition costs and the percentage of minimum down-payment of land premium.

### ***Timing of Property Development***

The number of property projects that we undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction costs as well as limited land supply. In addition, significant time is required for the development of property projects and it may take many months or probably years before the commencement of pre-sale or completion and delivery of a

property project. No revenue is recognized with respect to a property project until it has been completed and delivered to the customers. In addition, as market demand is not stable, revenue in a particular period may also depend on our ability to gauge the expected market demand at the expected launch time for completion and delivery of a particular project, while delays in construction, regulatory approval processes and other factors can adversely affect the timetable of our projects. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

### ***Land and Construction Costs***

Our results of operations are affected by land and construction costs. Land and construction costs constitute the most important items in our cost of sales. Over the years, land premiums have generally been increasing steadily in China. It is widely expected that land premiums will continue to rise as the PRC economy continues to develop. Key construction materials such as steel and cement are included in the fees payable to our construction contractors. Although short-term price volatility of these materials does not affect us immediately, changes in costs in construction materials will cause contractors to change their fee quote, thus impacting our cost of sales and overall project costs. If we cannot sell our properties at a price level sufficient to cover all the increased costs, we will not be able to achieve our target profit margin and our profitability will be adversely impacted.

### ***Product Mix of Our Properties***

We derive our revenue mainly from the sale of properties. Over the years, we have developed and introduced various product series to the market, targeting a broad customer base. Our results of operations and cash flow generated from operating activities may vary from period to period depending on the product mix and average selling prices for different types of products. In addition, our results of operations and cash flows generated from operating activities may also vary depending on the market demand at the time we sell our properties. The revenue we receive from our property development depends on local market prices which in turn depend on local supply and demand conditions, as well as the type of property being developed.

### ***Access to and Cost of Financing***

Borrowings are an important source of funding for our property developments. As of December 31, 2007, 2008 and 2009 and June 30, 2010, our outstanding borrowings amounted to RMB 9,561.7 million, RMB 10,440.2 million, RMB 14,175.8 million and RMB 25,273.2 million (US\$3,726.8 million), respectively. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments. In addition, our access to capital and cost of financing are also affected by restrictions imposed from time to time by the PRC government on bank lending for property developments as well as conditions in overseas capital markets.

### ***LAT***

Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors in real estate development in China, irrespective of whether they are corporate entities or individuals. We prepaid LAT in an aggregate amount of RMB 665.7 million with respect to our pre-sales made during the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010. According to the relevant LAT laws and regulations in China, provisions of LAT should be made upon recognition of revenue. For 2007, 2008 and 2009 and the six months ended June 30, 2010, we made LAT provisions of RMB 199.7 million, RMB 332.5 million, RMB 191.9 million and RMB 883.2 million (US\$130.2 million), respectively. Although we believe we have made all prepayments and/or full provisions for LAT in compliance with the relevant LAT laws and regulations in China as interpreted and enforced by the relevant local tax authorities, we cannot assure you that the relevant tax authorities will agree to the basis on which we have calculated our LAT liabilities for provision purposes or that such provisions

will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us. Our financial condition may be materially and adversely affected if our LAT liabilities as calculated by the relevant tax authorities are substantially higher than our provisions. We have provided more details on the PRC regulations on LAT in the section entitled “Regulation — Mainland China Taxation — Our Operations in Mainland China — Land Appreciation Tax.”

### ***Fair Value of Investment Properties***

Our investment properties include our retail spaces and parking spaces held for rental income and/or for capital appreciation. Our investment properties are stated at their fair value on our consolidated balance sheets as non-current assets as of each balance sheet date on the basis of valuations by an independent property valuer. Gains or losses arising from changes in the fair value of our investment properties are accounted for as gains or losses upon revaluation in our consolidated income statements, which may have a substantial effect on our profits. The property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant balance sheet dates and do not generate any cash inflow available for our operations or potential dividend distribution to our shareholders. The amounts of fair value adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions in China and may increase or decrease. We cannot assure you that similar levels of fair value gains can be sustained in the future.

### **Critical Accounting Policies**

We prepare our consolidated financial information and our consolidated financial statements under the historical cost convention as modified for the revaluation of certain investment properties, embedded financial derivatives and available-for-sale investments in accordance with HKFRS. HKFRS requires us to make judgments, estimates and assumptions that affect (i) the reported amounts of our assets and liabilities at the end of each fiscal period, and (ii) the reported amounts of income and expenses during each fiscal period. We continually evaluate these estimates based on our own historical experience, knowledge and assessment of our current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our 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, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing our consolidated financial information and our consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our consolidated financial information and our consolidated financial statements.

### ***Investment Properties***

Properties that are held for long-term rental income or for capital appreciation or both, and that are not occupied by us, are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are classified as investment properties. Investment properties are measured initially at their cost. After initial recognition, investment properties are carried at fair value. Fair value is based on the current prices in an active market for the properties with similar leases and other contracts, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, we use alternative valuation methods such as

recent prices on less active markets or discounted cash flow projections. These valuations are performed at each balance sheet date by independent valuers. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

### ***Properties under Development***

For accounting purposes, properties under development include only properties in respect of which we have obtained the relevant land use rights certificates and the relevant construction permits. Properties under development are stated at the lower of cost and net realizable value. Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and anticipated cost to completion. Development cost of property comprises construction costs, amortization of land use rights, borrowing costs, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale. Properties under development are classified as current assets except those that will not be realized in one normal operating cycle. Land use rights may sometimes be subject to restrictions due to incomplete administrative and other procedures. We need to make further payments to the relevant governmental authorities as calculated on the basis of the appraisal value of the relevant land after deducting various fees and reclamation costs we have invested before we may transfer ownership of our completed properties to our customers.

### ***Completed Properties Held for Sale***

Completed properties remaining unsold at the end of each financial reporting period are stated at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

### ***Borrowings***

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

Borrowing costs incurred for the construction of any qualified assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred.

### ***LAT***

We are subject to LAT in China. However, the implementation and settlement of these taxes vary among various tax jurisdictions in China. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. We recognize our LAT based on our best estimates according to our understanding of the tax rules. The final LAT could be different from the amounts that were initially recorded, and these differences will impact our income tax in the periods when such LAT has been finalized with local tax authorities.

### ***Enterprise Income Taxes and Deferred Taxation***

We are subject to enterprise income tax in China. Prior to January 1, 2008, PRC enterprise income tax was provided for at 33% on the taxable profit for the PRC statutory financial reporting purposes relating to PRC domestic companies. Effective from January 1, 2008, all enterprises with operations in China are subject to the same statutory income tax rate at 25%.

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period when such determination is made.

Deferred income tax assets are recognized to the extent that our management believes it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

### ***Property and Equipment***

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20–30 years
Machinery	5–10 years
Motor vehicles	4–10 years
Furniture, fitting and equipment	3–8 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statements.

### ***Embedded Financial Derivatives***

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Our derivative instruments do not qualify for hedge accounting and are accounted for at their fair value through profit or loss. Changes in the fair value of these derivatives are recognized immediately in the income statement.

### ***Financial Guarantee***

Financial guarantee liabilities are recognized in respect of the financial guarantee we provide to banks for property purchasers and to certain of our investors. Financial guarantee liabilities are recognized initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities and are subsequently measured at the higher of the present value of the best estimate of the expenditures required to settle the present obligation and the amount initially recognized less cumulative amortization.

Financial guarantee liabilities are derecognized from the balance sheet when, and only when, the obligation specified in the contract is discharged, cancelled or expired.

### **Certain Income Statement Items**

#### ***Revenue***

We derive our revenue primarily from property development, property investment, property management services and other property-related services. We recognize our revenue after the properties have been sold and delivered. As customary in the residential property industry, we pre-sell our properties prior to their completion in accordance with PRC pre-sale regulations. We do not, however, recognize the proceeds from pre-sales as revenue until we have completed the construction of these properties and delivered the properties to the purchasers. Typically there is a time gap ranging from three months to one year between the time we commence pre-sale of the properties under development and the delivery of the properties. We record the proceeds received from the pre-sold properties as a part of “receipt in advance from customers,” an item of current liabilities on our balance sheet, and as a part of cash inflows from operating activities on our cash flow statements. Revenue arising from property investment is recognized on a straight-line basis over the relevant lease period. Revenue arising from property management services and other property-related services is recognized over the period when the related services are rendered.

#### ***Cost of Sales***

Cost of sales comprises primarily costs incurred directly for our property development, including construction costs, land acquisition costs, capitalized borrowing costs and business taxes.

*Construction costs.* Construction costs represent costs for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our construction costs are affected by a number of factors such as price of construction materials, location and types of properties, choices of materials and investments in ancillary facilities. Substantially all of the costs of construction materials, whether procured by ourselves or by our contractors, are accounted for as part of the contractor fees upon settlement with the relevant contractors.

*Land acquisition costs.* Land acquisition costs represent costs relating to acquisition of the rights to occupy, use and develop land, including land premiums, demolition and resettlement costs, and other land-related taxes and government surcharges. The land acquisition costs are recognized as part of cost of sales upon completion and delivery of the relevant properties.

*Capitalized borrowing costs.* Our borrowing costs are capitalized to the extent that such costs are directly attributable to the acquisition or construction of a project. Such capitalized borrowing costs are included as part of the cost of sales for the relevant property when we recognize the sales revenue.



*Business taxes.* Our revenues from property development, property investment and property management are subject to business taxes and surcharges at the rate of 5.5% payable to local tax authorities.

#### ***Fair Value Gains on Investment Properties***

We hold certain properties such as retail shops and parking spaces for rental income or capital appreciation. Our investment properties are revalued annually on an open market value or existing use basis by an independent property valuer. Any appreciation or depreciation in our investment property value is recognized as fair value gains or losses in our consolidated income statements.

#### ***Other Gains***

Our other gains primarily consist of interest income, gains on the transfer of project development right, gains on partial disposal of subsidiaries, and gains from repurchase of our structured secured loan. As part of the ordinary business operations, we from time to time seek to co-develop projects or transfer partial project interest, which may result in other gains or losses. Gains on transfer of project development right were derived from the transfers of the development rights of two development projects and we recognized a gain, which represented the excess of the proceeds received and receivable over the costs of the two projects. Gains on partial disposal of a subsidiary represented the excess of proceeds over the carrying value of the underlying shareholding interest in the subsidiary. Gains from repurchase of our structured secured loan were derived from the repurchase of a portion of the structured secured loan and related accrued interest at a discount price to the face value.

#### ***Selling and Marketing Costs***

Selling and marketing costs comprise primarily advertising and promotional expenses, sales commissions and other expenses relating to sales of our properties, including advertisements on television and in newspapers, magazines, and on billboards.

#### ***Administrative Expenses***

Administrative expenses comprise primarily administrative staff costs, travel expenses, entertainment expenses, rental payments, office expenses, depreciation and provision for bad debts.

#### ***(Provisions)/Reversal of Financial Guarantees***

Our financial guarantee liabilities mainly arise from (i) providing guarantees for repayment by our controlling shareholder in respect of the restructuring for our convertible preferred shares; and (ii) providing guarantees for our controlling shareholder in respect of its obligations to redeem our ordinary shares issued to certain investors on June 25, 2008.

The fair value on financial guarantees is affected by certain factors, including the global economic outlook, our financial position and the results of operations, probability of success of this offering, probability of default and recovery ratio, and market yields and return volatility of comparable corporate bonds. The provisions in the year ended December 31, 2008 and reversal in the six months ended June 30, 2009 were primarily attributed to the financial crisis in 2008 and the subsequent improvement in market situation in the first half of 2009.

#### ***Finance (Costs)/Income, net***

Finance (Costs)/income, net, comprise primarily the net amount of foreign exchange gains/losses and interest costs net of capitalized interest relating to properties under development and property and equipment. Since foreign exchange rates fluctuate and the construction period for a project does not

necessarily coincide with the interest payment periods of the relevant loan, not all of the interest costs related to a project can be capitalized. As a result, our finance costs fluctuate from period to period depending on the level of interest costs that are capitalized within the reporting period.

### ***Profit before Income Tax***

Profit before income tax comprises primarily operating profit, net of fair value change on financial guarantee and embedded financial derivatives and finance costs/income.

### ***Income Tax Expenses***

Income tax expenses represent PRC enterprise income tax payable and LAT payable by our PRC subsidiaries.

Since January 1, 2008, our PRC subsidiaries have been subject to the new national enterprise income tax of 25% pursuant to the new enterprise income tax law. We did not provide for any Hong Kong profits tax as we had no business operations subject to Hong Kong profit tax during the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010.

Currently, we are not subject to any Cayman Islands income tax pursuant to an undertaking obtained from the Governor in Cabinet. As our BVI subsidiaries were incorporated under the International Business Companies Act of the British Virgin Islands, they are exempted from BVI income tax.

The reconciliation of income tax and our profit before income tax in form of percentages is set out below:

	<b>Year ended December 31,</b>			<b>Six months ended June 30,</b>	
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2009</b>	<b>2010</b>
Profit before income tax . . . . .	100%	100%	100%	100%	100%
Calculated at PRC enterprise income tax rate . . . . .	33	24	20	22	25
Effect of changes in tax rate . . . . .	(8)	—	—	—	—
PRC land appreciation tax deductible for PRC corporate income tax purposes . . . . .	(4)	(8)	(3)	(3)	(5)
Income not subject to tax . . . . .	(20)	(22)	(8)	(21)	—
Reversal of provision of deferred tax liabilities of land use right having obtained invoice . . . . .	—	—	(4)	(13)	—
Expenses not deductible for tax purposes . . . . .	14	5	2	1	2
Tax losses for which no deferred income tax asset was recognized . . . . .	1	1	3	—	1
PRC enterprise income tax . . . . .	16	—	10	(14)	23
PRC land appreciation tax . . . . .	13	35	13	12	20
Effective tax rate . . . . .	<u>29%</u>	<u>35%</u>	<u>23%</u>	<u>(2%)</u>	<u>43%</u>

Our effective tax rate increased from 29% for the year ended December 31, 2007 to 35% for the year ended December 31, 2008, primarily due to significant increases in LAT incurred, which was driven by the higher profit margin achieved by our property projects completed and delivered during the year.

Our effective tax rate decreased from 35% for the year ended December 31, 2008 to 23% for the year ended December 31, 2009, primarily due to a decrease in the average selling price of our delivered properties and in gross profit, which resulted in a decrease in our LAT.

Our effective tax rate was negative 2% for the six months ended June 30, 2009, as compared to 43% for the same period in 2010, primarily due to the occurrence of the following one-off transactions with tax benefits in the six months ended June 30, 2009: (i) the reversal of a financial guarantee of RMB 146.3 million, which was not subject to tax; (ii) additional gains from the disposal of a 40% equity interest in a subsidiary which is not subject to tax; (iii) the gain of RMB 172.5 million from the repurchase of the structured secured loan, which is not subject to tax; and (iv) the reversal of deferred tax liabilities as a result of receiving the official tax invoice in respect of the previous acquisition of Foshan Nanhai Xinzhongjian Real Estate Development Co., Ltd. (佛山市南海新中建房地產發展有限公司), or Xinzhongjian.

## Results of Operations

The table below summarizes our consolidated results in absolute terms and as a percentage of our revenue for 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010.

	Year ended December 31,				Six months ended June 30,		
	2007	2008	2009		2009	2010	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
	(in thousands)						
Revenue . . . . .	3,166,692	3,606,791	5,722,657	843,863	1,635,130	20,366,292	3,003,213
Cost of sales . . . . .	(1,945,261)	(2,124,420)	(3,776,308)	(556,854)	(1,089,782)	(15,419,512)	(2,273,761)
<b>Gross profit</b> . . . . .	<b>1,221,431</b>	<b>1,482,371</b>	<b>1,946,349</b>	<b>287,009</b>	<b>545,348</b>	<b>4,946,780</b>	<b>729,452</b>
Fair value gains on investment properties . . . . .	657,067	77,415	842,570	124,245	299,657	750,554	110,677
Other gains . . . . .	796,877	531,090	347,554	51,250	301,094	58,208	8,583
Selling and marketing costs . . . . .	(220,651)	(665,299)	(1,075,142)	(158,540)	(415,259)	(797,900)	(117,658)
Administrative expenses . . . . .	(470,579)	(545,273)	(744,960)	(109,852)	(349,034)	(542,392)	(79,981)
Other operating expenses . . . . .	(23,356)	(34,439)	(63,890)	(9,421)	(6,187)	(44,240)	(6,524)
<b>Operating profit</b> . . . . .	<b>1,960,789</b>	<b>845,865</b>	<b>1,252,481</b>	<b>184,691</b>	<b>375,619</b>	<b>4,371,010</b>	<b>644,549</b>
Fair value change on embedded financial derivatives . . . . .	(562,684)	—	—	—	—	—	—
(Provisions)/reversals of financial guarantees . . . . .	—	(65,997)	197,403	29,109	146,341	—	—
Finance (costs)/income, net . . . . .	118,765	186,520	(3,709)	(547)	(12,308)	48,314	7,124
<b>Profit before income tax</b> . . . . .	<b>1,516,870</b>	<b>966,388</b>	<b>1,446,175</b>	<b>213,253</b>	<b>509,652</b>	<b>4,419,324</b>	<b>651,673</b>
Income tax (expenses)/credit . . . . .	(437,766)	(333,958)	(329,371)	(48,569)	12,708	(1,919,253)	(283,013)
<b>Profit for the year/period</b> . . . . .	<b>1,079,104</b>	<b>632,430</b>	<b>1,116,804</b>	<b>164,684</b>	<b>522,360</b>	<b>2,500,071</b>	<b>368,660</b>
<b>Other comprehensive income:</b>							
Gain/loss recognized directly in equity . . . . .	—	—	—	—	—	—	—
<b>Total comprehensive income for the year/period</b> . . . . .	<b>1,079,104</b>	<b>632,430</b>	<b>1,116,804</b>	<b>164,684</b>	<b>522,360</b>	<b>2,500,071</b>	<b>368,660</b>
<b>Attributable to:</b>							
Shareholders of the Company . . . . .	1,081,533	524,760	1,046,428	154,306	500,172	2,328,682	343,387
Non-controlling interests . . . . .	(2,429)	107,670	70,376	10,378	22,188	171,389	25,273
	<b>1,079,104</b>	<b>632,430</b>	<b>1,116,804</b>	<b>164,684</b>	<b>522,360</b>	<b>2,500,071</b>	<b>368,660</b>
Dividends . . . . .	—	125,651	105,000	15,483	—	—	—

## ***Business Segments***

Our business consists of the following four segments:

- property development;
- property investment;
- property management services; and
- other businesses related to property development.

The following table illustrates our revenue by business segment for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	(RMB in millions)				
Property development . . . . .	3,014.8	3,495.0	5,042.9	1,490.1	20,249.5
Property investment . . . . .	28.6	25.8	37.6	12.4	22.2
Property management services . . . . .	66.9	78.7	79.5	44.7	54.1
Others . . . . .	56.4	7.3	562.7	87.9	40.5
Total . . . . .	3,166.7	3,606.8	5,722.7	1,635.1	20,366.3

The following table illustrates our other gains for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	(RMB in thousands)				
Interest income . . . . .	27,875	34,495	36,093	12,351	27,299
Forfeited customer deposits . . . . .	5,394	5,338	10,601	6,277	7,854
Gain on transfer of project development rights . . . . .	—	474,465	—	—	—
Gain on partial disposal of a subsidiary . . . . .	760,382	—	98,800	98,800	—
Gain from repurchase of loan . . . . .	—	—	172,475	172,475	—
Others . . . . .	3,226	16,792	29,585	11,191	23,055
Total . . . . .	796,877	531,090	347,554	301,094	58,208

### ***Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009***

**Revenue.** Our revenue increased by RMB 18,731.2 million, or 1,145.6%, to RMB 20,366.3 million (US\$3,003.2 million) for the six months ended June 30, 2010 from RMB 1,635.1 million for the same period in 2009. The major contributor to our revenue in these periods was the property development business. Major projects completed and delivered in the six months ended June 30, 2010 included Evergrande Royal Scenic Peninsula, Evergrande Oasis Guangzhou, Evergrande City Chengdu, Evergrande Splendor Pengshan, Evergrande Oasis Taiyuan and Evergrande Splendor Kunming.

**Property Development.** Our revenue generated from property development increased by RMB 18,759.4 million, or 1,258.9%, to RMB 20,249.5 million (US\$2,986.0 million) for the six months ended June 30, 2010 from RMB 1,490.1 million for the same period in 2009. The increase was primarily due

to a substantial increase of approximately 3.6 million square meters of GFA delivered, from 251,000 square meters for the six months ended June 30, 2009 to approximately 3.9 million square meters for the six months ended June 30, 2010.

The following table sets forth the revenue generated from each project and the percentage of the total revenue generated by each project for the periods indicated.

Project	Six months ended June 30, 2009		Six months ended June 30, 2010	
	Revenue	% of revenue	Revenue	% of revenue
(RMB in millions, except percentages)				
<i>High-ended series</i>				
Evergrande Royal Scenic Peninsula . . . . .	279.7	18.8%	1,866.8	9.2%
Evergrande Palace Chongqing . . . . .	135.0	9.1	862.9	4.3
Evergrande Palace Hefei . . . . .	—	—	591.4	2.9
Evergrande Palace Changsha . . . . .	—	—	438.7	2.2
Evergrande Palace Wuhan . . . . .	87.8	5.9	433.9	2.1
Sub-total . . . . .	<u>502.5</u>	<u>33.7</u>	<u>4,193.7</u>	<u>20.7</u>
<i>Mid- to mid-high-end series</i>				
Evergrande Oasis Guangzhou . . . . .	—	—	1,298.6	6.4
Evergrande Oasis Taiyuan . . . . .	—	—	1,296.8	6.4
Evergrande City Chengdu . . . . .	154.4	10.4	1,010.2	5.0
Evergrande Metropolis Xi'an . . . . .	—	—	720.7	3.6
Evergrande Oasis Nanjing . . . . .	—	—	656.9	3.2
Evergrande Oasis Chengdu . . . . .	198.7	13.3	635.1	3.1
Evergrande City Chongqing . . . . .	—	—	628.0	3.1
Evergrande Oasis Xi'an . . . . .	—	—	597.6	3.0
Evergrande Oasis Shenyang . . . . .	182.6	12.3	578.0	2.9
Evergrande City Wuhan . . . . .	—	—	500.4	2.5
Evergrande Oasis Guiyang . . . . .	—	—	490.7	2.4
Evergrande Metropolis Changsha . . . . .	—	—	428.5	2.1
Evergrande City Shenyang . . . . .	—	—	358.5	1.8
Other projects . . . . .	61.3	4.1	935.4	4.6
Sub-total . . . . .	<u>597.0</u>	<u>40.1</u>	<u>10,135.4</u>	<u>50.1</u>
<i>Tourism-related series</i>				
Evergrande Splendor Kunming . . . . .	—	—	1,173.8	5.8
Evergrande Splendor Pengshan . . . . .	—	—	1,012.0	5.0
Evergrande Splendor Nanjing . . . . .	—	—	828.1	4.1
Evergrande Splendor Chongqing . . . . .	102.4	6.9	808.9	4.0
Evergrande Splendor Tianjin . . . . .	—	—	723.8	3.6
Evergrande Scenic Garden . . . . .	288.2	19.3	494.9	2.4
Evergrande Splendor Qingyuan . . . . .	—	—	448.1	2.2
Evergrande Splendor E'zhou . . . . .	—	—	430.8	2.1
Sub-total . . . . .	<u>390.6</u>	<u>26.2</u>	<u>5,920.4</u>	<u>29.2</u>
Total . . . . .	<u>1,490.1</u>	<u>100.0%</u>	<u>20,249.5</u>	<u>100.0%</u>

*Property Investment.* Our revenue generated from property investment increased by RMB 9.8 million, or 79.0%, to RMB 22.2 million (US\$3.3 million) for the six months ended June 30, 2010 from RMB 12.4 million for the same period in 2009. The change was primarily due to an increase in the GFA of our investment properties.

*Property Management Services.* Our revenue generated from property management services increased by RMB 9.4 million, or 21.0%, to RMB 54.1 million (US\$8.0 million) for the six months ended June 30, 2010 from RMB 44.7 million for the same period in 2009. The increase was primarily due to the additional property management fees we received from the total GFA completed and delivered in the six months ended June 30, 2010.

**Others.** Our other revenue decreased by RMB 47.4 million, or 53.9%, to RMB 40.5 million (US\$6.0 million) for the six months ended June 30, 2010 from RMB 87.9 million for the same period in 2009, primarily due to the substantial decrease in the revenue generated from our land leveling business in the six months ended June 30, 2010.

**Cost of sales.** Our cost of sales increased by RMB 14,329.7 million, or 1,314.9%, to RMB 15,419.5 million (US\$2,273.8 million) for the six months ended June 30, 2010 from RMB 1,089.8 million for the same period in 2009. The increase was primarily due to an increase in GFA completed and delivered for the six months ended June 30, 2010. Our gross profit margin decreased to 24.3% for the six months ended June 30, 2010 from 33.4% for the same period in 2009 primarily due to our accelerated national expansion and an increased proportion of sales of projects outside Guangdong Province, which generally had lower profit margins in the six months ended June 30, 2010.

**Fair value gains on investment properties.** Fair value gains on our investment properties increased by RMB 450.9 million, or 150.5%, to RMB 750.6 million (US\$110.7 million) for the six months ended June 30, 2010 from RMB 299.7 million for the same period in 2009. The increase was primarily due to an increase in the GFA of our investment properties, together with the market value appreciation.

**Other gains.** Our other gains decreased by RMB 242.9 million, or 80.7%, to RMB 58.2 million (US\$8.6 million) for the six months ended June 30, 2010 from RMB 301.1 million for the same period in 2009. Our other gains for the six months ended June 30, 2009 were derived primarily from the gain of approximately RMB 172.5 million realized from (i) our repurchase of a portion of the structured secured loan from an independent third party at a discount price, and (ii) the gain of RMB 98.8 million relating to our disposal of a 40% interest in Success Will Group Limited to an affiliate of Merrill Lynch Far East Limited in 2007. Our other gains for the six months ended June 30, 2010 were derived primarily from bank interest income, which increased to approximately RMB 27.3 million (US\$4.0 million) in the six months ended June 30, 2010 from approximately RMB 12.4 million in the same period in 2009.

**Selling and marketing costs.** Our selling and marketing costs increased by RMB 382.6 million, or 92.1%, to RMB 797.9 million (US\$117.7 million) for the six months ended June 30, 2010 from RMB 415.3 million for the same period in 2009. The increase was primarily due to our increased nationwide marketing activities as a result of the increased number of properties and total GFA pre-sold.

**Administrative expenses.** Our administrative expenses increased by RMB 193.4 million, or 55.4%, to RMB 542.4 million (US\$80.0 million) for the six months ended June 30, 2010 from RMB 349.0 million for the same period in 2009, primarily due to our continued expansion of our business throughout China and the corresponding increase in the number of administrative staff and their total salaries and benefits.

**Other operating expenses.** Our other operating expenses increased by RMB 38.0 million, or 612.9%, to RMB 44.2 million (US\$6.5 million) for the six months ended June 30, 2010 from RMB 6.2 million for the same period in 2009. The increase was primarily due to an increase in charitable donations.

**Reversal of financial guarantees.** There was a reversal of financial guarantees of approximately RMB 146.3 million for the six months ended June 30, 2009, primarily due to a significant improvement of the market conditions during the six months ended June 30, 2009 as compared to the same period in 2008, which resulted in a decrease in the carrying amount of the financial guarantees. There was no reversal of financial guarantees for the same period in 2010.



**Finance (costs)/income, net.** We had a net finance income of RMB 48.3 million (US\$7.1 million) for the six months ended June 30, 2010, and a net finance cost of RMB 12.3 million for the same period of 2009. The net finance income for the six months ended June 30, 2010 was primarily due to foreign exchange gains relating to our 2015 Notes.

**Income tax (expenses)/credit.** Our income tax expenses, which comprised PRC enterprise income tax and LAT, were RMB 1,919.3 million (US\$283.0 million) for the six months ended June 30, 2010. We had a tax credit of RMB 12.7 million for the six months ended June 30, 2009. The change was primarily due to the following one-off transactions in the six months ended June 30, 2009, including: (i) reversal of financial guarantee of RMB 146.3 million which is not subject to tax; (ii) additional gains from disposal of a 40% equity interest in a subsidiary which is not taxable; (iii) the gain of RMB 172.5 million from the repurchase of our structured secured loan, which is not taxable; and (iv) reversal of deferred tax liabilities as a result of receiving the official invoice from relevant tax authorities in respect of the previous acquisition of Xinzhongjian as part of our reorganization prior to our IPO.

**Profit for the period.** Our profit for the period increased by RMB 1,977.7 million, or 378.6%, to RMB 2,500.1 million (US\$368.7 million) for the six months ended June 30, 2010 from RMB 522.4 million for the same period in 2009. Net profit, excluding fair value gains on our investment properties and provisions/reversals of financial guarantees, increased by 1,182.2% to approximately RMB 1.94 billion (US\$286.1 million) for the six months ended June 30, 2010 from RMB 151.3 million for the same period in 2009.

**Dividend.** We did not pay any dividends for the six months ended June 30, 2010 and 2009.

#### **2009 Compared to 2008**

**Revenue.** Our revenue increased by RMB 2,115.9 million, or 58.7%, to RMB 5,722.7 million for the year ended December 31, 2009 from RMB 3,606.8 million for the year ended December 31, 2008. The major contributor to our revenue in these two years was the property development business. Major projects completed and delivered in the year ended December 31, 2009 included Evergrande Royal Scenic Peninsula, Evergrande Scenic Garden, Evergrande Oasis Shenyang, Evergrande Oasis Chengdu, Evergrande Palace Chongqing and Evergrande Splendor Tianjin.

**Property Development.** Our revenue generated from property development increased by RMB 1,547.9 million, or 44.3%, to RMB 5,042.9 million for the year ended December 31, 2009 from RMB 3,495.0 million for the year ended December 31, 2008, primarily due to an increase in the total GFA we delivered in the year ended December 31, 2009.

The following table sets forth the revenue generated from each project and the percentage of the total revenue generated by each project for the years indicated.

Project	2008		2009	
	Revenue	% of revenue	Revenue	% of revenue
(RMB in millions, except percentages)				
<i>High-end series</i>				
Evergrande Royal Scenic Peninsula . . . . .	1,663.9	47.6%	1,275.7	25.3%
Evergrande Palace Chongqing . . . . .	29.0	0.8	358.4	7.1
Evergrande Palace Wuhan . . . . .	—	—	330.2	6.6
Sub-total . . . . .	<u>1,692.9</u>	<u>48.4</u>	<u>1,964.4</u>	<u>39.0</u>
<i>Mid- to mid-high-end series</i>				
Evergrande Oasis Shenyang . . . . .	135.0	3.9	433.0	8.6
Evergrande Oasis Chengdu . . . . .	144.7	4.1	384.3	7.6
Evergrande City Chengdu . . . . .	—	—	334.0	6.6
Evergrande City Chongqing . . . . .	—	—	318.7	6.3
Evergrande City Chengdu . . . . .	47.7	1.4	258.8	5.1
Evergrande Oasis Taiyuan . . . . .	—	—	186.6	3.7
Jinbi Junhong Garden, Guangzhou . . . . .	506.8	14.5	—	—
Jinbi Century Garden, Guangzhou . . . . .	493.5	14.1	—	—
Jinbi New City Garden, Guangzhou . . . . .	380.5	10.9	—	—
Other projects . . . . .	93.9	2.7	70.8	1.4
Sub-total . . . . .	<u>1,802.1</u>	<u>51.6</u>	<u>1,986.1</u>	<u>39.3</u>
<i>Tourism-related series</i>				
Evergrande Scenic Garden . . . . .	—	—	505.2	10.0
Evergrande Splendor Tianjin . . . . .	—	—	358.1	7.1
Evergrande Splendor Chongqing . . . . .	—	—	112.8	2.2
Evergrande Splendor E'zhou . . . . .	—	—	53.8	1.1
Evergrande Splendor Kunming . . . . .	—	—	44.5	0.9
Evergrande Splendor Nanjing . . . . .	—	—	18.0	0.4
Sub-total . . . . .	<u>—</u>	<u>—</u>	<u>1,092.4</u>	<u>21.7</u>
Total . . . . .	<u>3,495.0</u>	<u>100%</u>	<u>5,042.9</u>	<u>100%</u>

*Property Investment.* Our revenue generated from property investment increased by RMB 11.8 million, or 45.7%, to RMB 37.6 million for the year ended December 31, 2009 from RMB 25.8 million for the year ended December 31, 2008, primarily due to an increase in the total GFA of our investment properties in 2009.

*Property Management Services.* Our revenue generated from property management services increased by RMB 0.8 million, or 1.0%, to RMB 79.5 million for the year ended December 31, 2009 from RMB 78.7 million for the year ended December 31, 2008, primarily due to the additional property management fees that we received from the increased total GFA completed and delivered.

*Others.* Our other revenue increased by RMB 555.4 million, or 7,608.2%, to RMB 562.7 million for the year ended December 31, 2009 from RMB 7.3 million for the year ended December 31, 2008, primarily due to substantially increased revenue generated from property construction, land leveling and other property development related services we provided to certain construction projects in accordance with contracts with independent third parties.

**Cost of sales.** Our cost of sales increased by RMB 1,651.9 million, or 77.8%, to RMB 3,776.3 million for the year ended December 31, 2009 from RMB 2,124.4 million for the year ended December 31, 2008. The increase was primarily due to a substantial increase in GFA completed and delivered for the year ended December 31, 2009. Our gross profit margin decreased to 34.0% in the year ended December 31, 2009 from 41.1% in the year ended December 31, 2008, due to the delivery of more diversified products in the year ended December 31, 2009 as compared to a higher percentage of our high-end series products delivered in the year ended December 31, 2008.

**Fair value gains on investment properties.** Fair value gains on our investment properties increased by RMB 765.2 million, or 988.6%, to RMB 842.6 million in the year ended December 31, 2009 from RMB 77.4 million in the year ended December 31, 2008. The increase was primarily due to (i) the recovery of the PRC real estate market, which had a positive impact on the overall value appreciation of our investment properties and (ii) the addition of properties to our investment property portfolio.

**Other gains.** Our other gains decreased by RMB 183.5 million, or 34.6%, to RMB 347.6 million for the year ended December 31, 2009 from RMB 531.1 million in the year ended December 31, 2008. Our other gains for the year ended December 31, 2008 primarily consisted of the gain of approximately RMB 474.5 million realized from our transfer of the development rights in two projects to Chow Tai Fook Group. Our other gains for the year ended December 31, 2009 were derived primarily from (i) the gain of approximately RMB 172.5 million realized from our repurchase of a portion of the structured secured loan from an independent third party at a discount price and (ii) the gain of RMB 98.8 million relating to our disposal of a 40% interest in Success Will Group Limited to an affiliate of Merrill Lynch Far East Limited in 2007. In addition, our interest income from bank deposits increased from RMB 34.5 million for the year ended December 31, 2008 to RMB 36.1 million for the year ended December 31, 2009.

**Selling and marketing costs.** Our selling and marketing costs increased by RMB 409.8 million, or 61.6%, to RMB 1,075.1 million in the year ended December 31, 2009 from RMB 665.3 million in the year ended December 31, 2008. The increase was primarily due to an increase in the advertising costs and sales commissions in connection with our increased nationwide marketing and brand promotion activities as a result of the significantly increased number of properties and total GFA pre-sold in the year ended December 31, 2009.

**Administrative expenses.** Our administrative expenses increased by RMB 199.7 million, or 36.6%, to RMB 745.0 million in the year ended December 31, 2009 from RMB 545.3 million in the year ended December 31, 2008. The increase was primarily due to our continued business expansion on a nationwide basis and a corresponding increase in our total number of administrative staff and their total salaries and benefits.

**Other operating expenses.** Our other operating expenses increased by RMB 29.5 million, or 85.8%, to RMB 63.9 million in the year ended December 31, 2009 from RMB 34.4 million in the year ended December 31, 2008. The increase was primarily due to an increase in charitable donations made in 2009.

**Fair value change on financial guarantee.** We recognized a fair value change on financial guarantee of RMB 197.4 million as of December 31, 2009. The fair value on financial guarantee was initially recognized as RMB 66.0 million as of December 31, 2008. The financial guarantee mainly arose from: (i) providing guarantees for repayment by our controlling shareholder in respect of the restructuring for our convertible preferred shares; and (ii) providing guarantees for our controlling shareholder in respect of its obligations to redeem ordinary shares issued to certain investors on June 25, 2008.

**Finance (costs)/income, net.** We incurred net finance costs of RMB 3.7 million for the year ended December 31, 2009 compared to a net finance income of RMB 186.5 million for the year ended December 31, 2008. The change was primarily due to changes in foreign exchange gains of RMB 4.4 million in the year ended December 31, 2009 compared to RMB 201.9 million in the year ended December 31, 2008.

**Income tax (expenses)/credit.** Our income tax expenses, which comprised PRC enterprise income tax and LAT, decreased by RMB 4.6 million, or 1.4%, to RMB 329.4 million in the year ended December 31, 2009 from RMB 334.0 million in the year ended December 31, 2008. The decrease was primarily due to (i) reversal of financial guarantees of RMB 146.3 million which is not subject to tax; (ii) additional gains from disposal of 40% equity interest in a subsidiary which is not taxable; (iii) the gain of RMB 172.5 million from the repurchase of our structured secured loan, which is not taxable; and (iv) reversal of deferred tax liabilities as a result of receiving the official invoice from relevant tax authorities in respect of the previous acquisition of Xinzhongjian as part of our reorganization prior to our IPO. The effective tax rate for the year ended December 31, 2009 decreased to 22.8% from 34.6% for the year ended December 31, 2008 as a result of the foregoing factors.

**Profit for the year.** Our profit for the year increased by RMB 484.4 million, or 76.6%, to RMB 1,116.8 million in the year ended December 31, 2009 from RMB 632.4 million in the year ended December 31, 2008. After excluding fair value gains on our investment properties and financial guarantee, net profit for the year ended December 31, 2009 and 2008 was RMB 287.5 million and RMB 640.4 million, respectively.

**Dividend.** We paid a dividend of RMB 105.0 million for the year ended December 31, 2009 and a dividend of RMB 125.7 million for the year ended December 31, 2008.

#### **2008 Compared to 2007**

**Revenue.** Our revenue increased by RMB 440.1 million, or 13.9%, to RMB 3,606.8 million for the year ended December 31, 2008 from RMB 3,166.7 million for the year ended December 31, 2007. The major contributor to our revenue in these two years was the property development business. Major projects completed and delivered in the year ended December 31, 2008 included Jinbi New City Garden phase 5, Jinbi Garden No. 3 phases 3 and 4, Jinbi Junhong Garden, Jinbi Century Garden phase 5, Jinbi Atrium phase 5, Evergrande Royal Scenic Peninsula phase 1, Evergrande Palace Chongqing phase 1, Evergrande Oasis Shenyang phase 1, Evergrande Oasis Chengdu phase 1 and Evergrande City Chengdu phase 1.

**Property Development.** Our revenue generated from property development increased by RMB 480.2 million, or 15.9%, to RMB 3,495.0 million for the year ended December 31, 2008 from RMB 3,014.8 million for the year ended December 31, 2007, primarily due to the increase in the average selling price in the year ended December 31, 2008, partially offset by the decrease in the total GFA we delivered in the year ended December 31, 2008. The increase of the average selling price was primarily a result of the delivery of our high-end flagship project, Evergrande Royal Scenic Peninsula.

The following table sets forth the revenue generated from each project and the percentage of the total revenue generated by each project for the years indicated.

Project	2008		2007	
	Revenue	% of revenue	Revenue	% of revenue
(RMB in millions except percentages)				
<i>High-end series</i>				
Evergrande Royal Scenic Peninsula . . . .	1,663.9	47.6%	—	—%
Other projects . . . . .	47.4	1.4	126.9	4.2
Sub-total . . . . .	1,711.3	49.0	126.9	4.2
<i>Mid- to mid-high-end series</i>				
Jinbi Junhong Garden . . . . .	506.8	14.5	589.9	19.6
Jinbi Century Garden . . . . .	493.5	14.1	533.9	17.7
Jinbi New City Garden . . . . .	380.5	10.9	357.1	11.9
Jinbi Garden No. 3 . . . . .	48.6	1.4	1,073.2	35.6
Jinbi Atrium . . . . .	25.5	0.7	329.5	10.9
Other Projects . . . . .	328.9	9.4	4.3	0.1
Sub-total . . . . .	1,783.8	51.0	2,887.9	95.8
Total . . . . .	3,495.0	100.0%	3,014.8	100.0%

**Property Investment.** Our revenue generated from property investment decreased by RMB 2.8 million, or 9.8%, to RMB 25.8 million for the year ended December 31, 2008 from RMB 28.6 million for the year ended December 31, 2007, primarily due to the decrease in the rentable GFA in the year ended December 31, 2008.

**Property Management Services.** Our revenue generated from property management services increased by RMB 11.8 million, or 17.6%, to RMB 78.7 million for the year ended December 31, 2008 from RMB 66.9 million for the year ended December 31, 2007, primarily due to the additional property management fees that we received from the total GFA completed and delivered in the year ended December 31, 2008.

**Others.** Our other revenue decreased by RMB 49.1 million, or 87.1%, to RMB 7.3 million for the year ended December 31, 2008 from RMB 56.4 million for the year ended December 31, 2007, primarily due to the decreased construction services provided by us to independent third parties in 2008.

**Cost of sales.** Our cost of sales increased by RMB 179.1 million, or 9.2%, to RMB 2,124.4 million for the year ended December 31, 2008 from RMB 1,945.3 million for the year ended December 31, 2007. The increase was primarily due to (i) increased revenue in the year ended December 31, 2008, which resulted in increased business taxes, (ii) our development of more high-end series products with relatively higher construction costs in 2008, including our flagship project, Evergrande Royal Scenic Peninsula, and (iii) the increase in our decoration standard, which led to increased costs. However, our gross profit margin increased to 41.1% in the year ended December 31, 2008 from 38.6% in the year ended December 31, 2007 as our selling prices increased at a higher rate than that of our cost of sales.

**Fair value gains on investment properties.** Fair value gains on our investment properties decreased by RMB 579.7 million, or 88.2%, to RMB 77.4 million in the year ended December 31, 2008 from RMB 657.1 million in the year ended December 31, 2007. The decrease was primarily due to the general economic slowdown of the property market in Guangzhou during the year.

**Other gains.** Our other gains decreased by RMB 265.8 million, or 33.4%, to RMB 531.1 million in the year ended December 31, 2008 from RMB 796.9 million in the year ended December 31, 2007. Our other gains for the year ended December 31, 2007 primarily consisted of a gain of approximately RMB 760.4 million realized from our disposal of a 40% interest in a subsidiary, Success Will Group Limited, to an affiliate of Merrill Lynch. Our other gains for the year ended December 31, 2008 primarily consisted of a gain of approximately RMB 474.5 million realized from our transfer of the

development rights and control rights in two projects to Chow Tai Fook Group in the year ended December 31, 2008. In addition, our interest income from bank deposits increased from RMB 27.9 million for the year ended December 31, 2007 to RMB 34.5 million for the year ended December 31, 2008.

***Selling and marketing costs.*** Our selling and marketing costs increased by RMB 444.6 million, or 201.4%, to RMB 665.3 million in the year ended December 31, 2008 from RMB 220.7 million in the year ended December 31, 2007, primarily due to the higher advertising costs, sales commissions and consultancy fees incurred in 2008 in connection with implementing more marketing and brand promotion activities to support our pre-sale efforts of 18 projects nationwide in 2008.

***Administrative expenses.*** Our administrative expenses increased by RMB 74.7 million, or 15.9%, to RMB 545.3 million in the year ended December 31, 2008 from RMB 470.6 million in the year ended December 31, 2007. The increase was primarily due to: (i) our increased total salaries and benefits for our administrative personnel; and (ii) our increased office and transportation related expenses in connection with our nationwide expansion.

***Other operating expenses.*** Our other operating expenses increased by RMB 11.0 million, or 47.0%, to RMB 34.4 million in the year ended December 31, 2008 from RMB 23.4 million in the year ended December 31, 2007. The increase was primarily due to more charitable donations made in the year ended December 31, 2008 in connection with natural disasters, including Sichuan earthquake.

***Fair value change on embedded financial derivatives.*** The valuation loss for the year ended December 31, 2007 arose from the revaluation of the conversion option and the redemption option of our convertible preferred shares at December 31, 2007. The convertible preferred shares were issued in November 2006 at a subscription price of US\$0.5 per share. In accordance with HKAS 39, the conversion option and the redemption option of the convertible preferred shares were remeasured at December 31, 2006 and the changes in fair value of the convertible preferred shares were recognized in our consolidated income statement. As of January 31, 2008, we repurchased and cancelled the 800,000,000 convertible preferred shares in our company for an aggregate consideration of US\$400 million. The repurchase was financed by a loan in the same amount lent by Deutsche Bank AG, Hong Kong Branch, Baytree Investments (Mauritius) Pte Ltd, an indirect wholly owned subsidiary of Temasek Holdings (Private) Limited, and Indopark Holdings Limited, an affiliate of Merrill Lynch, including their affiliates, to our controlling shareholder, which had been injected as capital into our company to subscribe for the 800,000,000 newly issued ordinary shares.

***Fair value change on financial guarantee.*** The fair value on financial guarantee was initially recognized as RMB 66.0 million as of December 31, 2008. The financial guarantee mainly arised from: (i) our providing guarantee for repayment by our controlling shareholder in respect of the restructuring for our convertible preferred shares; and (ii) our providing guarantee for our controlling shareholder in respect of its obligations to redeem ordinary shares issued to certain investors on June 25, 2008.

***Finance (costs)/income, net.*** Our net finance income increased by RMB 67.7 million, or 57.0%, to RMB 186.5 million for the year ended December 31, 2008 from RMB 118.8 million for the year ended December 31, 2007. The increase was primarily due to the foreign exchange gain of RMB 201.9 million mainly arising from our structured secured loan due to the appreciation of Renminbi against the U.S. dollar. In the year ended December 31, 2008, our uncapitalized interest expenses were RMB 15.4 million, and in the year ended December 31, 2007, our uncapitalized interest expenses were RMB 155.5 million with a foreign exchange gain of RMB 274.3 million.

***Income tax (expenses)/credit.*** Our income tax expenses, which comprised PRC enterprise income tax and LAT, decreased by RMB 103.8 million, or 23.7%, to RMB 334.0 million in the year ended December 31, 2008 from RMB 437.8 million in the year ended December 31, 2007. The decrease was primarily due to our decreased profit before income taxes in the year ended December 31, 2008. The effective tax rate for the year ended December 31, 2008 slightly increased to 34.6% from 28.9% for the



year ended December 31, 2007 because: (i) the gross profit margin in the year ended December 31, 2008 was higher than that in the year ended December 31, 2007, which resulted in higher LAT; (ii) the write back of the deferred tax provided for the appreciation of land use rights and investment properties revaluation surplus recorded before the current period as the PRC enterprise income tax rate will be lowered from 33% to 25% for the fiscal periods beginning on after January 1, 2008; and (iii) the non-taxable gain of RMB 760.4 million from the disposal of a 40% interest in a property project company was recognized in 2007 while the non-taxable gain of RMB 474.5 million from the transfer of the development rights and control rights in two projects to an affiliate of Chow Tai Fook Group was recognized in the year ended December 31, 2008.

***Profit for the year.*** Our profit for the year decreased by RMB 446.7 million, or 41.4%, to RMB 632.4 million in the year ended December 31, 2008 from RMB 1,079.1 million in the year ended December 31, 2007. The result for the year ended December 31, 2008 and 2007, after excluding fair value gains on our investment properties, embedded financial derivatives and financial guarantee, were a net profit of RMB 640.4 million and RMB 1,149.0 million, respectively.

***Dividend.*** We did not pay any dividend for the year ended December 31, 2007 but paid a dividend of RMB 125.7 million for the year ended December 31, 2008.

### **Liquidity and Capital Resources**

We have financed our property projects primarily through proceeds from our shareholders' contributions, bank and other borrowings, pre-sale proceeds of properties under development, proceeds from the sale of completed properties, our IPO and the issuance of our 2015 Notes. We typically follow a financing model under which our start-up cost is mainly financed by bank and other borrowings as well as shareholders' contributions. This financing model supports our projects until the pre-sales stage, when we are able to repay our borrowings with pre-sale proceeds.

We expect to fund our property projects through a combination of sources, including internally generated cash flow, proceeds from the pre-sale of our properties under development, proceeds from the sale of completed properties, bank loans, and other funds raised from the capital markets from time to time.

## Net Current Assets

We set out in the table below our current assets and current liabilities as of June 30, 2010:

	<u>As of June 30, 2010</u> (unaudited) (RMB in millions)
<b>Current assets</b>	
Land use rights . . . . .	22,430.8
Properties under development . . . . .	17,343.7
Completed properties held for sale . . . . .	3,854.9
Trade and other receivables and prepayments . . . . .	10,920.7
Income tax recoverable . . . . .	256.9
Restricted cash . . . . .	8,536.9
Cash and cash equivalents . . . . .	<u>9,951.4</u>
	<u>73,295.3</u>
<b>Current liabilities</b>	
Borrowings . . . . .	2,095.0
Trade and other payables . . . . .	13,937.3
Receipt in advance from customers . . . . .	21,946.6
Current income tax liabilities . . . . .	<u>1,832.4</u>
	<u>39,811.3</u>
<b>Net current assets</b> . . . . .	<u><u>33,484.0</u></u>

As a result of our standardized operational model, our business cycle from the commencement of development to pre-sale is relatively short and a majority of our properties under development are classified as current assets, which may be able to generate cash within one year.

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated:

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>
	(RMB in millions)				
Net cash (used in)/generated from operating activities . . . . .	(7,517.7)	(5,186.3)	2,158.2	2,368.2	(9,228.1)
Net cash generated from/(used in) investing activities . . . . .	777.9	(135.4)	(55.8)	(24.3)	(341.9)
Net cash generated from/(used in) financing activities . . . . .	6,767.7	4,465.2	4,482.1	(119.0)	12,197.2
Cash and cash equivalents at end of the year/period . . . . .	1,640.9	749.7	7,333.2	2,974.2	9,951.4

## Operating Activities

Our cash used in operations principally comprises amounts we pay for our property development activities, which are reflected on our consolidated balance sheets as an increase in our property inventory. Our cash from operations is generated principally from the proceeds from sales of our properties.

We recorded continuous net operating cash outflows for the years ended December 31, 2007 and 2008 and in the six months ended June 30, 2010, and a net operating cash inflow for the year ended December 31, 2009 and in the six months ended June 30, 2009. For the years ended December 31, 2007 and 2008 and in the six months ended June 30, 2010, the net operating cash outflows were principally due to the rapid expansion of our business which resulted in our purchases of land and project development expenses outpacing the receipt of proceeds of our presale of properties. Our net cash inflow generated from operating activities for the year ended December 31, 2009 was primarily due to a significant increase in our receipt in advance from customers.

Net cash used in operating activities was RMB 9,228.1 million (US\$1,360.8 million) in the six months ended June 30, 2010, as compared to net cash generated from operating activities of RMB 2,368.2 million in the same period in 2009. Operating cash inflow before changes in working capital was RMB 3,819.7 million (US\$563.3 million) in the six months ended June 30, 2010, as compared to an operating cash outflow before changes in working capital of RMB 184.8 million in the same period in 2009. Changes in working capital contributed to a cash outflow of RMB 19,060.3 million (US\$2,810.6 million) in the six months ended June 30, 2010, as compared to a cash inflow of RMB 3,002.1 million in the same period in 2009, primarily due to the rapid expansion of our business, which resulted in acquisition of land reserves and the payment of construction costs.

Net cash generated from operating activities was RMB 2,158.2 million in the year ended December 31, 2009, as compared to net cash used in operating activities of RMB 5,186.3 million in the year ended December 31, 2008. Operating cash inflow before changes in working capital decreased to RMB 176.4 million in the year ended December 31, 2009 from RMB 749.3 million in the year ended December 31, 2008. Changes in working capital contributed to a cash inflow of RMB 3,118.3 million in the year ended December 31, 2009, as compared to a cash outflow of RMB 4,787.9 million in the year ended December 31, 2008, primarily due to an increase in acquisitions of land reserves and construction activities as reflected by the increase in the balances of our land use rights, properties under development and completed properties held for sale, as well as our increased pre-sale activities as reflected by the increase in our restricted cash balance.

Net cash used in operating activities decreased to RMB 5,186.3 million in the year ended December 31, 2008 from RMB 7,517.7 million in the year ended December 31, 2007. Operating cash inflow before changes in working capital increased to RMB 749.3 million in the year ended December 31, 2008 from RMB 531.3 million in the year ended December 31, 2007. Changes in working capital contributed to a cash outflow of RMB 4,787.9 million in the year ended December 31, 2008 as compared to RMB 7,558.2 million in the year ended December 31, 2007, primarily attributable to our slowed-down pace to build up land reserves as a result of the more moderate cash control policy and operating policy we adopted in response to the economic downturn in 2008.

### ***Investing Activities***

Net cash used in investing activities increased to RMB 341.9 million (US\$50.4 million) in the six months ended June 30, 2010 from RMB 24.3 million in the same period in 2009. The increase was primarily due to the rapid expansion of our business and the purchase of additional property and equipment.

Net cash used in investing activities decreased to RMB 55.8 million in the year ended December 31, 2009 from RMB 135.4 million in the year ended December 31, 2008. This decrease was primarily due to the decrease in our purchases of property and equipment from RMB 92.1 million in the year ended December 31, 2009 from RMB 168.9 million in the year ended December 31, 2008, and the increase in the interest received to RMB 36.1 million in the year ended December 31, 2009 from RMB 34.5 million in the year ended December 31, 2008.

Net cash used in investing activities was RMB 135.4 million in the year ended December 31, 2008, as compared to net cash generated from investing activities of RMB 777.9 million in the year ended December 31, 2007. This change was primarily due to the cash inflow as a result of the proceeds of RMB 976.4 million from our disposal of a 40% interest in a subsidiary, Success Will Group Limited, to an affiliate of Merrill Lynch Far East Limited in the year ended December 31, 2007, which was not replicated in 2008. The primary cash outflow in investing activities were attributable to purchase of fixed assets and hotel construction.

### ***Financing Activities***

Net cash generated from financing activities was RMB 12,197.2 million (US\$1,798.6 million) in the six months ended June 30, 2010, as compared to net cash used in financing activities of RMB 119.0 million for the same period in 2009. The cash inflow from financing activities in the six months ended June 30, 2010 was primarily due to the issue of a total of US\$1,350 million 2015 Notes and an increase in our onshore bank and other borrowings.

Net cash generated from financing activities increased to RMB 4,482.1 million in the year ended December 31, 2009 from RMB 4,465.2 million in the year ended December 31, 2008, primarily due to a significant increase in new bank borrowings of RMB 6,443.4 million to RMB 10,176.1 million from RMB 3,732.6 million and an increase in repayment of bank borrowings of RMB 2,915.6 million from RMB 3,054.2 million to RMB 5,969.8 million.

Net cash generated from financing activities decreased to RMB 4,465.2 million in the year ended December 31, 2008 from RMB 6,767.7 million in the year ended December 31, 2007, primarily due to a decrease in new bank borrowings of RMB 4,593.9 million to RMB 3,732.6 million from RMB 8,326.5 million and an increase in repayment of bank borrowings of RMB 2,084.5 million, from RMB 969.7 million to RMB 3,054.2 million, partially offset by the proceeds of RMB 3,386.1 million from the issue of new shares to certain investors in 2008.

### ***Working Capital***

As of December 31, 2007, 2008, 2009 and June 30, 2010, our aggregate cash and cash equivalents amounted to RMB 1,640.9 million, RMB 749.7 million, RMB 7,333.2 million and RMB 9,951.4 million (US\$1,467.4 million), respectively. As of December 28, 2010, we had cash and cash equivalents balance of RMB 18,816.8 million available and undrawn banking facilities in the aggregate principal amount of RMB 32.5 billion.

## Indebtedness

### *Borrowings*

Our borrowings are denominated in both U.S. dollar and Renminbi. You may refer to the section entitled “Exchange Rate Information” for the exchange rate between U.S. dollars and Renminbi. As of December 31, 2007, 2008, 2009 and June 30, 2010, we had the following outstanding borrowings.

	<u>As of December 31,</u>			<u>As of</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>June 30,</u>
	(RMB in millions)			<u>2010</u>
				(unaudited)
<i>Borrowings included in</i>				
<i>non-current liabilities:</i>				
Bank and other borrowings — secured . . .	8,980.5	9,779.3	12,027.3	15,313.2
2015 Notes . . . . .	—	—	—	8,949.9
Borrowings from a related party . . . . .	<u>225.5</u>	<u>240.9</u>	<u>—</u>	<u>—</u>
	9,206.0	10,020.2	12,027.3	24,263.1
Less: current portion of				
non-current borrowings . . . . .	<u>(290.5)</u>	<u>(5,793.8)</u>	<u>(4,211.3)</u>	<u>(1,084.9)</u>
	<u>8,915.5</u>	<u>4,226.4</u>	<u>7,816.0</u>	<u>23,178.2</u>
<i>Borrowings included in</i>				
<i>current liabilities:</i>				
Bank and other borrowings — secured . . .	355.7	420.0	2,148.5	1,010.1
Current portion of non-current borrowings	<u>290.5</u>	<u>5,793.8</u>	<u>4,211.3</u>	<u>1,084.9</u>
	<u>646.2</u>	<u>6,213.8</u>	<u>6,359.8</u>	<u>2,095.0</u>
Total borrowings . . . . .	<u>9,561.7</u>	<u>10,440.2</u>	<u>14,175.8</u>	<u>25,273.2</u>

Our outstanding bank and other borrowings amounted to RMB 9,561.7 million, RMB 10,440.2 million, RMB 14,175.8 million and RMB 25,273.2 million (US\$3,726.8 million), as of December 31, 2007, 2008, 2009 and June 30, 2010, respectively. As of December 28, 2010, our aggregate outstanding borrowings amounted to RMB 30,970.1 million. The increase in our bank and other borrowings was primarily due to additional funds needed for new development projects and our acquisition of land reserves for future development. As of December 31, 2007, 2008, 2009 and June 30, 2010, the average interest rate on our borrowings was 12.53%, 10.92%, 6.44% and 8.37%, respectively.

Commercial banks in China typically require guarantees or security interests to lend to us. As of December 31, 2007, 2008, 2009 and June 30, 2010, all of our outstanding bank and other borrowings were secured by our land use rights, investment properties, properties under development, completed properties held for sale and cash deposit and equity interests in certain subsidiaries.

The table below sets forth the maturity profiles of our non-current borrowings as of the dates indicated:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>June 30,</u>
	(RMB in millions)			<u>2010</u>
				(unaudited)
Bank and other borrowings:				
1–2 years . . . . .	5,160.4	3,605.5	2,487.9	4,985.8
2–5 years . . . . .	3,529.6	380.0	5,328.2	18,042.4
Over 5 years . . . . .	—	—	—	150.0
Borrowings from a related party:				
1–2 years . . . . .	225.5	—	—	—
2–5 years . . . . .	—	240.9	—	—
	<u>8,915.5</u>	<u>4,226.4</u>	<u>7,816.1</u>	<u>23,178.2</u>

***Structured Secured Loan***

We repaid our structured secured loans in full as of January 2010. See “Corporate History and Structure — Reorganization and Introduction of Investors.”

***Convertible Preferred Shares***

On November 29, 2006, we issued 800,000,000 convertible preferred shares at a subscription price of US\$400 million. We repurchased and cancelled the 800,000,000 convertible preferred shares for an aggregate consideration of US\$400 million in January 2008 in a subsequent restructuring.

**Financial Guarantee**

We make arrangements with various PRC banks to provide mortgage facilities to purchasers of our pre-sold properties. In accordance with market practice, we are required to provide guarantees to these banks in respect of mortgages provided to such customers. Guarantees for mortgages on pre-sold residential properties are generally discharged at the earlier of: (i) the property ownership certificates are submitted to the mortgagee banks, or (ii) the purchasers pay off the total amount of mortgages. If a purchaser defaults on the mortgage loan, we are typically required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2007, 2008, 2009 and June 30, 2010, our outstanding guarantees for mortgage loans of the purchasers of our pre-sold properties were approximately RMB 1,464.2 million, RMB 2,087.0 million, RMB 12,531.5 million and RMB 18,869.1 million (US\$2,782.4 million), respectively. During the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010, we encountered defaulted mortgage loans in an aggregate amount of less than RMB 10 million. However, we were able to recoup our full guaranteed amounts through foreclosure sales. As a result, we did not sustain any economic loss.

We confirm that, other than disclosed in this offering memorandum, there has been no material change in our indebtedness and contingent liabilities other than those incurred in our ordinary course of business since June 30, 2010.



## Contractual Obligations and Capital Commitments

The following table sets forth our aggregate minimum lease payments as of the dates indicated:

	As of December 31,			As of
	2007	2008	2009	June 30, 2010
				(unaudited)
	(RMB in millions)			
Not later than one year . . . . .	28.0	30.7	46.5	66.1
Later than one year and not later than five years . . . . .	84.5	71.8	77.0	69.3
Later than five years . . . . .	7.3	7.1	5.9	87.1
	<u>119.8</u>	<u>109.6</u>	<u>129.4</u>	<u>222.5</u>

The following table sets forth our commitments for property development expenditures as of the dates indicated:

	As of December 31,			As of
	2007	2008	2009	June 30, 2010
				(unaudited)
	(RMB in millions)			
Contracted but not provided for. . . . .	<u>8,561.6</u>	<u>12,776.3</u>	<u>15,223.1</u>	<u>17,663.2</u>

The following table sets forth our commitments for land expenditures as of the dates indicated:

	As of December 31,			As of
	2007	2008	2009	June 30, 2010
				(unaudited)
	(RMB in millions)			
Contracted but not provided for. . . . .	<u>5,701.5</u>	<u>10,235.6</u>	<u>12,315.4</u>	<u>15,604.1</u>

Our commitments for property development expenditures and land expenditures are financed by cash generated from our operations. We expect to continue to rely on proceeds from our property sales and pre-sales as well as new financings as the principal sources of funding to finance our contractual obligations and capital commitments. We also expect to use a portion of our net proceeds from this offering to reduce our current indebtedness as we have disclosed in the section entitled “Use of Proceeds.”

## Off-balance Sheet Commitments and Arrangements

Except for the contingent liabilities set forth above, we have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

## Market Risks

We are, in the normal course of business, exposed to market risks primarily relating to fluctuations in interest rates, commodity prices, foreign exchange rates and inflation rate.

### ***Interest Rate Risk***

We are exposed to interest rate risks, primarily relating to our borrowings, which were RMB 9,561.7 million, RMB 10,440.2 million, RMB 14,175.8 million and RMB 25,273.2 million (US\$3,726.8 million), respectively, as of December 31, 2007, 2008, 2009 and June 30, 2010. We undertake debt obligations to support our property development and general working capital needs. Upward fluctuations in interest rates may increase the cost of our financing. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations. The benchmark one-year bank lending rate published by PBOC for the years ended December 31, 2007, 2008, 2009 and 2010 was 7.47%, 5.31%, 5.31% and 5.81%, respectively. We currently do not use any derivative instruments to hedge our interest rate risk.

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress the overall housing demand in China. Furthermore, the increase in interest rates may also increase our financial obligation to the PRC banks as we have disclosed in the section entitled "— Financial Guarantee" above.

### ***Commodity Risk***

We are exposed to fluctuations in the prices of raw materials for our property development, primarily steel and cement. We do not engage in any hedging activities. Purchasing costs of steel and cement are generally accounted for as part of the construction contractor fees pursuant to our arrangements with the relevant construction contractors. Accordingly, rising prices for construction materials will affect our construction costs in the form of increased fee quotes by our construction contractors. As a result, fluctuations in the prices of our construction materials have a significant impact on our results of operations.

### ***Foreign Exchange Risk***

Substantially all of our revenues and expenses are denominated in Renminbi. Our exposure to foreign exchange rate fluctuations results primarily from our indebtedness denominated in foreign currencies, primarily the U.S. dollar. During the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010, because of the generally appreciating Renminbi, our holdings in foreign currency denominated assets equal to US\$134.5 million, US\$140.1 million, US\$37.0 million and US\$344.6 million, including our proceeds from overseas equity and debt financings before we used them to acquire land reserves, generated foreign exchange losses. A depreciation of Renminbi against the U.S. dollar and other foreign currencies would reduce the U.S. dollar equivalent amounts of the Renminbi that we convert for servicing the 2015 Notes and other foreign currency-denominated indebtedness. In addition, subsequent to this offering, any devaluation of the Renminbi against the U.S. dollar during the term of the Notes will decrease the U.S. dollar return on the Notes and will result in the yield to maturity of the Notes in U.S. dollars being less than the stated yield to maturity thereof, which is calculated in Renminbi. In the event of a material devaluation of the Renminbi against the U.S. dollar, holders of the Notes may not receive the full U.S. dollar subscription money upon maturity or redemption of the Notes. We currently do not engage in hedging activities designed or intended to manage such currency risk. You should refer to the section entitled "Risk Factors — Risks Relating to China — Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries" for additional risk disclosure.

### ***Inflation***

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 4.8% in the year ended December 31, 2007, 5.9% in the year ended December 31, 2008 and -0.7% in the year ended December 31, 2009. Recent inflation and deflation have not materially affected our business.

## **Non-GAAP Financial Measures**

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our earnings before the following items:

- interest income/expense;
- amortization of intangible assets;
- non-operating income/expense;
- income tax expense; and
- depreciation.

EBITDA is not a standard measure under HKFRS. As the property development business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on the profit for the year/period of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our market sector.

As a measure of our operating performance, we believe that the most directly comparable HKFRS measure to EBITDA is profit for the year/period. We operate in a capital intensive industry. We use EBITDA in addition to profit for the year/period because profit for the year/period includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and interest income and interest expense. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets amortization and interest income and expense, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our profit for the year/period under HKFRS to our definition of EBITDA for the periods indicated.

	Year ended December 31,			For the six months ended June 30,	
	2007	2008	2009	2009	2010
	(RMB)	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands, except percentages)				
	(unaudited)				
Profit for the year/period . . . . .	<u>1,079,104</u>	<u>632,430</u>	<u>1,116,804</u>	<u>522,360</u>	<u>368,660</u>
<b>Adjustment</b>					
Fair value gains on investment properties . . . . .	(657,067)	(77,415)	(842,570)	(299,657)	(110,677)
Fair value change on embedded financial derivatives . . . . .	562,684	—	—	—	—
(Provisions)/reversals of financial guarantees . . . . .	—	65,997	(197,403)	(146,341)	—
Finance cost/(income) . . . . .	155,545	15,424	8,104	8,104	—
Exchange losses/(gain), net . . . . .	(274,310)	(201,944)	(4,395)	4,204	(48,314)
Income tax expense . . . . .	437,766	333,958	329,371	(12,708)	283,013
Depreciation . . . . .	15,026	24,058	62,159	22,453	47,372
Amortization of intangible assets and land use rights . . . . .	31,588	17,404	10,757	10,757	—
<b>EBITDA</b> . . . . .	<u>1,350,336</u>	<u>809,912</u>	<u>482,827</u>	<u>109,172</u>	<u>540,857</u>
EBITDA margin . . . . .	<u>42.6%</u>	<u>22.5%</u>	<u>8.4%</u>	<u>6.7%</u>	<u>18.0%</u>

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year/period or as an indicator of operating performance or any other standard measure under HKFRS. Our definition of EBITDA does not account for taxes and other non-operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indentures governing the Notes. Interest expense excludes amounts capitalized. See the sections entitled “Description of the 2014 Notes — Definitions” and “Description of the 2016 Notes — Definitions” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indentures governing the Notes.

## INDUSTRY OVERVIEW

*The information in the section below has been derived, in part, from various government publications unless otherwise indicated. This information has not been independently verified by us or the Initial Purchasers or any of our and their respective affiliates or advisors. The information may not be consistent with other information compiled within or outside China.*

### China's Economy

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970's. China's accession to the World Trade Organization, or WTO, in 2001 has further accelerated the reform of the PRC economy. China's gross domestic product, or GDP, increased from approximately RMB 18,493.7 billion in 2005 to approximately RMB 34,050.7 billion in 2009 at a compound annual growth rate, or CAGR, of approximately 16.5%. Per capita disposable income in China reached RMB 17,174.7 in 2009, representing an increase of approximately 8.8% over 2008. Investments in real estate in China were approximately RMB 3,624.2 billion in 2009, representing an increase of approximately 16.1% over 2008.

The table below sets out selected economic statistics for China for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB billion) . . . . .	18,493.7	21,631.4	26,581.0	31,404.5	34,050.7
GDP Growth Rate (%) . . . . .	15.7	17.0	22.9	18.1	8.4
GDP per capita (RMB) . . . . .	14,185.4	16,499.7	20,169.5	23,707.7	25,575.5
GDP per capita growth rate (%) . . . . .	15.0	16.3	22.2	17.5	7.9
Total imports and exports (US\$ billion) . . . . .	1,421.9	1,760.4	2,176.6	2,563.3	2,207.5
Utilized FDI (US\$ billion) . . . . .	60.3	63.0	74.8	92.4	90.0
Per capita disposable income (RMB) . . . . .	10,493.0	11,759.5	13,785.8	15,780.8	17,174.7
Total savings of urban and rural households (RMB billion) . . . . .	14,105.1	16,158.7	17,253.4	21,788.5	26,077.2

*Source: CEIC; National Bureau of Statistics of China*

The economic growth of China and increasing urbanization rate, are key factors in creating a real estate market in China and in sustaining the growth of China's real estate market. According to the National Bureau of Statistics of China, China's urbanization rate, i.e. the proportion of the population residing in urban areas, rose from approximately 29.0% in 1995 to approximately 46.6% in 2009. Increases in the urban population of China will likely result in increases in demand for residential properties.

The table below shows China's urbanization rate for the periods indicated.

	2005	2006	2007	2008	2009
Total population (millions) . . . . .	1,307.6	1,314.5	1,321.3	1,328.0	1,334.7
Urban population (millions) . . . . .	562.1	577.1	593.8	606.7	621.9
Urbanization rate (%) . . . . .	43.0	43.9	44.9	45.7	46.6

*Source: CEIC*

## PRC Property Markets

Reform of the PRC property market did not commence until the 1990s. Prior to such reform, the PRC real estate development industry was part of the nation's centrally planned economy. In the 1990s, the PRC government initiated the housing reform and, as a result, the real estate and housing sector of China began its transition to a market-based system. A brief timeline of key housing reforms is set out below:

1988	The NPC amended the national constitution to permit the transfer of state-owned land use rights
1992	Sale of formerly public housing commenced in major cities
1994	The PRC government further implemented the reform and established an employer/employee-funded housing fund, and issued a regulation regarding pre-sale of commodity housing in cities
1995	The PRC government issued regulations regarding the transfer of real estate, establishing a regulatory framework for real estate sales
1998	The PRC government abolished the state-allocated housing policy
1999	The PRC government extended the maximum mortgage term to 30 years and formalized procedures for the sale of real estate in the secondary market
2000	The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality
2002	The PRC government promulgated rules to require that state-owned land use rights be granted by way of tender, auction and listing-for-sale and eliminated the dual system for domestic and overseas home buyers in China
2003	The PRC government promulgated rules to require more stringent administration of real estate financing for the purpose of reducing credit and systemic risks associated with such financing
2004	The PRC government required real estate development projects (excluding affordable housing programs) to be financed by developers themselves from their capital funds with respect to 35%, rather than 20%, of the total projected capital outlay for such projects, imposed more restrictive requirements on pre-sale of commodity housing in cities and issued guidelines to commercial banks to further strengthen their risk control over real estate financing
2005	The PRC government adopted additional measures to discourage speculation in real properties, such as increasing the minimum down-payment to 30% of the total purchase price in selected cities where the housing price increased too fast, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% on the proceeds from sales that occur within two years of purchase, and prohibiting resale of unfinished properties
2006	The PRC government implemented additional land supply, bank financing and other measures to curb fast increases in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry



- 2007 The PRC government issued regulations to increase the annual land use tax, and to impose such land use tax on foreign invested enterprises as well and to require that land use right certificates be issued only upon full payment of the land premium with respect to all of the land use rights under a land grant contract, which effectively stopped the practice of issuing land use right certificates in installments
- 2008 The PRC government took additional measures during the first half of the year to control money supply and discourage speculations in the residential property market, but took other measures during the second half of the year to combat the impact of the global economic downturn, to encourage domestic consumption in the residential property market and to support real estate development
- 2009 The PRC government reduced the minimum capital funding requirement for real estate development from 35% to 20% for ordinary commodity housing projects and affordable housing projects, and to 30% for other real estate projects
- 2010 In response to the property prices rises across the country, the PRC government adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities. Such policy adjustments include abolishment of certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners, suspending grant of mortgage loans to non-residents who cannot provide any proof of local tax or social insurance payment for more than one year, and limiting the number of residential properties that one household can purchase in certain areas. The PRC government also clarified certain issues with respect to the calculation, settlement and collection of land appreciation tax in order to enforce the settlement and collection of land appreciation tax, and the criteria for commercial banks to identify the second housing unit when approving mortgage loans and imposition of more stringent requirements on the payment of land premium by property developers and increasing the down payment and loan interest rates for properties purchased with mortgage loans.

You may find additional information on housing reforms and recent regulatory developments with respect to the property industry of China in the section entitled “— Measures Taken by PRC Government in Recent Years Relating to PRC Property Markets” below and the section entitled “Regulation.”

### *Measures Taken by PRC Government in Recent Years Relating to PRC Property Markets*

From 2004 to the first half of 2008, in order to prevent the overheating of the PRC economy and to achieve a balanced and sustainable economic growth, the PRC government took measures to control money supply, credit availability and fixed assets investment. The PRC government also took measures to discourage speculation in the residential property market and to increase the supply of affordable housing rather than high-end residential properties. In response to concerns over the scale of the increase in property investment, the PRC government introduced policies and measures to restrict such increase, including:

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;
- requiring real estate developers to finance 35% rather than 20% of the total projected capital outlay of any property development with their capital funds;
- increasing the required reserve ratio of funds that a commercial bank must hold on deposit from 7.5% in the first half of 2006 to 17.5% in June 2008 (which, for large-sized deposit-taking financial institutions, has been at 16% since January 2010), effectively reducing the amount of money a bank is able to lend;
- increasing the PBOC benchmark one-year bank lending interest rates and public housing funds rates in December 2007, with the PBOC one-year benchmark lending interest rate at 7.47% and the public housing funds rates at 4.77% for loans with maturities of no more than five years and 5.22% for loans with maturities of over five years; and
- tightening regulations governing mortgage lending and restricting approval of new development zones.

In April 2005, MOHURD and other relevant PRC government authorities jointly issued their Opinions on Stabilizing Property Prices 《關於做好穩定住房價格工作的通知》 followed by a set of certain measures to tackle the overheating of the real estate industry including:

- a business tax levy on the sales proceeds subject to the length of holding period and type of properties starting from June 1, 2005;
- a ban on onward transfer of pre-sold properties;
- strict enforcement of the imposition of an idle land fee for any land that has remained undeveloped for one year or longer starting from the commencement date as stipulated in the land grant contract and forfeiture of land use rights for any land that has remained idle for two years or longer;
- a stop order and cancellation for projects not in compliance with their construction plans; and
- a ban on land provision for villa construction and a restriction on land provision for high-end residential property development.

In May 2006, MOHURD, NDRC, PBOC and other relevant PRC government authorities jointly issued their Opinions on Housing Supply Structure and Stabilization of Property Prices 《關於調整住房供應結構穩定住房價格的意見》. Such opinions reiterated the existing measures and ushered additional measures that aim at further curbing the rapid increases then in property prices in large cities and promoting healthy development of the PRC property market. These measures include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low- to medium-cost and small- to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area of less than 90 square meters per unit and that projects which have received approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government, such as Beijing, Chongqing and Shanghai, provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down-payment from 20% to 30% of the purchase price of the underlying property if the unit floor area for the project is 90 square meters or more, effective from June 1, 2006;
- prohibiting commercial banks from lending to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land or vacant commodity properties, and prohibiting commercial banks from accepting commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years when such levy was initially introduced in June 2005, and allowing such business tax to be levied on the difference between the price for such re-sale and the original purchase price in the event that an individual transfers a property that is not an ordinary residential property even though such transfer takes place after five years from his/her date of purchase.

In May 2006, PRC Ministry of Land and Resources (中華人民共和國國土資源部), or the Ministry of Land and Resources, published an urgent notice to tighten up land administration 《關於當前進一步從嚴土地管理的通知》. In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten up the control on land supply for non-agricultural use. The notice also requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing.

In May 2007, MOFCOM and SAFE issued the Circular on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector 《關於進一步加強規範外商直接投資房地產業審批和監管的通知》, commonly known as Circular 50. Under Circular 50, prior to applying for establishment of real estate companies, foreign investors must first obtain land use rights or property ownership certificates, or must first enter into pre-sale or pre-grant agreements with respect to the land use rights or property ownership certificates. If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the relevant PRC governmental authorities to expand their scope of business in accordance with the PRC laws and regulations related to foreign investments. In addition, the local PRC governmental authorities must file with MOFCOM for record

their approvals of establishment of FIREEs, and must exercise due control over foreign investments in high-end properties. Foreign exchange authorities may not allow capital-account foreign exchange sales and settlements by FIREEs that have been established in contravention of these requirements.

In July 2007, SAFE issued a notice, commonly known as Notice 130, together with a list of FIREEs that had effected their filings with MOFCOM. According to Notice 130, SAFE will no longer process foreign debt registrations or applications by FIREEs for permission to purchase foreign exchange to service their foreign debt if such FIREEs have not obtained their approval certificates from the government before June 1, 2007. As a result of Notice 130, unless the approval certificate of an FIREE as of May 31, 2007 contained an aggregate investment amount, which includes its registered capital and foreign debt, sufficient to permit foreign currency to be injected into its operations in China, such FIREE effectively will no longer be able to borrow foreign debt, including shareholder loans and overseas commercial loans, to finance its operations in China. It can only use its capital contributions instead. SAFE further informed in Notice 130 that it will not process any foreign exchange registration (or change of such registration) or application for settlement of foreign currency under the capital account by any FIREE if it has obtained the relevant approval certificates from local government authorities on or after June 1, 2007 but has not completed its filing with MOFCOM.

In October 2007, the PRC government revised its Catalog of Guidance on Industries for Foreign Investment 《外商投資產業指導目錄》 by, among other things, removing the development of ordinary residences from the foreign-investment-encouraged category and adding the secondary market residential property trading and brokering into the foreign-investment-restricted category.

In January 2008, the State Council issued a Notice on Promoting Economization of Land Use 《關於促進節約集約用地的通知》 with respect to the collection of additional land premium, establishment of a land utilization priority planning scheme, formulation of a system for assessing the optimal use of land and other proposed measures. The notice urges the full and effective use of existing construction land and the preservation of farm land. The notice also emphasizes the enforcement of the current rules on an idle land fee amounting to 20% of the land grant premium for any land left idle for over one year but less than two years. The notice further urges the financial institutions to exercise caution when they process loan applications from property developers that have failed to commence construction, to complete development of at least one third of the site area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract.

Since October 2008, due to the global economic slowdown and financial market crisis, the PRC government has adopted a series of measures with respect to money supply, credit availability, fixed assets investment, tax reduction, and other areas to encourage domestic consumption, including support to the property market and real estate development such as the following:

- reducing the capital funding requirement for real estate developers from 35% to 20% for ordinary commodity housing projects and affordable housing projects, and 30% for other real estate projects;
- reducing the required deposit reserve ratio for commercial banks to 15.5% for large deposit-taking financial institutions and 13.5% for middle-to-small-sized deposit-taking financial institutions;
- reducing the PBOC benchmark one-year bank lending interest rate to 5.31%; and
- reducing the public housing funds rates to 3.33% (for loans with maturities of five years or less) and 3.87% (for loans with maturities of over five years), respectively.

In October 2008, the Ministry of Finance and the State Administration of Taxation issued a Notice on Adjustments to Taxation on Real Estate Transactions 《關於調整房地產交易環節稅收政策的通知》 to reduce the deed tax for first-time buyers of ordinary residential properties with a unit floor area of

less than 90 square meters to 1%. In addition, sales and purchases of residential properties are temporarily exempted from stamp duty, and sales of residential properties are temporarily exempted from land value-added tax. However, in September 2010, the preferential policy regarding deed tax was replaced by the Notice on Adjustment of Preferential Policies Regarding Deed Tax and Individual Income Tax Incurred in Transfer of Real Property 《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》》 jointly promulgated by the Ministry of Finance, State Tax Administration and MOHURD, which specifies that, in the case that an individual purchases an ordinary house which is the only house for the family (taking into account the purchaser, the spouse and minor children), the deed tax is reduced by half; and in the case that an individual purchases an ordinary house with a GFA of 90 square meters or less, which is the only house for the family (taking into account the purchaser, the spouse and minor children), the deed tax is levied at a rate of 1%.

In December 2008, the General Office of the State Council released Several Opinions on Facilitating the Healthy Development of the Real Estate Market 《關於促進房地產市場健康發展的若干意見》, and the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on the Policy of Business Tax on Re-sale of Personal Residential Properties 《關於個人住房轉讓營業稅政策的通知》 to encourage the consumption of ordinary residential properties and support the real estate development in response to the market changes, including:

- effective between January 1, 2009 and December 31, 2009, business tax will be imposed on transfers of non-ordinary residential properties that occur within two years, instead of five years as previously required, from their purchase dates;
- for ordinary residential properties, business tax is exempted if they are transferred after two years from the purchase dates;
- for transfers of non-ordinary residential properties two years after their purchase dates and ordinary residential properties within two years of their purchase dates, business tax is levied on the balance between the relevant sale prices and purchase prices;
- individuals with existing ordinary residential properties smaller than the average size under their local standards may buy second ordinary residential properties with the favorable loan terms similar to first-time buyers; and
- the government will provide support to real estate development in response to the changing market conditions, including increasing credit financing to “low-to-medium-priced” or “small-to-medium-sized” ordinary commodity housing projects, particularly those under construction, and providing financial support to real estate developers with good credit standing for merger and acquisition activities.

In May 2009, the State Council issued the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment 《國務院關於調整固定資產投資項目資本金比例的通知》, under which the minimum capital ratio of affordable housing and ordinary commodity housing projects shall be 20% and the minimum capital ratio of other real estate projects shall be 30%.

In November 2009, the Ministry of Land and Resources issued a Circular on the Distribution of the Catalog for Restricted Land Use Projects (2006 Version Supplement) and the Catalog for Prohibited Land Use Projects (2006 Version Supplement) 《關於印發〈限制用地項目目錄（2006年本增補本）〉和〈禁止用地項目目錄（2006年本增補本）〉的通知》, as a supplement to its 2006 version. In this Circular, the Ministry of Land and Resources has set forth a ceiling for the land granted by local governments for development of commodity housing as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown, and the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties 《關於調整個人住房轉讓營業稅政策的通告》 to curtail speculations in the property market in response to the property price rises across the country:

- effective from January 1, 2010, business tax will be imposed on the full amount of the sale income upon transfers of non-ordinary residential properties that occur within five years, instead of two years, from their purchase dates;
- for ordinary residential properties, business tax is exempted if they are transferred after five years from the purchase dates; and
- for transfers of non-ordinary residential properties five years after their purchase dates and ordinary residential properties within five years of their purchase dates, business tax is levied on the balance between the relevant sale prices and purchase prices.

In December 2009, the State Council considered measures to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities, requiring relevant authorities to:

- increase the effective supply of ordinary commodity residential properties;
- continue to support the purchase of properties for self-use or improving housing conditions, and restrict purchases of properties for investment or speculation purposes;
- enhance regulation in the property market; and
- continue to extensively promote housing projects for low-income residents.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant 《關於進一步加強土地出讓收支管理的通告》. The Notice raises the minimum down-payment for land premium to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of Property Market 《關於促進房地產市場平穩健康發展的通告》, which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who have already purchased a residence through mortgage financing and have applied to purchase a second or subsequent residence through mortgage financing, to pay a minimum down-payment of 40% of the purchase price.

In March 2010, the Ministry of State Land and Resources promulgated the Notice on Issues Regarding Strengthening Control and Monitor of Real Estate Land Supply 《關於加強房地產用地供應和監管有關問題的通告》. According to the notice, at least 70% of total land supply must be provisioned for affordable housing, redevelopment of shanty towns and small/medium-sized residential units for self-use and the land supply for large residential units will be strictly controlled and land



supply for villa projects will be banned. The notice also requires that the lowest land grant price must be at least 70% of the basic land price in which the granted land is located and the real estate developers' bid deposit shall be at least 20% of the lowest land grant price. The land grant contract must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium shall be 50% and must be paid within one month after the execution of the land grant contract. The remainder of the land grant payment must be paid in accordance with the agreement within one year. If the land grant contract is not executed in accordance with the requirement above, the land cannot be handed over and the deposit will not be returned. If no land grant premium is paid after the execution of the land grant contract, the land must be withdrawn.

In April 2010, the State Council issued the Notice on Resolutely Containing the Excessive Hike of Property Prices in Some Cities 《堅決遏制部分城市房價過快上漲的通知》, or the April 2010 Notice, which provides that: (i) if a first-time home buyer (including a borrower and his or her spouse and minor children) buys a residence with a unit floor area of more than 90 square meters for self use, the minimum down payment shall be at least 30%; (ii) if a second-time home buyer uses mortgage financing, the minimum down payment shall be at least 50% of the purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate; (iii) if a third-time or more homebuyer uses mortgage financing, the minimum down payment and interest rate thereof will be further raised. The April 2010 Notice further requires that in cities where property prices are overly high with excessive price hikes and strained housing supply, commercial banks may suspend extending bank loans for third-time or more home buyers in light of risk exposure. The notice also provides for the suspension of the provision of mortgage loans to non-local residents who cannot present the local tax clearance certificates or social insurances certification of more than one year.

In April 2010, MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses 《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》. Pursuant to the notice, without pre-sale approval, commodity houses are not permitted to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit, pre-payment or payment of a similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of local conditions and encourages property developers to engage in the practice of selling completed commodity properties.

In May 2010, State Administration of Taxation issued the Circular on Settlement of Land Appreciation Tax 《關於土地增值稅清算有關問題的通知》 to strengthen the settlement of LAT. The circular clarifies certain issues with respect to the calculation and settlement of LAT, such as (i) the recognition of the revenue upon the settlement of LAT; and (ii) the deduction of fees incurred in connection with the property development.

In May 2010, State Administration of Taxation issued the Notice on Strengthening the Collection of Land Appreciation Tax 《關於加強土地增值稅徵管工作的通知》, which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region of China, 1.5% for provinces in the central and northeastern regions of China, and 1% for provinces in the western region of China. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the property type.

In May 2010, MOHURD, PBOC and CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Housing Unit in Connection with Commercial Mortgage Loans 《關於規範商業性個人住房貸款中第二套住房認定標準的通知》, which provides, among other things, that the number of housing units owned by an individual purchaser who is applying for mortgage loans shall be determined by taking into account all housing units owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and minor children), and that second-time or more purchasers of housing units will be subject to different credit policies when applying for mortgage loans.

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development 《關於進一步加強房地產用地和建設管理調控的通知》, which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; and in areas with high housing prices, and that the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' reasons; (3) non-compliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In September 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies 《關於完善差別化住房信貸政策有關問題的通知》, which provides, among other things, that (i) the minimum down payment is raised to 30% for all first-time home buyers; (ii) commercial banks in China shall suspend mortgage loans to purchasers for their third residential property and beyond or to non-local residents who can not provide documentation certifying payment of local tax or social security for one year or more; and (iii) all property companies with records of being involved in abuse of land, changing the use of land, postponing construction commencement or completion dates, hoarding properties or other non-compliance shall be restricted from bank loans for new projects or extension of credit facilities.

In November 2010, MOHURD, the Ministry of Finance and PBOC jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan 《關於規範住房公積金個人住房貸款政策有關問題的通知》, which provides, among other things, that: (i) where a first-time house purchaser (including the borrower, spouse and minor children) uses housing reserve loans to buy an ordinary house for self-use with a unit floor area: (a) equal to or less than 90 square meters, the minimum down payment shall be at least 20%; (b) more than 90 square meters, the minimum down payment shall be at least 30%; (ii) for a second-time house purchaser that uses housing reserve loans, the minimum down payment shall be at least 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing reserve loan will only be available to families whose per capita housing area is below the average in locality and such loan must only be used to purchase an ordinary house for self use to improve residence conditions; and (iv) housing reserve loans to families for their third residential property and beyond will be suspended.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets 《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》, which provides, among other things, that: (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium-sized residential units must not provide land for large-sized and high-end housing before the end of this year; (ii) land and resource authorities in local cities and counties will report to Ministry of Land and Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; and (iii) land designated for affordable housing which is used for property development against relevant policies or involved illegal income will be confiscated and the relevant land use rights will be withdrawn. For example, changing the plot ratio without approval is strictly prohibited.

On December 22, 2010, PBOC raised the Renminbi deposit reserve ratio by 0.5% for all PRC deposit-taking financial institutions. As a result, all large-sized deposit-taking financial institutions in China must hold 18.5% of their Renminbi deposits on hand and small-sized financial institutions must hold 16.5% of their Renminbi deposits on hand.

### *Commodity Property Sales*

Demand for real estate in China has seen a steady increase over the years. According to CEIC and the National Bureau of Statistics of China, the total revenue from real property sales in China increased from approximately RMB 298.8 billion in 1999 to approximately RMB 4,435.5 billion in 2009. During the same period, the aggregate GFA sold in China increased from approximately 121.9 million square meters in 1998 to approximately 947.6 million square meters in 2009. Of the 947.6 million square meters of aggregate GFA sold in 2009, approximately 861.8 million square meters were residential properties, representing an increase of approximately 43.6% from 2008.

The average price of commodity properties sold in China increased from RMB 3,167.7 per square meter in 2005 to RMB 4,681.0 per square meter in 2009, while the average price of residential properties sold increased from RMB 2,937.0 per square meter to RMB 4,459.0 per square meter during the same period. The average price of commodity properties sold in China in 2009 was calculated by dividing total sales proceeds by the aggregate GFA sold.

The table below sets out selected statistics relating to the PRC property market for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billion) . . . . .	1,590.9	1,942.3	2,528.9	3,120.3	3,624.2
Total GFA sold (million square meters) . . . . .	554.9	618.6	773.5	659.7	947.6
GFA of residential properties sold (million square meters). . . . .	495.9	554.2	701.4	592.8	861.8
Average price of commodity properties (RMB/square meter). . . . .	3,167.7	3,366.8	3,863.9	3,800.0	4,681.0
Average price of residential properties (RMB/square meter). . . . .	2,937.0	3,119.3	3,645.2	3,576.0	4,459.0
Total sales revenue for commodity properties (RMB in billion). . . . .	1,757.6	2,082.6	2,988.9	2,506.8	4,435.5
Total sales revenue for residential properties (RMB in billion). . . . .	1,456.4	1,728.8	2,556.6	2,119.6	3,843.3

Sources: CEIC; National Bureau of Statistics of China

### ***Top 20 PRC Real Estate Developers by Contracted Sales***

We set forth below the top 20 property developers in China as measured by contracted sales for the year ended December 31, 2010 as compiled by China Real Estate Appraisal and CRIC.

<b>Ranking</b>	<b>Company</b>
1	China Vanke Co., Ltd.
2	Poly Real Estate Group Co., Ltd.
3	a private company
4	China Overseas Land & Investment Ltd.
<b>5</b>	<b>Evergrande Real Estate Group Limited</b>
6	Greentown China Holdings Limited
7	a private company
8	Longfor Properties Co., Ltd.
9	Country Garden Holdings Company Limited
10	Guangzhou R&F Properties Co., Ltd.
11	Agile Property Holdings Limited
12	a private company
13	Gemdale Corporation
14	Shimao Property Holdings Limited
15	China Resources Land Limited
16	Sino-Ocean Land Holdings Limited
17	Shanghai Forte Land Co., Ltd.
18	China Merchants Property Development Co., Ltd.
19	Jiangsu Future Land Co., Ltd.
20	a private company

*Source: China Real Estate Appraisal and CRIC*

### ***Top 20 PRC Real Estate Developers by GFA Pre-sold***

We set forth below the top 20 property developers in China as measured by GFA pre-sold for the year ended December 31, 2010 as compiled by China Real Estate Appraisal and CRIC.

<b>Ranking</b>	<b>Company</b>
1	China Vanke Co., Ltd.
<b>2</b>	<b>Evergrande Real Estate Group Limited</b>
3	a private company
4	Poly Real Estate Group Co., Ltd.
5	Country Garden Holdings Company Limited
6	China Overseas Land & Investment Ltd.
7	a private company
8	Agile Property Holdings Limited
9	Longfor Properties Co., Ltd.
10	Greentown China Holdings Limited
11	a private company
12	Guangzhou R&F Properties Co., Ltd.
13	Gemdale Corporation
14	a private company
15	China Resources Land Limited
16	Shimao Property Holdings Limited
17	China Railway Group Ltd.
18	a private company
19	Sino-Ocean Land Holdings Limited
20	Jiangsu Future Land Co., Ltd.

*Source: China Real Estate Appraisal and CRIC*

## China Real Estate Top 10 Research Group

China Real Estate Top 10 Research Group is an independent research institute constituted by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Real Estate Research Center and China Index Academy. It conducts surveys on an annual and nationwide basis with respect to various aspects of the property industry. Its evaluation results are published for public consumption and available at no cost on its website: <http://industry.soufun.com>. Contents available at such website do not constitute a part of this offering memorandum.

### Guangdong Province

Guangdong Province is located in the heart of the Pearl River Delta, adjacent to Hong Kong to its south. It covers a total area of approximately 179,757.0 square kilometers and had a registered population of approximately 69.5 million as of December 31, 2009. The Pearl River Delta has been an important economic region in China with significant development and growth over the past decades. In line with the economic growth in Guangdong Province, the purchasing power of Guangdong residents has increased significantly over the years, which has supported the growth of the real estate market in Guangdong Province. The table below sets out selected economic statistics for Guangdong Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	2,255.7	2,658.8	3,177.7	3,679.7	3,948.3
Per capita GDP (RMB). . . . .	24,646.6	28,746.6	33,890.1	38,747.7	41,166.3
GDP per capita growth rate (%). . . . .	18.1	16.6	17.9	14.3	6.2
Year-end registered population (millions) . . . . .	64.6	64.5	65.8	68.3	69.5
Per capita disposable income (RMB) . . . . .	14,769.9	16,015.6	17,699.3	19,732.9	21,574.7

Source: CEIC

Aggregate real estate investments in Guangdong Province reached approximately RMB 1,596.7 billion in 2009, representing a decrease of approximately 8.4% over 2008. The GFA of completed residential properties in Guangdong Province was approximately 41.1 million square meters in 2009, representing an increase of approximately 18.3% over 2008. Total residential GFA sold in Guangdong Province in 2009 was approximately 65.7 million square meters, representing an increase of approximately 50.6% from 2008. The average price of residential GFA sold in Guangdong Province in 2009 was RMB 6,360.0 per square meter, representing an increase of approximately 11.1% over 2008. The table below sets out selected statistics relating to the property market in Guangdong Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	854.3	1,025.1	1,384.9	1,742.7	1,596.7
GFA of residential properties completed (million square meters). . . . .	34.8	34.2	35.0	34.8	41.1
GFA of residential properties sold (million square meters). . . . .	45.5	46.9	56.0	43.6	65.7
Sales revenue from residential properties (RMB in billions) . . . . .	188.6	215.4	318.4	249.6	417.7
Average price of residential properties (RMB/square meter). . . . .	4,149.0	4,588.6	5,682.1	5,723.0	6,360.0

Source: CEIC

## Guangzhou City

Guangzhou is the capital city of Guangdong Province. It covers a total area of approximately 7,434 square kilometers and had a registered population of approximately 8.0 million as of December 31, 2009. It is the third largest city in China in terms of GDP and the largest city in southern China. Guangzhou is approximately two hours away from Hong Kong and Shenzhen by train.

The growth in the economy and population of Guangzhou has generated an increase in housing demand in the city. From 2005 to 2009, the registered population of Guangzhou has increased by approximately 0.4 million, representing an increase of approximately 5.9%. The table below sets out selected economic statistics for Guangzhou for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	515.4	608.2	714.0	828.7	913.8
Per capita GDP (RMB). . . . .	53,809.3	63,183.6	72,123.0	81,940.5	89,081.6
GDP per capita growth rate (%). . . . .	17.2	17.4	14.1	13.6	8.7
Year-end registered population (millions) . . . . .	7.5	7.6	7.7	7.8	8.0
Per capita disposable income (RMB) . . . . .	18,287.0	19,851.0	22,469.2	25,317.0	27,609.6

Source: CEIC

Residential real estate investments in Guangzhou have increased over the years. Total real estate investments in the city amounted to approximately RMB 81.7 billion in 2009, representing an increase of approximately 7.0% over 2008. GFA of completed residential properties in Guangzhou in 2009 was approximately 7.9 million square meters, representing an increase of approximately 5.2% from 2008. In 2009, total residential GFA sold in Guangzhou amounted to approximately 12.5 million square meters, representing an increase of approximately 42.5% from 2008. The average price of total residential GFA sold in Guangzhou in 2009 reached RMB 8,988.0 per square meter, representing an increase of approximately 8.6% over 2008. The table below sets out key statistics relating to the property market in Guangzhou for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	50.8	55.7	70.4	76.4	81.7
GFA of residential properties completed (million square meters). . . . .	8.0	7.7	7.0	7.5	7.9
GFA of residential properties sold (million square meters). . . . .	11.3	11.6	11.6	8.8	12.5
Sales revenue from residential properties (RMB in billions) . . . . .	57.0	71.1	97.8	77.2	112.7
Average price of residential properties (RMB/square meter). . . . .	4,844.0	6,366.0	8,439.0	8,277.0	8,988.0

Sources: CEIC; National Bureau of Statistics of China



## Chongqing Municipality

Chongqing is one of the four municipalities under the direct administration of the PRC central government and an important economic hub in southwestern China. The table below sets out selected economic statistics for Chongqing for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	307.0	349.2	412.3	509.7	653.0
Per capita GDP (RMB). . . . .	12,403.0	13,940.0	16,629.0	20,490.0	22,920.0
GDP per capita growth rate (%). . . . .	28.9	12.4	19.3	23.2	11.9
Year-end registered population (millions) . . . . .	25.6	26.5	26.7	26.4	26.6
Per capita disposable income (RMB) . . . . .	10,243.5	11,569.7	12,590.8	14,367.6	15,748.7

Source: CEIC

Real estate investments in Chongqing reached approximately RMB 646.4 billion in 2009, representing an increase of approximately 19.2% over 2008. The GFA of completed residential properties in Chongqing was approximately 23.8 million square meters in 2009, representing an increase of approximately 22.2% over 2008. Total residential GFA sold in Chongqing in 2009 was approximately 37.7 million square meters, representing an increase of approximately 41.2% from 2008. The average price of residential GFA sold in Chongqing in 2009 was RMB 3,266.0 per square meter, representing an increase of approximately 23.7% over 2008. The table below sets out selected statistics relating to the property market in Chongqing for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	269.1	333.4	437.0	542.2	646.4
GFA of residential properties completed (million square meters). . . . .	17.1	17.0	17.7	19.5	23.8
GFA of residential properties sold (million square meters). . . . .	17.9	20.1	33.1	26.7	37.7
Sales revenue from residential properties (RMB in billions) . . . . .	34.1	41.9	85.7	70.5	123.2
Average price of residential properties (RMB/square meter). . . . .	1,900.7	2,081.3	2,588.2	2,640.0	3,266.0

Source: CEIC

## Tianjin Municipality

Tianjin is one of the four municipalities under the direct administration of the PRC central government and an economic and cultural center in China. The table below sets out selected economic statistics for Tianjin for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	369.8	435.9	505.0	635.4	752.2
Per capita GDP (RMB). . . . .	37,796.0	42,141.0	47,970.0	58,656.0	62,574.0
GDP per capita growth rate (%). . . . .	23.6	11.5	13.8	22.3	6.7
Year-end registered population (millions) . . . . .	8.3	9.0	9.5	10.7	10.5
Per capita disposable income (RMB) . . . . .	12,638.6	14,283.1	16,357.4	19,422.5	21,402.0

Source: CEIC

Real estate investments in Tianjin reached approximately RMB 423.0 billion in 2009, representing an increase of approximately 14.4% over 2008. The GFA of completed residential properties in Tianjin was approximately 15.8 million square meters in 2009, representing an increase of approximately 5.9% over 2008. Total residential GFA sold in Tianjin in 2009 was approximately 14.6 million square meters, representing an increase of approximately 28.7% from 2008. The average price of residential GFA sold in Tianjin in 2009 was RMB 6,605.0 per square meter, representing an increase of approximately 18.0% over 2008. The table below sets out selected statistics relating to the property market in Tianjin for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	185.6	227.2	286.9	369.8	423.0
GFA of residential properties completed (million square meters). . . . .	12.7	13.1	14.0	14.9	15.8
GFA of residential properties sold (million square meters). . . . .	12.6	13.3	14.0	11.4	14.6
Sales revenue from residential properties (RMB in billions) . . . . .	50.4	62.0	78.2	63.6	96.5
Average price of residential properties (RMB/square meter). . . . .	3,987.2	4,649.2	5,575.7	5,598.0	6,605.0

Source: CEIC

## Hubei Province

Hubei Province is located in central China. The table below sets out selected economic statistics for Hubei Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	652.0	758.1	923.1	1,133.0	1,296.1
Per capita GDP (RMB). . . . .	11,554.0	13,360.0	16,386.0	19,858.0	22,677.0
GDP per capita growth rate (%). . . . .	16.7	15.6	22.6	21.2	14.2
Year-end registered population (millions) . . . .	52.3	53.4	54.1	55.2	55.3
Per capita disposable income (RMB) . . . . .	8,785.9	9,802.7	11,485.8	13,152.9	14,367.5

Source: CEIC

Real estate investments in Hubei Province reached approximately RMB 627.6 billion in 2009, representing an increase of approximately 27.1% over 2008. The GFA of completed residential properties in Hubei Province was approximately 20.1 million square meters in 2009, representing an increase of approximately 11.8% over 2008. Total residential GFA sold in Hubei Province in 2009 was approximately 25.8 million square meters, representing an increase of approximately 41.5% from 2008. The average price of residential GFA sold in Hubei Province in 2009 was RMB 3,413.0 per square meter, representing an increase of approximately 17.8% over 2008. The table below sets out selected statistics relating to the property market in Hubei Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	231.4	303.5	391.5	493.6	627.6
GFA of residential properties completed (million square meters). . . . .	14.1	16.0	18.1	18.0	20.1
GFA of residential properties sold (million square meters). . . . .	15.5	19.2	23.8	18.2	25.8
Sales revenue from residential properties (RMB in billions) . . . . .	33.5	46.4	70.0	52.8	87.9
Average price of residential properties (RMB/square meter). . . . .	2,163.7	2,422.1	2,937.5	2,898.0	3,413.0

Source: CEIC

## Wuhan City

Wuhan is the capital city of Hubei Province and an economic and industrial hub in central China. The table below sets out selected economic statistics for Wuhan for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	223.8	259.1	314.2	396.0	456.1
Per capita GDP (RMB). . . . .	26,238.0	29,899.0	35,582.0	44,290.0	N/A
GDP per capita growth rate (%). . . . .	5.1	14.0	19.0	24.5	N/A
Year-end registered population (millions) . . . . .	8.0	8.2	8.3	8.3	8.4
Per capita disposable income (RMB) . . . . .	10,850.0	12,360.0	14,357.6	16,712.4	18,385.0

Source: CEIC

Real estate investments in Wuhan reached approximately RMB 77.9 billion in 2009, representing an increase of approximately 36.5% over 2008. The GFA of completed residential properties in Wuhan was approximately 8.2 million square meters in 2009, representing an increase of approximately 7.3% from 2008. Total residential GFA sold in Wuhan in 2009 was approximately 10.4 million square meters, representing an increase of approximately 52.4% from 2008. The average price of residential GFA sold in Wuhan in 2009 was RMB 5,199.0 per square meter, representing an increase of approximately 11.1% over 2008. The table below sets out selected statistics relating to the property market in Wuhan for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	29.8	36.6	46.0	57.0	77.9
GFA of residential properties completed (million square meters). . . . .	7.2	7.7	8.1	7.7	8.2
GFA of residential properties sold (million square meters). . . . .	8.3	9.1	10.7	6.8	10.4
Sales revenue from residential properties (RMB in billions) . . . . .	24.9	32.1	48.3	32.0	54.1
Average price of residential properties (RMB/square meter). . . . .	3,034.0	3,535.0	4,516.0	4,681.0	5,199.0

Sources: CEIC; National Bureau of Statistics of China

## Sichuan Province

Sichuan Province is in western China. The table below sets out selected economic statistics for Sichuan Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	738.5	863.8	1,050.5	1,250.6	1,415.1
Per capita GDP (RMB). . . . .	8,721.0	10,613.0	12,963.0	15,495.0	17,339.0
GDP per capita growth rate (%). . . . .	10.5	21.7	22.1	19.5	11.9
Year-end registered population (millions) . . . . .	75.9	78.9	78.8	79.5	77.8
Per capita disposable income (RMB) . . . . .	8,386.0	9,350.1	11,098.3	12,633.4	13,839.4

Source: CEIC

Real estate investments in Sichuan Province reached approximately RMB 902.6 billion in 2009, representing approximately the same amount as in 2008. The GFA of completed residential properties in Sichuan Province was approximately 35.2 million square meters in 2009, representing an increase of approximately 21.2% over 2008. Total residential GFA sold in Sichuan Province in 2009 was approximately 55.5 million square meters, representing an increase of approximately 71.0% from 2008.

The average price of residential GFA sold in Sichuan in 2009 was RMB 3,434.0 per square meter, representing an increase of approximately 12.0% over 2008. The table below sets out selected statistics relating to the property market in Sichuan Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	410.8	527.4	756.9	902.7	902.6
GFA of residential properties completed (million square meters). . . . .	22.3	26.2	25.9	29.0	35.2
GFA of residential properties sold (million square meters). . . . .	30.3	37.4	45.6	32.5	55.5
Sales revenue from residential properties (RMB in billions) . . . . .	51.1	79.4	125.6	99.6	190.7
Average price of residential properties (RMB/square meter). . . . .	1,687.9	2,122.6	2,752.8	3,067.0	3,434.0

Source: CEIC

## Chengdu City

Chengdu is the capital city of Sichuan Province and an economic center in southwestern China. The table below sets out selected economic statistics for Chengdu for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	237.1	275.0	332.4	390.1	450.3
Per capita GDP (RMB). . . . .	19,627.0	25,171.0	26,525.0	30,855.0	N/A
GDP per capita growth rate (%). . . . .	(5.5)	28.2	5.4	16.3	N/A
Year-end registered population (millions) . . . .	10.8	11.0	11.1	11.2	11.4
Per capita disposable income (RMB) . . . . .	11,359.0	12,789.0	14,849.2	15,580.0	18,659.0

Source: CEIC

Real estate investments in Chengdu reached approximately RMB 94.5 billion in 2009, representing an increase of approximately 3.6% over 2008. The GFA of completed residential properties in Chengdu was approximately 14.6 million square meters in 2009 representing an increase of approximately 42.5% from 2008. Total residential GFA sold in Chengdu in 2009 was approximately 25.5 million square meters, representing an increase of approximately 87.7% from 2008. The average price of residential GFA sold in Chengdu in 2009 was RMB 4,864.0 per square meter, representing an increase of approximately 1.8% over 2008. The table below sets out selected statistics relating to the property market in Chengdu for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	43.1	61.9	90.5	91.3	94.5
GFA of residential properties completed (million square meters). . . . .	6.0	9.6	8.9	10.3	14.6
GFA of residential properties sold (million square meters). . . . .	11.1	14.8	20.8	13.6	25.5
Sales revenue from residential properties (RMB in billions) . . . . .	31.9	51.9	87.5	64.9	123.4
Average price of residential properties (RMB/square meter). . . . .	2,866.0	3,493.0	4,198.0	4,778.0	4,864.0

Sources: CEIC; National Bureau of Statistics of China

## Liaoning Province

Liaoning Province is in northern China. The table below sets out selected economic statistics for Liaoning Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	800.9	925.1	1,102.3	1,346.2	1,521.2
Per capita GDP (RMB). . . . .	19,074.0	21,914.0	26,054.0	31,736.0	35,239.0
GDP per capita growth rate (%). . . . .	20.5	14.9	18.9	21.8	11.0
Year-end registered population (millions) . . . . .	35.6	37.9	38.8	39.8	40.9
Per capita disposable income (RMB) . . . . .	9,107.6	10,369.6	12,300.4	14,392.7	15,761.4

Source: CEIC

Real estate investments in Liaoning Province reached approximately RMB 1,425.0 billion in 2009, representing an increase of approximately 35.6% over 2008. The GFA of completed residential properties in Liaoning Province was approximately 34.0 million square meters in 2009, representing an increase of approximately 4.3% over 2008. Total residential GFA sold in Liaoning Province in 2009 was approximately 48.6 million square meters, representing an increase of approximately 30.4% from 2008. The average price of residential GFA sold in Liaoning Province in 2009 was RMB 3,872.0 per square meter, representing an increase of approximately 8.3% over 2008. The table below sets out selected statistics relating to the property market in Liaoning Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	413.2	553.6	738.6	1,050.9	1,425.0
GFA of residential properties completed (million square meters). . . . .	21.3	24.5	26.9	32.6	34.0
GFA of residential properties sold (million square meters). . . . .	23.4	27.3	35.5	37.3	48.6
Sales revenue from residential properties (RMB in billions) . . . . .	62.1	78.7	118.9	133.4	188.3
Average price of residential properties (RMB/square meter). . . . .	2,651.7	2,883.6	3,354.6	3,575.0	3,872.0

Source: CEIC

## Shenyang City

Shenyang is the capital city of Liaoning Province and an economic and industrial center in northeastern China. The table below sets out selected economic statistics for Shenyang for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	208.4	252.0	322.1	386.0	435.9
Per capita GDP (RMB). . . . .	29,935.0	35,940.0	45,582.0	54,248.0	55,816.0
GDP per capita growth rate (%). . . . .	8.9	20.1	26.8	19.0	2.9
Year-end registered population (millions) . . . . .	7.0	7.0	7.1	7.1	7.2
Per capita disposable income (RMB) . . . . .	10,098.0	11,651.4	14,606.5	17,013.0	18,560.0

Source: CEIC

Real estate investments in Shenyang reached approximately RMB 118.9 billion in 2009, representing an increase of approximately 17.6% over 2008. The GFA of completed residential properties in Shenyang was approximately 10.8 million square meters in 2009, approximately the same as in 2008. Total residential GFA sold in Shenyang in 2009 was approximately 13.7 million square meters, representing an increase of approximately 4.8% from 2008. The average price of residential GFA

sold in Shenyang in 2009 was RMB 4,196.0 per square meter, representing an increase of approximately 8.8% over 2008. The table below sets out selected statistics relating to the property market in Shenyang for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	41.4	53.8	73.0	101.1	118.9
GFA of residential properties completed (million square meters). . . . .	9.3	10.2	10.9	10.8	10.8
GFA of residential properties sold (million square meters). . . . .	9.3	11.5	13.6	13.1	13.7
Sales revenue from residential properties (RMB in billions) . . . . .	28.2	36.6	48.0	50.4	57.5
Average price of residential properties (RMB/square meter). . . . .	3,027.0	3,184.0	3,536.0	3,856.0	4,196.0

Sources: CEIC; National Bureau of Statistics of China

## Shaanxi Province

Shaanxi Province is in central China. The table below sets out selected economic statistics for Shaanxi Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	367.6	452.4	546.6	685.1	817.0
Per capita GDP (RMB). . . . .	10,594.0	12,724.0	15,386.0	19,480.0	21,688.0
GDP per capita growth rate (%). . . . .	23.4	20.1	20.9	26.6	11.3
Year-end registered population (millions) . . . .	37.2	38.1	38.2	38.3	38.4
Per capita disposable income (RMB) . . . . .	8,272.0	9,267.7	10,763.3	12,857.9	14,128.8

Source: CEIC

Real estate investments in Shaanxi Province reached approximately RMB 534.3 billion in 2009, representing an increase of approximately 26.6% over 2008. The GFA of completed residential properties in Shaanxi Province was approximately 7.9 million square meters in 2009, representing a decrease of approximately 2.2% over 2008. Total residential GFA sold in Shaanxi Province in 2009 was approximately 20.0 million square meters, representing an increase of approximately 39.9% from 2008. The average price of residential GFA sold in Shaanxi Province in 2009 was RMB 3,113.0 per square meter, representing an increase of approximately 10.4% over 2008. The table below sets out selected statistics relating to the property market in Shaanxi Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	165.3	211.3	287.1	422.1	534.3
GFA of residential properties completed (million square meters). . . . .	6.8	7.0	8.0	8.1	7.9
GFA of residential properties sold (million square meters). . . . .	8.5	10.6	13.8	14.3	20.0
Sales revenue from residential properties (RMB in billions) . . . . .	16.4	24.4	34.3	40.2	62.1
Average price of residential properties (RMB/square meter). . . . .	1,930.3	2,297.1	2,487.4	2,821.0	3,113.0

Source: CEIC



## Xi'an City

Xi'an is the capital city of Shaanxi Province and an economic and cultural hub in northwestern China. The table below sets out selected economic statistics for Xi'an for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	127.0	147.4	176.4	219.0	271.9
Per capita GDP (RMB). . . . .	15,940.0	18,089.0	21,339.0	26,259.0	32,351.0
GDP per capita growth rate (%). . . . .	13.2	13.5	18.0	23.1	23.2
Year-end registered population (millions) . . . . .	7.4	7.5	7.6	7.7	7.8
Per capita disposable income (RMB) . . . . .	9,628.0	10,905.0	12,662.0	15,207.0	18,963.0

Source: CEIC

Real estate investments in Xi'an reached approximately RMB 69.4 billion in 2009, representing an increase of approximately 28.5% over 2008. The GFA of completed residential properties in Xi'an was approximately 4.5 million square meters in 2009, representing an increase of approximately 9.9% from 2008. Total residential GFA sold in Xi'an in 2009 was approximately 12.0 million square meters, representing an increase of approximately 66.4% from 2008. The average price of residential GFA sold in Xi'an in 2009 was RMB 3,749.0 per square meter, representing a decrease of approximately 0.5% over 2008. The table below sets out selected statistics relating to the property market in Xi'an for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	22.5	28.6	38.7	54.0	69.4
GFA of residential properties completed (million square meters). . . . .	3.0	3.4	4.2	4.1	4.5
GFA of residential properties sold (million square meters). . . . .	4.4	5.8	7.8	7.2	12.0
Sales revenue from residential properties (RMB in billions) . . . . .	11.7	17.9	25.2	27.2	45.1
Average price of residential properties (RMB/square meter). . . . .	2,686.0	3,073.0	3,215.0	3,768.0	3,749.0

Sources: CEIC; National Bureau of Statistics of China

## Jiangsu Province

Jiangsu Province is in eastern China and one of the most prosperous regions in China. The table below sets out selected economic statistics for Jiangsu Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	1,830.6	2,164.5	2,574.1	3,031.3	3,445.7
Per capita GDP (RMB). . . . .	24,953.0	28,943.0	34,294.0	40,497.0	44,744.0
GDP per capita growth rate (%). . . . .	23.4	16.0	18.5	18.1	10.5
Year-end registered population (millions) . . . . .	63.3	69.3	68.9	69.0	69.0
Per capita disposable income (RMB) . . . . .	12,318.6	14,084.3	16,378.0	18,679.5	20,551.7

Source: CEIC

Real estate investments in Jiangsu Province reached approximately RMB 1,974.9 billion in 2009, representing an increase of approximately 6.8% over 2008. The GFA of completed residential properties in Jiangsu Province was approximately 67.3 million square meters in 2009, representing an increase of approximately 22.6% over 2008. Total residential GFA sold in Jiangsu Province in 2009 was approximately 90.3 million square meters, representing an increase of approximately 91.0% from 2008.

The average price of residential GFA sold in Jiangsu Province in 2009 was RMB 4,805.0 per square meter, representing an increase of approximately 26.4% over 2008. The table below sets out selected statistics relating to the property market in Jiangsu Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	896.7	1,098.7	1,449.4	1,849.2	1,974.9
GFA of residential properties completed (million square meters). . . . .	45.0	47.5	51.6	54.9	67.3
GFA of residential properties sold (million square meters). . . . .	45.2	53.2	67.7	47.3	90.3
Sales revenue from residential properties (RMB in billions) . . . . .	142.3	179.5	259.7	200.9	434.1
Average price of residential properties (RMB/square meter). . . . .	3,145.6	3,375.2	3,834.2	3,802.0	4,805.0

Source: CEIC

## Nanjing City

Nanjing is the capital city of Jiangsu Province and an economic and cultural center in eastern China. The table below sets out selected economic statistics for Nanjing for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	241.1	277.4	328.4	377.5	423.0
Per capita GDP (RMB). . . . .	40,887.0	46,114.0	53,639.0	60,808.0	55,290.0
GDP per capita growth rate (%). . . . .	23.7	12.8	16.3	13.4	(9.1)
Year-end registered population (millions) . . . .	6.0	6.1	6.2	6.2	6.3
Per capita disposable income (RMB) . . . . .	14,997.0	17,537.7	20,317.2	22,337.0	25,504.1

Source: CEIC

Real estate investments in Nanjing reached approximately RMB 59.6 billion in 2009, representing an increase of approximately 17.2% over 2008. The GFA of completed residential properties in Nanjing was approximately 12.3 million square meters in 2009, representing an increase of approximately 37.5% over 2008. Total residential GFA sold in Nanjing in 2009 was approximately 11.1 million square meters, representing an increase of approximately 69.0% from 2008. The average price of residential GFA sold in Nanjing in 2009 was RMB 6,893.0 per square meter, representing an increase of approximately 44.0% from 2008. The table below sets out selected statistics relating to the property market in Nanjing for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	29.6	35.1	44.6	50.8	59.6
GFA of residential properties completed (million square meters). . . . .	5.8	6.7	5.8	8.9	12.3
GFA of residential properties sold (million square meters). . . . .	9.0	9.4	10.6	6.6	11.1
Sales revenue from residential properties (RMB in billions) . . . . .	34.5	40.2	53.3	31.7	76.8
Average price of residential properties (RMB/square meter). . . . .	3,844.0	4,270.0	5,011.0	4,786.0	6,893.0

Sources: CEIC; National Bureau of Statistics of China

## Yunnan Province

Yunnan Province is in southwestern China. The table below sets out selected economic statistics for Yunnan Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	347.3	400.7	474.1	570.0	617.0
Per capita GDP (RMB). . . . .	7,809.0	8,929.0	10,609.0	12,570.0	13,539.0
GDP per capita growth rate (%). . . . .	11.4	14.3	18.8	18.5	7.7
Year-end registered population (millions) . . . . .	40.8	42.5	43.6	43.5	44.1
Per capita disposable income (RMB) . . . . .	9,265.9	10,069.9	11,496.1	13,250.2	14,423.9

Source: CEIC

Real estate investments in Yunnan Province reached approximately RMB 425.9 billion in 2009, representing an increase of approximately 33.7% over 2008. The GFA of completed residential properties in Yunnan Province was approximately 14.1 million square meters in 2009, representing an increase of approximately 59.4% over 2008. Total residential GFA sold in Yunnan Province in 2009 was approximately 20.4 million square meters, representing an increase of approximately 38.0% from 2008. The average price of residential GFA sold in Yunnan Province in 2009 was RMB 2,723.0 per square meter, representing an increase of approximately 11.6% over 2008. The table below sets out selected statistics relating to the property market in Yunnan Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	132.8	175.0	217.0	318.7	425.9
GFA of residential properties completed (million square meters). . . . .	7.3	9.5	8.4	8.8	14.1
GFA of residential properties sold (million square meters). . . . .	12.9	15.0	17.9	14.8	20.4
Sales revenue from residential properties (RMB in billions) . . . . .	25.9	32.9	41.2	36.1	55.6
Average price of residential properties (RMB/square meter). . . . .	2,000.8	2,190.7	2,295.7	2,441.0	2,723.0

Source: CEIC

## Kunming City

Kunming is the capital city of Yunnan Province and an economic and cultural center in southwestern China. The table below sets out selected economic statistics for Kunming for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	106.2	120.7	140.5	151.2	180.9
Per capita GDP (RMB). . . . .	17,560.0	19,633.0	22,578.0	25,826.0	N/A
GDP per capita growth rate (%). . . . .	(6.5)	11.8	15.0	14.4	N/A
Year-end registered population (millions) . . . . .	5.1	5.1	5.2	5.3	5.3
Per capita disposable income (RMB) . . . . .	9,516.0	10,766.0	12,020.9	14,482.0	N/A

Sources: CEIC; National Bureau of Statistics of China

Real estate investments in Kunming reached approximately RMB 38.2 billion in 2009, representing an increase of approximately 47.4% over 2008. The GFA of completed residential properties in Kunming was approximately 6.3 million square meters in 2009, representing an increase of approximately 67.2% over 2008. Total residential GFA sold in Kunming in 2009 was approximately 7.8 million square meters, representing an increase of approximately 50.1% from 2008. The average price of

residential GFA sold in Kunming in 2009 was RMB 3,586.0 per square meter, representing an increase of approximately 0.1% over 2008. The table below sets out selected statistics relating to the property market in Kunming for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	14.9	18.3	22.2	25.9	38.2
GFA of residential properties completed (million square meters). . . . .	3.8	4.9	2.7	3.8	6.3
GFA of residential properties sold (million square meters). . . . .	7.3	8.4	8.6	5.2	7.8
Sales revenue from residential properties (RMB in billions) . . . . .	18.5	23.0	25.8	18.2	27.4
Average price of residential properties (RMB/square meter). . . . .	2,264.0	2,643.0	2,895.0	3,583.0	3,586.0

Sources: CEIC; National Bureau of Statistics of China

### Inner Mongolia Autonomous Region

Inner Mongolia is an autonomous region in northern China and borders Beijing to its south. The table below sets out selected economic statistics for Inner Mongolia for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	389.6	479.1	609.1	776.2	974.0
Per capita GDP (RMB). . . . .	16,371.0	20,692.0	26,777.0	35,263.0	40,282.0
GDP per capita growth rate (%). . . . .	28.2	26.4	29.4	31.7	14.2
Year-end registered population (millions) . . . .	19.3	21.5	21.4	21.3	21.6
Per capita disposable income (RMB) . . . . .	9,136.8	10,358.0	12,377.8	14,432.6	15,849.2

Source: CEIC

Real estate investments in Inner Mongolia reached approximately RMB 448.3 billion in 2009, representing an increase of approximately 10.2% over 2008. The GFA of completed residential properties in Inner Mongolia was approximately 18.9 million square meters in 2009, representing an increase of approximately 12.9% from 2008. Total residential GFA sold in Inner Mongolia in 2009 was approximately 22.5 million square meters, representing an increase of approximately 7.7% over 2008. The average price of residential GFA sold in Inner Mongolia in 2009 was RMB 2,649.0 per square meter, representing an increase of approximately 17.0% over 2008. The table below sets out selected statistics relating to the property market in Inner Mongolia for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	81.0	166.9	265.1	406.7	448.3
GFA of residential properties completed (million square meters). . . . .	7.2	11.0	15.5	16.7	18.9
GFA of residential properties sold (million square meters). . . . .	9.2	12.5	18.1	20.9	22.5
Sales revenue from residential properties (RMB in billions) . . . . .	12.9	20.3	36.5	47.4	59.7
Average price of residential properties (RMB/square meter). . . . .	1,401.6	1,626.8	2,014.5	2,265.0	2,649.0

Source: CEIC

## Shanxi Province

Shanxi Province is in central northern China. The table below sets out selected economic statistics for Shanxi Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	418.0	475.3	573.3	693.9	735.8
Per capita GDP (RMB). . . . .	12,647.0	14,497.0	17,805.0	21,506.0	21,522.0
GDP per capita growth rate (%). . . . .	17.7	14.6	22.8	20.8	0.1
Year-end registered population (millions) . . . . .	30.5	31.2	31.9	32.2	32.2
Per capita disposable income (RMB) . . . . .	8,913.9	10,027.7	11,565.0	13,119.1	13,996.6

Source: CEIC

Real estate investments in Shanxi Province reached approximately RMB 226.4 billion in 2009, representing an increase of approximately 46.7% over 2008. The GFA of completed residential properties in Shanxi Province was approximately 7.0 million square meters in 2009, representing a decrease of approximately 10.7% over 2008. Total residential GFA sold in Shanxi Province in 2009 was approximately 9.6 million square meters, representing an increase of approximately 7.9% from 2008. The average price of residential GFA sold in Shanxi Province in 2009 was RMB 2,552.0 per square meter, representing an increase of approximately 13.3% over 2008. The table below sets out selected statistics relating to the property market in Shanxi Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	78.0	95.5	119.6	154.3	226.4
GFA of residential properties completed (million square meters). . . . .	5.6	5.9	6.9	7.8	7.0
GFA of residential properties sold (million square meters). . . . .	6.2	7.4	8.5	8.9	9.6
Sales revenue from residential properties (RMB in billions) . . . . .	11.6	13.4	17.4	20.1	24.6
Average price of residential properties (RMB/square meter). . . . .	1,876.4	1,805.5	2,052.4	2,253.0	2,552.0

Source: CEIC

## Taiyuan City

Taiyuan is the capital city of Shanxi Province in northern China. The table below sets out selected economic statistics for Taiyuan for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	89.3	101.4	125.5	146.8	154.5
Per capita GDP (RMB). . . . .	26,107.0	29,504.0	36,377.0	42,378.0	44,319.0
GDP per capita growth rate (%). . . . .	38.8	13.0	23.3	16.5	4.6
Year-end registered population (millions) . . . . .	3.4	3.5	3.6	3.6	3.7
Per capita disposable income (RMB) . . . . .	10,476.0	11,741.0	13,745.5	15,230.0	15,607.0

Source: CEIC

Real estate investments in Taiyuan reached approximately RMB 16.5 billion in 2009, representing an increase of approximately 35.7% over 2008. The GFA of completed residential properties in Taiyuan was approximately 1.4 million square meters in 2009, representing a decrease of approximately 9.7% over 2008. Total residential GFA sold in Taiyuan in 2009 was approximately 1.7 million square meters, representing an increase of approximately 4.1% over 2008. The average price of residential GFA sold in Taiyuan in 2009 was RMB 4,499.0 per square meter, representing an increase of approximately 19.9% from 2008. The table below sets out selected statistics relating to the property market in Taiyuan for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	7.9	8.0	9.5	12.2	16.5
GFA of residential properties completed (million square meters). . . . .	1.7	1.2	0.9	1.6	1.4
GFA of residential properties sold (million square meters). . . . .	1.8	1.2	1.5	1.6	1.7
Sales revenue from residential properties (RMB in billions) . . . . .	5.3	3.9	5.3	6.1	7.6
Average price of residential properties (RMB/square meter). . . . .	2,903.0	3,156.0	3,561.0	3,753.0	4,499.0

Sources: CEIC; National Bureau of Statistics of China

## Guizhou Province

Guizhou Province is in southwestern China. The table below sets out selected economic statistics for Guizhou Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	197.9	228.2	274.2	333.3	391.3
Per capita GDP (RMB). . . . .	5,119.0	5,932.0	7,273.0	9,428.0	10,309.0
GDP per capita growth rate (%). . . . .	18.6	15.9	22.6	29.6	9.3
Year-end registered population (millions) . . . .	34.6	35.7	36.0	36.4	36.3
Per capita disposable income (RMB) . . . . .	8,151.1	9,116.6	10,678.4	11,758.8	12,862.5

Source: CEIC

Real estate investments in Guizhou Province reached approximately RMB 205.8 billion in 2009, representing an increase of approximately 19.9% over 2008. The GFA of completed residential properties in Guizhou Province was approximately 10.3 million square meters in 2009, representing an increase of approximately 74.7% over 2008. Total residential GFA sold in Guizhou Province in 2009 was approximately 15.4 million square meters, representing an increase of approximately 81.8% from 2008. The average price of residential GFA sold in Guizhou Province in 2009 was RMB 2,642.0 per square meter, representing an increase of approximately 24.5% over 2008. The table below sets out selected statistics relating to the property market in Guizhou Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	88.3	103.3	136.5	171.6	205.8
GFA of residential properties completed (million square meters). . . . .	5.7	5.2	5.6	5.9	10.3
GFA of residential properties sold (million square meters). . . . .	7.7	8.1	9.9	8.5	15.4
Sales revenue from residential properties (RMB in billions) . . . . .	10.1	12.8	18.8	18.0	40.7
Average price of residential properties (RMB/square meter). . . . .	1,307.6	1,583.5	1,899.4	2,122.0	2,642.0

Source: CEIC



## Guiyang City

Guiyang is the capital city of Guizhou Province and an economic center in southwestern China. The table below sets out selected economic statistics for Guiyang for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	52.7	60.3	69.4	81.1	90.3
Per capita GDP (RMB). . . . .	14,934.0	17,025.0	19,489.0	20,638.0	22,832.0
GDP per capita growth rate (%). . . . .	17.7	14.0	14.5	5.9	10.6
Year-end registered population (millions) . . . . .	3.5	3.5	3.6	3.6	3.7
Per capita disposable income (RMB) . . . . .	9,928.0	11,222.0	12,780.5	13,817.0	15,041.0

Source: CEIC

Real estate investments in Guiyang reached approximately RMB 21.0 billion in 2009, representing an increase of approximately 23.6% over 2008. The GFA of completed residential properties in Guiyang was approximately 6.4 million square meters in 2009, representing an increase of approximately 141.0% over 2008. Total residential GFA sold in Guiyang in 2009 was approximately 7.6 million square meters, representing an increase of approximately 95.2% from 2008. The average price of residential GFA sold in Guiyang in 2009 was RMB 3,496.0 per square meter, representing an increase of approximately 22.0% over 2008. The table below sets out selected statistics relating to the property market in Guiyang for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	9.1	10.8	13.5	17.0	21.0
GFA of residential properties completed (million square meters). . . . .	2.3	2.4	2.2	2.7	6.4
GFA of residential properties sold (million square meters). . . . .	3.3	3.6	4.1	3.9	7.6
Sales revenue from residential properties (RMB in billions) . . . . .	6.0	7.6	10.7	11.2	26.6
Average price of residential properties (RMB/square meter). . . . .	1,801.0	2,138.0	2,619.0	2,866.0	3,496.0

Sources: CEIC; National Bureau of Statistics of China

## Anhui Province

Anhui Province is in central China. The table below sets out selected economic statistics for Anhui Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	537.5	614.9	736.4	887.4	1,006.3
Per capita GDP (RMB). . . . .	8,666.0	9,996.0	12,039.0	14,447.0	16,407.7
GDP per capita growth rate (%). . . . .	12.8	15.3	20.4	20.0	13.6
Year-end registered population (millions) . . . . .	56.9	58.8	59.1	59.3	59.5
Per capita disposable income (RMB) . . . . .	8,470.7	9,771.1	11,473.6	12,990.4	14,085.7

Source: CEIC

Real estate investments in Anhui Province reached approximately RMB 979.3 billion in 2009, representing an increase of approximately 18.4% over 2008. The GFA of completed residential properties in Anhui Province was approximately 23.5 million square meters in 2009, representing an increase of approximately 10.5% over 2008. Total residential GFA sold in Anhui Province in 2009 was approximately 36.5 million square meters, representing an increase of approximately 43.4% from 2008. The average price of residential GFA sold in Anhui Province in 2009 was RMB 3,235.0 per square meter, representing an increase of approximately 15.2% over 2008. The table below sets out selected statistics relating to the property market in Anhui Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	264.8	358.9	508.8	827.2	979.3
GFA of residential properties completed (million square meters). . . . .	14.8	17.3	20.1	21.3	23.5
GFA of residential properties sold (million square meters). . . . .	16.9	20.4	27.8	25.4	36.5
Sales revenue from residential properties (RMB in billions) . . . . .	34.8	43.9	69.5	71.4	118.0
Average price of residential properties (RMB/square meter). . . . .	2,064.6	2,152.8	2,504.8	2,808.0	3,235.0

Source: CEIC

## Hefei City

Hefei is the capital city of Anhui Province and an economic center in eastern China. The table below sets out selected economic statistics for Hefei for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	85.4	107.4	133.5	166.5	210.2
Per capita GDP (RMB). . . . .	18,960.0	23,203.0	28,134.0	34,482.0	41,543.0
GDP per capita growth rate (%). . . . .	41.7	22.4	21.3	22.6	20.5
Year-end registered population (millions) . . . .	4.6	4.7	4.8	4.9	4.9
Per capita disposable income (RMB) . . . . .	9,684.0	11,013.0	13,426.5	15,591.0	17,158.0

Source: CEIC

Real estate investments in Hefei reached approximately RMB 67.0 billion in 2009, representing an increase of approximately 18.5% over 2008. The GFA of completed residential properties in Hefei was approximately 4.8 million square meters in 2009, representing an increase of approximately 3.1% from 2008. Total residential GFA sold in Hefei in 2009 was approximately 11.8 million square meters, representing an increase of approximately 36.1% from 2008. The average price of residential GFA sold in Hefei in 2009 was RMB 4,095.0 per square meter, representing an increase of approximately 19.6% over 2008. The table below sets out selected statistics relating to the property market in Hefei for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	19.0	28.1	38.5	56.5	67.0
GFA of residential properties completed (million square meters). . . . .	4.1	4.5	5.1	4.6	4.8
GFA of residential properties sold (million square meters). . . . .	5.4	5.8	9.5	8.7	11.8
Sales revenue from residential properties (RMB in billions) . . . . .	15.0	16.8	30.1	29.7	48.3
Average price of residential properties (RMB/square meter). . . . .	2,807.0	2,891.0	3,172.0	3,425.0	4,095.0

Sources: CEIC; National Bureau of Statistics of China

## Hunan Province

Hunan Province is located to the south of the middle reaches of the Yangtze River and south of Lake Dongting. The table below sets out selected economic statistics for Hunan Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	651.1	756.9	920.0	1,115.7	1,306.0
Per capita GDP (RMB). . . . .	10,562.0	12,139.0	14,869.0	18,147.0	20,428.0
GDP per capita growth rate (%). . . . .	15.2	14.9	22.5	22.0	12.6
Year-end registered population (millions) . . . . .	63.2	64.8	64.9	65.0	65.1
Per capita disposable income (RMB) . . . . .	9,524.0	10,504.7	12,293.5	13,821.2	15,084.3

Source: CEIC

Real estate investments in Hunan Province reached approximately RMB 612.2 billion in 2009, representing an increase of approximately 13.1% over 2008. The GFA of completed residential properties in Hunan Province was approximately 25.0 million square meters in 2009, representing an increase of approximately 22.6% over 2008. Total residential GFA sold in Hunan Province in 2009 was approximately 32.6 million square meters, representing an increase of approximately 35.2% from 2008. The average price of residential GFA sold in Hunan Province in 2009 was RMB 2,532.0 per square meter, representing an increase of approximately 19.8% over 2008. The table below sets out selected statistics relating to the property market in Hunan Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	252.9	310.7	436.5	541.2	612.2
GFA of residential properties completed (million square meters). . . . .	13.9	14.0	16.8	20.4	25.0
GFA of residential properties sold (million square meters). . . . .	16.1	18.2	25.0	24.1	32.6
Sales revenue from residential properties (RMB in billions) . . . . .	22.6	30.0	51.7	51.0	82.6
Average price of residential properties (RMB/square meter). . . . .	1,404.6	1,655.2	2,068.0	2,113.0	2,532.0

Source: CEIC

## Changsha City

Changsha is the capital city of Hunan Province and an economic center in south central China. The table below sets out selected economic statistics for Changsha for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	152.0	179.9	219.0	300.1	374.5
Per capita GDP (RMB). . . . .	23,968.0	27,982.0	33,711.0	45,765.0	56,620.0
GDP per capita growth rate (%). . . . .	32.9	16.7	20.5	35.8	23.7
Year-end registered population (millions) . . . . .	6.2	6.3	6.4	6.5	6.5
Per capita disposable income (RMB) . . . . .	12,434.0	13,924.0	16,153.2	17,891.0	20,238.1

Source: CEIC

Real estate investments in Changsha reached approximately RMB 49.7 billion in 2009, representing an increase of approximately 5.9% over 2008. The GFA of completed residential properties in Changsha was approximately 11.0 million square meters in 2009, representing an increase of approximately 71.8% over 2008. Total residential GFA sold in Changsha in 2009 was approximately 13.6 million square meters, representing an increase of approximately 69.3% from 2008. The average

price of residential GFA sold in Changsha in 2009 was RMB 3,533.0 per square meter, representing an increase of approximately 10.4% over 2008. The table below sets out selected statistics relating to the property market in Changsha for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	25.6	30.4	41.3	46.9	49.7
GFA of residential properties completed (million square meters). . . . .	4.7	4.8	5.8	6.4	11.0
GFA of residential properties sold (million square meters). . . . .	6.1	6.9	9.3	8.0	13.6
Sales revenue from residential properties (RMB in billions) . . . . .	12.8	16.9	29.6	25.4	48.0
Average price of residential properties (RMB/square meter). . . . .	2,089.0	2,431.0	3,191.0	3,201.0	3,533.0

Sources: CEIC; National Bureau of Statistics of China

### Guangxi Zhuang Autonomous Region

Guangxi is an autonomous region in southern China. The table below sets out selected economic statistics for Guangxi for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	407.6	482.9	595.6	717.2	775.9
Per capita GDP (RMB). . . . .	8,590.0	10,121.0	12,277.0	14,652.0	16,045.0
GDP per capita growth rate (%). . . . .	15.1	17.8	21.3	19.3	9.5
Year-end registered population (millions) . . . .	46.6	47.8	48.3	48.8	49.1
Per capita disposable income (RMB) . . . . .	9,286.7	9,898.8	12,200.4	14,146.0	15,451.5

Source: CEIC

Real estate investments in Guangxi reached approximately RMB 444.5 billion in 2009, representing an increase of approximately 24.1% over 2008. The GFA of completed residential properties in Guangxi was approximately 12.2 million square meters in 2009, representing an increase of approximately 16.2% over 2008. Total residential GFA sold in Guangxi in 2009 was approximately 22.5 million square meters, representing an increase of approximately 37.3% from 2008. The average price of residential GFA sold in Guangxi in 2009 was RMB 3,133.0 per square meter, representing an increase of approximately 18.9% over 2008. The table below sets out selected statistics relating to the property market in Guangxi for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	149.9	202.9	292.0	358.2	444.5
GFA of residential properties completed (million square meters). . . . .	10.9	9.5	10.8	10.5	12.2
GFA of residential properties sold (million square meters). . . . .	13.1	13.7	18.6	16.4	22.5
Sales revenue from residential properties (RMB in billions) . . . . .	24.0	27.1	44.3	43.2	70.5
Average price of residential properties (RMB/square meter). . . . .	1,824.5	1,972.9	2,385.5	2,634.0	3,133.0

Source: CEIC

## Nanning City

Nanning is the capital city of Guangxi Zhuang Autonomous Region and an economic center in southwestern China. The table below sets out selected economic statistics for Nanning for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	72.3	87.0	106.9	131.6	149.2
Per capita GDP (RMB). . . . .	11,057.0	13,071.0	15,774.0	19,142.0	21,479.0
GDP per capita growth rate (%). . . . .	21.2	18.2	20.7	21.4	12.2
Year-end registered population (millions) . . . . .	6.6	6.7	6.8	6.9	7.0
Per capita disposable income (RMB) . . . . .	9,203.0	10,193.0	12,955.2	14,446.0	N/A

Source: CEIC

Real estate investments in Nanning reached approximately RMB 22.7 billion in 2009, representing an increase of approximately 13.8% over 2008. The GFA of completed residential properties in Nanning was approximately 3.6 million square meters in 2009, representing a decrease of approximately 2.7% over 2008. Total residential GFA sold in Nanning in 2009 was approximately 6.9 million square meters, representing an increase of approximately 50.7% from 2008. The average price of residential GFA sold in Nanning in 2009 was RMB 4,463.0 per square meter, representing an increase of approximately 20.0% over 2008. The table below sets out selected statistics relating to the property market in Nanning for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	10.5	13.9	18.7	19.9	22.7
GFA of residential properties completed (million square meters). . . . .	3.2	3.0	3.4	3.7	3.6
GFA of residential properties sold (million square meters). . . . .	4.2	4.2	5.9	4.5	6.9
Sales revenue from residential properties (RMB in billions) . . . . .	10.0	11.2	19.2	16.9	30.6
Average price of residential properties (RMB/square meter). . . . .	2,390.0	2,656.0	3,273.0	3,720.0	4,463.0

Sources: CEIC; National Bureau of Statistics of China

## Henan Province

Henan Province is in central western China and a few hours away from Beijing and Tianjin by train or highway. The table below sets out selected economic statistics for Henan Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	1,058.7	1,249.6	1,501.2	1,840.8	1,948.0
Per capita GDP (RMB). . . . .	11,346.0	13,172.0	16,012.0	19,181.0	20,597.0
GDP per capita growth rate (%). . . . .	23.3	16.1	21.6	19.8	7.4
Year-end registered population (millions) . . . . .	89.9	92.7	93.1	92.9	94.2
Per capita disposable income (RMB) . . . . .	8,668.0	9,810.3	11,477.1	13,231.1	14,371.6

Source: CEIC

Real estate investments in Henan Province reached approximately RMB 835.3 billion in 2009, representing an increase of approximately 23.4% over 2008. The GFA of completed residential properties in Henan Province was approximately 29.9 million square meters in 2009, representing an increase of approximately 15.2% over 2008. Total residential GFA sold in Henan Province in 2009 was approximately 40.2 million square meters, representing an increase of approximately 36.5% from 2008. The average price of residential GFA sold in Henan Province in 2009 was RMB 2,501.0 per square meter, representing an increase of approximately 17.0% over 2008. The table below sets out selected statistics relating to the property market in Henan Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	209.2	319.2	462.4	677.1	835.3
GFA of residential properties completed (million square meters). . . . .	11.5	14.1	23.4	26.0	29.9
GFA of residential properties sold (million square meters). . . . .	15.4	21.9	35.7	29.4	40.2
Sales revenue from residential properties (RMB in billions) . . . . .	25.5	40.4	74.3	62.9	100.5
Average price of residential properties (RMB/square meter). . . . .	1,658.7	1,842.6	2,081.2	2,138.0	2,501.0

Source: CEIC

### Zhengzhou City

Zhengzhou is the capital city of Henan Province and an economic center in central China. The table below sets out selected economic statistics for Zhengzhou for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	166.1	201.3	248.7	300.4	330.0
Per capita GDP (RMB). . . . .	25,474.0	29,366.0	34,069.0	40,616.0	N/A
GDP per capita growth rate (%). . . . .	20.0	15.3	16.0	19.2	N/A
Year-end registered population (millions) . . . .	6.8	6.9	7.1	7.2	7.3
Per capita disposable income (RMB) . . . . .	10,640.0	11,822.0	14,084.2	15,732.0	17,117.0

Source: CEIC

Real estate investments in Zhengzhou reached approximately RMB 51.4 billion in 2009, representing an increase of approximately 19.5% over 2008. The GFA of completed residential properties in Zhengzhou was approximately 5.3 million square meters in 2009, representing a decrease of approximately 15.4% over 2008. Total residential GFA sold in Zhengzhou in 2009 was approximately 10.8 million square meters, representing an increase of approximately 64.5% from 2008. The average price of residential GFA sold in Zhengzhou in 2009 was RMB 4,057.0 per square meter, representing an increase of approximately 12.8% over 2008. The table below sets out selected statistics relating to the property market in Zhengzhou for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	16.8	23.0	29.9	43.0	51.4
GFA of residential properties completed (million square meters). . . . .	3.6	4.1	5.4	6.3	5.3
GFA of residential properties sold (million square meters). . . . .	5.6	7.5	10.1	6.6	10.8
Sales revenue from residential properties (RMB in billions) . . . . .	13.3	20.3	33.5	23.7	44.0
Average price of residential properties (RMB/square meter). . . . .	2,387.0	2,691.0	3,328.0	3,598.0	4,057.0

Sources: CEIC; National Bureau of Statistics of China



## Jiangxi Province

Jiangxi Province is in eastern China. The table below sets out selected economic statistics for Jiangxi Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	405.7	467.1	550.0	648.0	765.5
Per capita GDP (RMB). . . . .	9,440.0	11,145.0	13,322.0	15,900.0	17,335.0
GDP per capita growth rate (%). . . . .	16.6	18.1	19.5	19.4	9.0
Year-end registered population (millions) . . . . .	39.8	41.1	41.5	42.3	42.3
Per capita disposable income (RMB) . . . . .	8,619.7	9,551.1	11,451.7	12,866.4	14,021.5

Source: CEIC

Real estate investments in Jiangxi Province reached approximately RMB 330.4 billion in 2009, representing an increase of approximately 11.9% over 2008. The GFA of completed residential properties in Jiangxi Province was approximately 14.4 million square meters in 2009, representing an increase of approximately 6.8% over 2008. Total residential GFA sold in Jiangxi Province in 2009 was approximately 21.1 million square meters, representing an increase of approximately 31.4% from 2008. The average price of residential GFA sold in Jiangxi Province in 2009 was RMB 2,517.0 per square meter, representing an increase of approximately 24.5% over 2008. The table below sets out selected statistics relating to the property market in Jiangxi Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	150.3	183.1	232.0	295.3	330.4
GFA of residential properties completed (million square meters). . . . .	12.8	13.5	14.6	13.5	14.4
GFA of residential properties sold (million square meters). . . . .	14.5	16.4	20.4	16.0	21.1
Sales revenue from residential properties (RMB in billions) . . . . .	19.4	26.0	40.7	32.4	53.1
Average price of residential properties (RMB/square meter). . . . .	1,335.8	1,590.6	1,998.3	2,022.0	2,517.0

Source: CEIC

## Nanchang City

Nanchang is the capital city of Jiangxi Province and an economic center in south eastern China. The table below sets out selected economic statistics for Nanchang for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	100.8	118.4	139.0	166.0	183.8
Per capita GDP (RMB). . . . .	22,390.0	26,131.0	30,460.0	36,105.0	39,669.0
GDP per capita growth rate (%). . . . .	29.9	16.7	16.6	18.5	9.9
Year-end registered population (millions) . . . . .	4.8	4.8	4.9	4.9	5.0
Per capita disposable income (RMB) . . . . .	10,301.0	11,243.0	13,253.4	15,112.0	16,472.0

Source: CEIC

Real estate investments in Nanchang reached approximately RMB 19.8 billion in 2009, representing an increase of approximately 21.4% over 2008. The GFA of completed residential properties in Nanchang was approximately 3.3 million square meters in 2009, representing an increase of approximately 9.9% from 2008. Total residential GFA sold in Nanchang in 2009 was approximately 4.6 million square meters, representing an increase of approximately 42.0% from 2008. The average price of residential GFA sold in Nanchang in 2009 was RMB 3,637.0 per square meter, representing an increase of approximately 8.2% from 2008. The table below sets out selected statistics relating to the property market in Nanchang for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	11.0	11.1	12.6	16.3	19.8
GFA of residential properties completed (million square meters) . . . . .	3.5	3.5	3.5	3.0	3.3
GFA of residential properties sold (million square meters) . . . . .	3.6	3.6	4.6	3.3	4.6
Sales revenue from residential properties (RMB in billions) . . . . .	9.1	11.0	16.2	11.0	16.9
Average price of residential properties (RMB/square meter) . . . . .	2,519.0	3,053.0	3,509.0	3,361.0	3,637.0

Sources: CEIC; National Bureau of Statistics of China

## Hebei Province

Hebei Province is in northern China. The table below sets out selected economic statistics for Hebei Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	1,009.6	1,166.0	1,371.0	1,618.9	1,723.5
Per capita GDP (RMB) . . . . .	14,659.0	16,682.0	19,662.0	22,986.0	24,581.0
GDP per capita growth rate (%) . . . . .	17.4	13.8	17.9	16.9	6.9
Year-end registered population (millions) . . . .	63.5	66.2	67.0	67.3	66.9
Per capita disposable income (RMB) . . . . .	9,107.1	10,304.6	11,690.5	13,441.1	14,718.3

Source: CEIC

Real estate investments in Hebei Province reached approximately RMB 837.8 billion in 2009, representing an increase of approximately 43.3% over 2008. The GFA of completed residential properties in Hebei Province was approximately 16.4 million square meters in 2009, representing an increase of approximately 9.2% over 2008. Total residential GFA sold in Hebei Province in 2009 was approximately 28.2 million square meters, representing an increase of approximately 32.5% from 2008. The average price of residential GFA sold in Hebei Province in 2009 was RMB 3,210.0 per square meter, representing an increase of approximately 17.0% over 2008. The table below sets out selected statistics relating to the property market in Hebei Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	215.7	273.6	392.5	584.5	837.8
GFA of residential properties completed (million square meters) . . . . .	10.2	12.5	12.1	15.0	16.4
GFA of residential properties sold (million square meters) . . . . .	13.2	16.9	19.7	21.3	28.2
Sales revenue from residential properties (RMB in billions) . . . . .	23.5	34.3	49.3	58.4	90.5
Average price of residential properties (RMB/square meter) . . . . .	1,777.5	2,028.4	2,505.0	2,743.0	3,210.0

Source: CEIC

## Shijiazhuang City

Shijiazhuang is the capital city of Hebei Province and an economic center in northern China. The table below sets out selected economic statistics for Shijiazhuang for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	178.7	202.7	236.1	283.8	311.5
Per capita GDP (RMB). . . . .	18,671.0	21,000.0	24,243.0	28,923.0	N/A
GDP per capita growth rate (%). . . . .	4.5	12.5	15.4	19.3	N/A
Year-end registered population (millions) . . . . .	9.3	9.4	9.6	9.7	9.8
Per capita disposable income (RMB) . . . . .	10,040.4	11,497.1	13,204.9	15,061.5	16,606.9

Source: CEIC

Real estate investments in Shijiazhuang reached approximately RMB 37.8 billion in 2009, representing an increase of approximately 34.9% over 2008. The GFA of completed residential properties in Shijiazhuang was approximately 2.4 million square meters in 2009, representing a decrease of approximately 4.3% over 2008. Total residential GFA sold in Shijiazhuang in 2009 was approximately 3.3 million square meters, approximately the same as in 2008. The average price of residential GFA sold in Shijiazhuang in 2009 was RMB 3,688.0 per square meter, representing an increase of approximately 40.2% over 2008. The table below sets out selected statistics relating to the property market in Shijiazhuang for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	12.2	13.2	19.8	28.0	37.8
GFA of residential properties completed (million square meters). . . . .	1.7	2.5	2.1	2.5	2.4
GFA of residential properties sold (million square meters). . . . .	2.1	2.9	3.8	3.3	3.3
Sales revenue from residential properties (RMB in billions) . . . . .	3.6	5.8	9.1	8.6	12.1
Average price of residential properties (RMB/square meter). . . . .	1,705.2	2,005.1	2,378.1	2,630.0	3,688.0

Sources: CEIC; National Bureau of Statistics of China

## Hainan Province

Hainan Province is in southern China. The table below sets out selected economic statistics for Hainan Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	89.5	105.3	122.3	145.9	165.4
Per capita GDP (RMB). . . . .	11,165.0	12,810.0	14,923.0	17,691.0	19,254.0
GDP per capita growth rate (%). . . . .	13.8	14.7	16.5	18.5	8.8
Year-end registered population (millions) . . . . .	7.2	7.7	7.9	7.8	8.0
Per capita disposable income (RMB) . . . . .	8,123.9	9,395.1	10,996.9	12,607.8	13,750.9

Source: CEIC

Real estate investments in Hainan Province reached approximately RMB 161.3 billion in 2009, representing an increase of approximately 46.8% over 2008. The GFA of completed residential properties in Hainan Province was approximately 3.4 million square meters in 2009, representing an increase of approximately 28.0% over 2008. Total residential GFA sold in Hainan Province in 2009 was approximately 5.5 million square meters, representing an increase of approximately 52.2% from 2008.

The average price of residential GFA sold in Hainan Province in 2009 was RMB 6,291.0 per square meter, representing an increase of approximately 15.6% over 2008. The table below sets out selected statistics relating to the property market in Hainan Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	42.5	52.1	68.4	109.9	161.3
GFA of residential properties completed (million square meters). . . . .	1.7	0.9	2.1	2.7	3.4
GFA of residential properties sold (million square meters). . . . .	2.3	1.9	3.0	3.6	5.5
Sales revenue from residential properties (RMB in billions) . . . . .	6.7	7.2	12.3	19.5	34.3
Average price of residential properties (RMB/square meter). . . . .	2,855.3	3,734.7	4,094.6	5,441.0	6,291.0

Source: CEIC

## Haikou City

Haikou is the capital city of Hainan Province and a popular tourist destination. The table below sets out selected economic statistics for Haikou for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	30.1	35.0	39.4	44.3	49.0
Per capita GDP (RMB). . . . .	17,482.0	19,980.0	22,109.0	24,420.0	26,366.0
GDP per capita growth rate (%). . . . .	(2.5)	14.3	10.7	10.5	8.0
Year-end registered population (millions) . . . .	1.5	1.8	1.5	1.6	1.6
Per capita disposable income (RMB) . . . . .	9,740.0	10,712.0	12,289.0	14,150.0	N/A

Source: CEIC

Real estate investments in Haikou reached approximately RMB 7.8 billion in 2009, representing an increase of approximately 10.1% over 2008. The GFA of completed residential properties in Haikou was approximately 1.1 million square meters in 2009, representing an increase of approximately 16.2% over 2008. Total residential GFA sold in Haikou in 2009 was approximately 1.8 million square meters, representing an increase of approximately 8.9% from 2008. The average price of residential GFA sold in Haikou in 2009 was RMB 5,293.0 per square meter, representing an increase of approximately 17.7% over 2008. The table below sets out selected statistics relating to the property market in Haikou for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	4.6	5.0	6.0	7.1	7.8
GFA of residential properties completed (million square meters). . . . .	1.0	0.5	1.1	0.9	1.1
GFA of residential properties sold (million square meters). . . . .	1.8	1.3	1.6	1.7	1.8
Sales revenue from residential properties (RMB in billions) . . . . .	4.5	3.6	5.5	7.5	9.7
Average price of residential properties (RMB/square meter). . . . .	2,488.0	2,673.0	3,403.0	4,496.0	5,293.0

Sources: CEIC; National Bureau of Statistics of China

## Shandong Province

Shandong Province is located on the eastern coast of China. The table below sets out selected economic statistics for Shandong Province for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	1,851.7	2,207.7	2,596.6	3,107.2	3,389.7
Per capita GDP (RMB). . . . .	19,934.0	23,603.0	27,604.0	32,936.0	35,894.0
GDP per capita growth rate (%). . . . .	21.5	18.4	17.0	19.3	9.0
Year-end registered population (millions) . . . . .	84.4	88.3	89.4	90.9	91.9
Per capita disposable income (RMB) . . . . .	10,744.8	12,192.2	14,264.7	16,305.4	17,811.0

Source: CEIC

Real estate investments in Shandong Province reached approximately RMB 1,404.5 billion in 2009, representing an increase of approximately 23.9% over 2008. The GFA of completed residential properties in Shandong Province was approximately 42.6 million square meters in 2009, representing an increase of approximately 9.1% over 2008. Total residential GFA sold in Shandong Province in 2009 was approximately 64.8 million square meters, representing an increase of approximately 28.6% from 2008. The average price of residential GFA sold in Shandong Province in 2009 was RMB 3,390.0 per square meter, representing an increase of approximately 18.9% over 2008. The table below sets out selected statistics relating to the property market in Shandong Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	544.9	691.0	862.1	1,133.9	1,404.5
GFA of residential properties completed (million square meters). . . . .	30.6	31.5	33.2	39.1	42.6
GFA of residential properties sold (million square meters). . . . .	34.2	38.2	47.1	50.4	64.8
Sales revenue from residential properties (RMB in billions) . . . . .	78.4	91.8	131.9	143.7	219.6
Average price of residential properties (RMB/square meter). . . . .	2,294.6	2,399.9	2,799.3	2,851.0	3,390.0

Source: CEIC

## Jinan City

Jinan is the capital city of Shandong Province. The table below sets out selected economic statistics for Jinan for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	187.7	218.5	256.3	301.7	335.1
Per capita GDP (RMB). . . . .	31,606.0	36,394.0	42,424.0	45,724.0	50,376.0
GDP per capita growth rate (%). . . . .	14.5	15.1	16.6	7.8	10.2
Year-end registered population (millions) . . . . .	6.0	6.0	6.0	6.0	6.0
Per capita disposable income (RMB) . . . . .	13,578.0	15,340.2	18,005.1	20,802.0	22,721.7

Source: CEIC

Real estate investments in Jinan reached approximately RMB 33.3 billion in 2009, representing an increase of approximately 21.3% over 2008. The GFA of completed residential properties in Jinan was approximately 3.7 million square meters in 2009, representing an increase of approximately 61.1% over 2008. Total residential GFA sold in Jinan in 2009 was approximately 4.0 million square meters, representing an increase of approximately 22.5% from 2008. The average price of residential GFA sold

in Jinan in 2009 was RMB 4,790.0 per square meter, representing an increase of approximately 15.3% over 2008. The table below sets out selected statistics relating to the property market in Jinan for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	12.1	16.0	19.3	27.4	33.3
GFA of residential properties completed (million square meters). . . . .	2.0	2.2	2.0	2.3	3.7
GFA of residential properties sold (million square meters). . . . .	2.4	2.6	2.9	3.3	4.0
Sales revenue from residential properties (RMB in billions) . . . . .	7.2	8.5	10.8	13.7	19.4
Average price of residential properties (RMB/square meter). . . . .	2,993.0	3,319.0	3,720.0	4,155.0	4,790.0

Sources: CEIC; National Bureau of Statistics of China

## Shanghai Municipality

Shanghai is one of the four municipalities in China. It is a global city with important influence over commerce, finance, and culture. The table below sets out selected economic statistics for Shanghai for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	915.4	1,036.6	1,218.9	1,369.8	1,504.6
Per capita GDP (RMB). . . . .	52,535.0	58,837.0	68,024.0	75,109.0	78,989.0
GDP per capita growth rate (%). . . . .	13.4	12.0	15.6	10.4	5.2
Year-end registered population (millions) . . . .	10.7	12.4	12.9	12.8	13.6
Per capita disposable income (RMB) . . . . .	18,645.0	20,667.9	23,622.7	26,674.9	28,837.8

Source: CEIC

Real estate investments in Shanghai reached approximately RMB 905.4 billion in 2009, representing an increase of approximately 5.5% over 2008. The GFA of completed residential properties in Shanghai was approximately 15.1 million square meters in 2009, representing a decrease of approximately 14.4% over 2008. Total residential GFA sold in Shanghai in 2009 was approximately 29.3 million square meters, representing an increase of approximately 48.9% from 2008. The average price of residential GFA sold in Shanghai in 2009 was RMB 12,364.0 per square meter, representing an increase of approximately 52.4% over 2008. The table below sets out selected statistics relating to the property market in Shanghai for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	776.0	815.2	833.7	858.1	905.4
GFA of residential properties completed (million square meters). . . . .	27.4	27.0	27.5	17.6	15.1
GFA of residential properties sold (million square meters). . . . .	28.5	26.2	32.8	19.7	29.3
Sales revenue from residential properties (RMB in billions) . . . . .	190.6	184.1	270.6	160.8	362.0
Average price of residential properties (RMB/square meter). . . . .	6,698.0	7,039.0	8,253.0	8,115.0	12,364.0

Source: CEIC

## Jilin Province

Jilin Province is located in northeastern China. The table below sets out selected economic statistics for Jilin for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	362.0	427.5	528.5	642.4	727.9
Per capita GDP (RMB). . . . .	13,348.0	15,720.0	19,383.0	23,521.0	26,595.0
GDP per capita growth rate (%). . . . .	15.7	17.8	23.3	21.3	13.1
Year-end registered population (millions) . . . . .	24.5	24.9	25.7	25.9	26.3
Per capita disposable income (RMB) . . . . .	8,690.6	9,775.1	11,285.5	12,829.5	14,006.3

Source: CEIC

Real estate investments in Jilin Province reached approximately RMB 398.6 billion in 2009, representing an increase of approximately 15.7% over 2008. The GFA of completed residential properties in Jilin Province was approximately 11.0 million square meters in 2009, representing a decrease of approximately 18.9% over 2008. Total residential GFA sold in Jilin Province in 2009 was approximately 17.6 million square meters, representing an increase of approximately 22.5% from 2008. The average price of residential GFA sold in Jilin Province in 2009 was RMB 2,788.0 per square meter, representing an increase of approximately 16.2% over 2008. The table below sets out selected statistics relating to the property market in Jilin Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	91.1	139.7	242.0	344.3	398.6
GFA of residential properties completed (million square meters). . . . .	5.0	7.9	11.5	13.5	11.0
GFA of residential properties sold (million square meters). . . . .	7.5	8.8	11.8	14.4	17.6
Sales revenue from residential properties (RMB in billions) . . . . .	13.1	16.3	26.0	34.4	49.0
Average price of residential properties (RMB/square meter). . . . .	1,755.6	1,858.4	2,191.8	2,399.0	2,788.0

Source: CEIC

## Changchun City

Changchun City is the capital and largest city in Jilin Province. It is also an economic and cultural center in Northeast China. The table below sets out selected economic statistics for Changchun for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	167.8	174.1	208.9	256.2	284.9
Per capita GDP (RMB). . . . .	23,060.0	23,677.0	28,132.0	34,193.0	37,753.0
GDP per capita growth rate (%). . . . .	8.3	2.7	18.8	21.5	10.4
Year-end registered population (millions) . . . . .	7.3	7.4	7.5	7.5	7.6
Per capita disposable income (RMB) . . . . .	10,064.0	11,358.0	12,810.9	15,003.0	N/A

Source: CEIC

Real estate investments in Changchun reached approximately RMB 44.4 billion in 2009, representing an increase of approximately 25.8% over 2008. The GFA of completed residential properties in Changchun was approximately 5.0 million square meters in 2009, representing an increase of approximately 21.6% over 2008. Total residential GFA sold in Changchun in 2009 was approximately 6.5 million square meters, representing an increase of approximately 26.6% from 2008. The average



price of residential GFA sold in Changchun in 2009 was RMB 4,012.0 per square meter, representing an increase of approximately 20.1% over 2008. The table below sets out selected statistics relating to the property market in Changchun for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	10.7	17.2	25.9	35.3	44.4
GFA of residential properties completed (million square meters). . . . .	2.4	2.8	4.7	4.1	5.0
GFA of residential properties sold (million square meters). . . . .	3.1	3.7	4.7	5.2	6.5
Sales revenue from residential properties (RMB in billions) . . . . .	7.1	8.9	14.7	17.3	26.2
Average price of residential properties (RMB/square meter). . . . .	2,272.0	2,408.0	3,118.0	3,341.0	4,012.0

Sources: CEIC; National Bureau of Statistics of China

## Gansu Province

Gansu Province is located in northwest China. The table below sets out selected economic statistics for Gansu for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	193.4	227.7	270.2	317.6	338.8
Per capita GDP (RMB). . . . .	7,477.0	8,757.0	10,346.0	12,110.0	12,872.0
GDP per capita growth rate (%). . . . .	13.9	17.1	18.1	17.1	6.3
Year-end registered population (millions) . . . .	25.9	26.6	26.7	26.8	26.8
Per capita disposable income (RMB) . . . . .	8,086.8	8,920.6	10,012.3	10,969.4	11,929.8

Source: CEIC

Real estate investments in Gansu Province reached approximately RMB 111.6 billion in 2009, representing an increase of approximately 14.6% over 2008. The GFA of completed residential properties in Gansu Province was approximately 4.6 million square meters in 2009, representing a decrease of approximately 3.8% over 2008. Total residential GFA sold in Gansu Province in 2009 was approximately 6.6 million square meters, representing an increase of approximately 12.0% from 2008. The average price of residential GFA sold in Gansu Province in 2009 was RMB 2,396.0 per square meter, representing an increase of approximately 29.4% over 2008. The table below sets out selected statistics relating to the property market in Gansu Province for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	46.9	55.7	73.3	97.4	111.6
GFA of residential properties completed (million square meters). . . . .	3.7	3.7	3.8	4.8	4.6
GFA of residential properties sold (million square meters). . . . .	4.4	4.8	5.6	5.9	6.6
Sales revenue from residential properties (RMB in billions) . . . . .	7.6	8.2	11.9	10.9	15.8
Average price of residential properties (RMB/square meter). . . . .	1,739.1	1,703.1	2,146.0	1,851.0	2,396.0

Source: CEIC

## Lanzhou City

Lanzhou is the capital city of Gansu Province. The table below sets out selected economic statistics for Lanzhou for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	56.7	63.8	73.3	84.6	92.6
Per capita GDP (RMB). . . . .	18,296.0	20,419.0	22,325.0	25,628.0	N/A
GDP per capita growth rate (%). . . . .	11.0	11.6	9.3	14.8	N/A
Year-end registered population (millions) . . . . .	3.1	3.1	3.2	3.2	3.2
Per capita disposable income (RMB) . . . . .	8,529.0	9,418.0	10,271.2	11,676.8	N/A

Source: CEIC

Real estate investments in Lanzhou reached approximately RMB 9.9 billion in 2009, representing an increase of approximately 7.1% over 2008. The GFA of completed residential properties in Lanzhou was approximately 1.6 million square meters in 2009, representing an increase of approximately 49.6% over 2008. Total residential GFA sold in Lanzhou in 2009 was approximately 2.2 million square meters, representing an increase of approximately 67.6% from 2008. The average price of residential GFA sold in Lanzhou in 2009 was RMB 3,499.0 per square meter, representing an increase of approximately 15.5% over 2008. The table below sets out selected statistics relating to the property market in Lanzhou for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . . .	5.3	5.4	7.4	9.3	9.9
GFA of residential properties completed (million square meters). . . . .	1.7	1.4	1.9	1.1	1.6
GFA of residential properties sold (million square meters). . . . .	2.0	2.0	2.6	1.3	2.2
Sales revenue from residential properties (RMB in billions) . . . . .	4.8	4.9	7.5	4.1	7.8
Average price of residential properties (RMB/square meter). . . . .	2,174.0	2,317.0	2,920.0	3,029.0	3,499.0

Sources: CEIC; National Bureau of Statistics of China

## Ningxia Hui Autonomous Region

Ningxia is an autonomous region in northwestern China. The table below sets out selected economic statistics for Ningxia for the years indicated.

	2005	2006	2007	2008	2009
GDP (RMB in billions) . . . . .	60.6	71.1	88.9	109.9	135.3
Per capita GDP (RMB). . . . .	10,349.0	12,099.0	15,142.0	19,609.0	21,777.0
GDP per capita growth rate (%). . . . .	12.5	16.9	25.2	29.5	11.1
Year-end registered population (millions) . . . . .	5.3	5.6	5.7	5.7	5.7
Per capita disposable income (RMB) . . . . .	8,093.6	9,177.3	10,859.3	12,931.5	14,024.7

Source: CEIC

Real estate investments in Ningxia reached approximately RMB 83.9 billion in 2009, representing an increase of approximately 41.8% over 2008. The GFA of completed residential properties in Ningxia was approximately 6.0 million square meters in 2009, representing an increase of approximately 21.5% over 2008. Total residential GFA sold in Ningxia in 2009 was approximately 6.8 million square meters, representing an increase of approximately 49.6% from 2008. The average price of residential GFA sold in Ningxia in 2009 was RMB 2,824.0 per square meter, representing an increase of approximately 27.5% over 2008. The table below sets out selected statistics relating to the property market in Ningxia for the years indicated.

	2005	2006	2007	2008	2009
Real estate investment (RMB in billions) . . . .	37.6	38.9	46.3	59.2	83.9
GFA of residential properties completed (million square meters). . . . .	4.2	4.2	4.1	5.0	6.0
GFA of residential properties sold (million square meters). . . . .	3.2	3.4	4.5	4.5	6.8
Sales revenue from residential properties (RMB in billions) . . . . .	5.6	6.3	8.8	10.0	19.1
Average price of residential properties (RMB/square meter). . . . .	1,764.6	1,869.3	1,957.7	2,215.0	2,824.0

Source: CEIC

## CORPORATE HISTORY AND STRUCTURE

### Our Corporate Development History

Since our inception, we have formulated and implemented a highly systematic corporate development strategy, tailored to grow our business within an increasingly competitive property development market in China. Although we were not the first privately owned property developer in China, our corporate development strategy allowed us to establish an operational infrastructure to achieve our overall objective of eventually becoming one of the leading national developers with a strong brand, all within a relatively short period of time. Our development can be broadly divided into three stages as further described below. We believe that such forward-looking corporate strategic planning and our steadfast implementation have played a key part in our rapid development into a leading property developer in China.

#### *Initial Stage (1996-2004): Expansion in Scale*

In 1996, when the PRC government started to abolish the nationwide public housing rental system and to establish a private housing ownership system in China, we were established with an initial focus on projects consisting of smaller apartments with lower unit prices. This decision was the result of our corporate developmental strategy to create scale in our business. This strategy was based on our analysis of our target market and its size, our evaluation of the general consumer affordability within our target market and our assessment of the financial resources available to us at the time. In 1996 and 1997, we were managing only one construction site in Guangzhou. By 2004, we were developing over ten construction sites simultaneously. The number of our employees increased from less than 20 in 1996 to over 2,000 by 2004. Through our concerted and consistent efforts during this initial stage of our corporate development history, we became one of the top 10 property developers in Guangzhou, one of the most competitive property developers in Guangdong Province, one of the top 10 PRC property developers and one of the top 10 property development brands, each as ranked in the industry league tables in China.

#### *Second Stage (2004-2007): Transition to “Scale-plus-Brand” Strategy*

Beginning in 2004, as the PRC property market was becoming more mature and competition becoming more intense, we made a change in our corporate development strategy. Instead of focusing primarily on scale expansion, we started to emphasize both scale and brand to ensure sustainable development. In terms of building scale, we expanded beyond Guangdong Province to selected provincial capitals. As a result, our property portfolio increased significantly from hundreds of thousand of square meters to millions of square meters under development. During this process, we also gained valuable experience and capabilities to simultaneously manage multiple projects across different locations. In terms of brand development, we decided to take a disciplined approach to our projects under development, and started to implement a nationwide standardized operational model. Our operational developments were aimed at supporting and building up our core strengths in scale and brand under the market conditions at the time, and can be summarized in the following four areas:

- *Human resources.* We believed that human resources were a key driver of our expansion strategy amid the increasingly competitive market. In order to effectively implement our scale-plus-brand strategy during this period, we actively recruited and trained our managerial, engineering and staff members in accordance with our anticipated human resource needs. Our employees increased from 2,116 as of January 1, 2004 to 4,433 as of December 31, 2007, among whom over 1,000 were trained for key management and technical positions for our planned nationwide expansion. Our human resource strategy laid a solid foundation for our development into a national enterprise. We were able to fill all of our key regional management and technical positions, such as local company chairmen, general managers and principal department heads, with experienced and well-trained managers from our headquarters in Guangzhou.

- *Land reserves.* In May 2004, in order to implement our corporate development strategy with respect to our land reserves, we dispatched nearly 100 experienced professionals to all major provincial capitals across the nation to conduct market research and economic analyses, to collect relevant land information and to evaluate potential property projects. We also participated in the preliminary land preparation processes in various locations prior to the land auction, engaged in preliminary discussions with the local governments relating to investment conditions, and conducted substantial market investigation on land parcels to be auctioned. We also established an extensive network in the land reserves market to collect information, to prepare for potential negotiation on land acquisition, and to formulate various transaction terms and timetable on the basis of existing conditions. By 2006, our land search team grew to more than 200 members. Through such extensive research and selection efforts, we were able to collect useful information on our targeted projects in various cities, paving the way for our nationwide expansion.
- *Capital position.* In line with our nationwide expansion, we also actively built up our capital reserve during this period. Since 2006, as a result of our capital raising efforts, Merrill Lynch, Temasek Holding (Private) Limited, Deutsche Bank AG, Chow Tai Fook Group and other international strategic investors invested in our company through equity and project level investments. These transactions optimized our capital structure and strengthened our capital base to support our expansion strategy.
- *Brand.* We believe the essence of a strong brand to be the product quality it implies. As the PRC property market became more mature and the consumer purchasing power became significantly improved at the time, we started to increasingly focus on the development of products of distinction and quality, as a part of our scale-plus-brand strategy. Since 2004, we organized a series of firmwide training sessions in a campaign to instill in our employees a strong sense of brand and quality required in our development work. Our campaign for brand and quality covered the entire property development cycle, starting with our construction design, to our landscape and gardening, procurement of materials and equipment, and interior design and fitting-out. We developed over 1,000 internal quality standards for the various processes and areas in our property development and established a comprehensive internal monitoring system to supervise the implementation of our quality standards. As part of our efforts to enhance our brand and product quality, we established strategic partnership relationships with top-tier domestic and international service providers and material and equipment suppliers. On project planning, we work with Wimberly Allison Tong & Goo, Inc., Atkins Shenzhen, Shenzhen General Institute of Architectural Design and Research, China Construction Design International (Beijing), the Architectural Design and Research Institute of Guangdong Province and other renowned design firms; on building construction, we work with China State Construction Engineering Corporation, or CSCEC, Zhong-Tie Construction Group Corporation Limited and other leading domestic contractors; on fitting-out, we work with Suzhou Gold Mantis Construction & Decoration Co., Ltd., Shenzhen Grandland Decoration & Construction Co., Ltd. and other top 10 PRC players in this field; on materials and equipment, we partner with such domestic and international brands as Otis, Moen, TOTO, Siemens, and others. Our consistent brand and quality efforts over the years have resulted in significantly improved recognition of our products by our property owners and other consumers. We believe that our ability to sell our products at a rapid pace and, in certain cases, higher prices than neighboring projects is a testimony to the effectiveness of our brand and quality development strategy.

***Third Stage (After 2007): Nationwide “Scale-Plus-Brand” Expansion Through Standardized Operational Model***

Since 2007, we have continued our focus on our scale-plus-brand strategy. In order to effectively implement this strategy on a nationwide basis, we have further leveraged on our standardized operational model to facilitate our rapid nationwide expansion. With years of experience and fine-tuning,

our standardized operational model has proven to be very effective in expanding our operations across China. As of December 31, 2010, we were able to simultaneously manage projects in various development and sale stages in 62 cities across China. According to a report published on January 1, 2011 by China Real Estate Appraisal, a non-profit professional evaluation institution, and CRIC, we were ranked No. 2 among property developers in China in terms of GFA pre-sold for the year ended December 31, 2010, and were among the top five property developers in China in terms of aggregate value of contracted sales for the year ended December 31, 2010.

Looking ahead, as we continue to embark on our nationwide scale-plus-brand expansion through our standardized operational model, we aim to achieve our corporate development goal of becoming a first-class real estate developer in China with superior scale, brand and team.

### **Reorganization and Introduction of Investors**

In mid-2006, we commenced our reorganization in preparation for our IPO. As a part of the reorganization, the Company was incorporated on June 26, 2006 in the Cayman Islands to be the ultimate holding company for all of our operating and project subsidiaries, and we established ANJI (BVI) Limited on June 26, 2006 in BVI as an intermediate holding company to hold all of our current businesses.

We have also incorporated two intermediate holding companies in BVI, Fengyu (BVI) Limited and Yitong (BVI) Limited, as the Company's wholly owned subsidiaries. In addition, we have incorporated Lanbowan (BVI) Limited in BVI as a wholly owned subsidiary of Fengyu (BVI) Limited and Chuangfeng (BVI) Limited in BVI as a wholly owned subsidiary of Yitong (BVI) Limited. None of these intermediate holding companies has any business operations or holds any of our current PRC operating subsidiaries.

On November 29, 2006, we entered into an investment agreement pursuant to which certain financial investors agreed to subscribe for an aggregate of 800,000,000 convertible preferred shares in the Company for an aggregate subscription amount of US\$400 million subject to adjustment and finalization upon completion of our IPO. This investment was subsequently restructured into a loan to Xin Xin (BVI) Limited, our controlling shareholder, and was converted into our shares upon consummation of our IPO in November 2009.

In 2007, we incorporated Success Will Group Limited in Hong Kong as a wholly owned subsidiary of ANJI (BVI) Limited and as the indirect 100% owner of our Evergrande Royal Scenic Peninsula project. On September 28, 2007, Success Will Group Limited redesignated its issued share capital of 1,000 ordinary shares of HK\$1.00 each into 600 A ordinary shares of HK\$1.00 each and 400 B ordinary shares of HK\$1.00 each. ANJI (BVI) Limited and Pearl River Investment Limited, an affiliate of Merrill Lynch, entered into a share purchase agreement on the same date pursuant to which Pearl River Investment Limited acquired the 400 B ordinary shares of Success Will Group Limited from ANJI (BVI) Limited for a consideration of US\$130 million. The A ordinary shares and B ordinary shares of Success Will Group Limited rank *pari passu* to each other, with the rights to dividends actually declared and distributed by Success Will Group Limited initially distributable on a 60%-40% basis between its A ordinary shares and B ordinary shares until the total amount of dividends distributed to the holders of the B ordinary shares is equivalent to a 25% compounded annual return on the purchase price of the B ordinary shares, after which the A ordinary shares will be entitled to 80% of any dividend declared and distributed and the B ordinary shares will be entitled to 20% of such dividend.

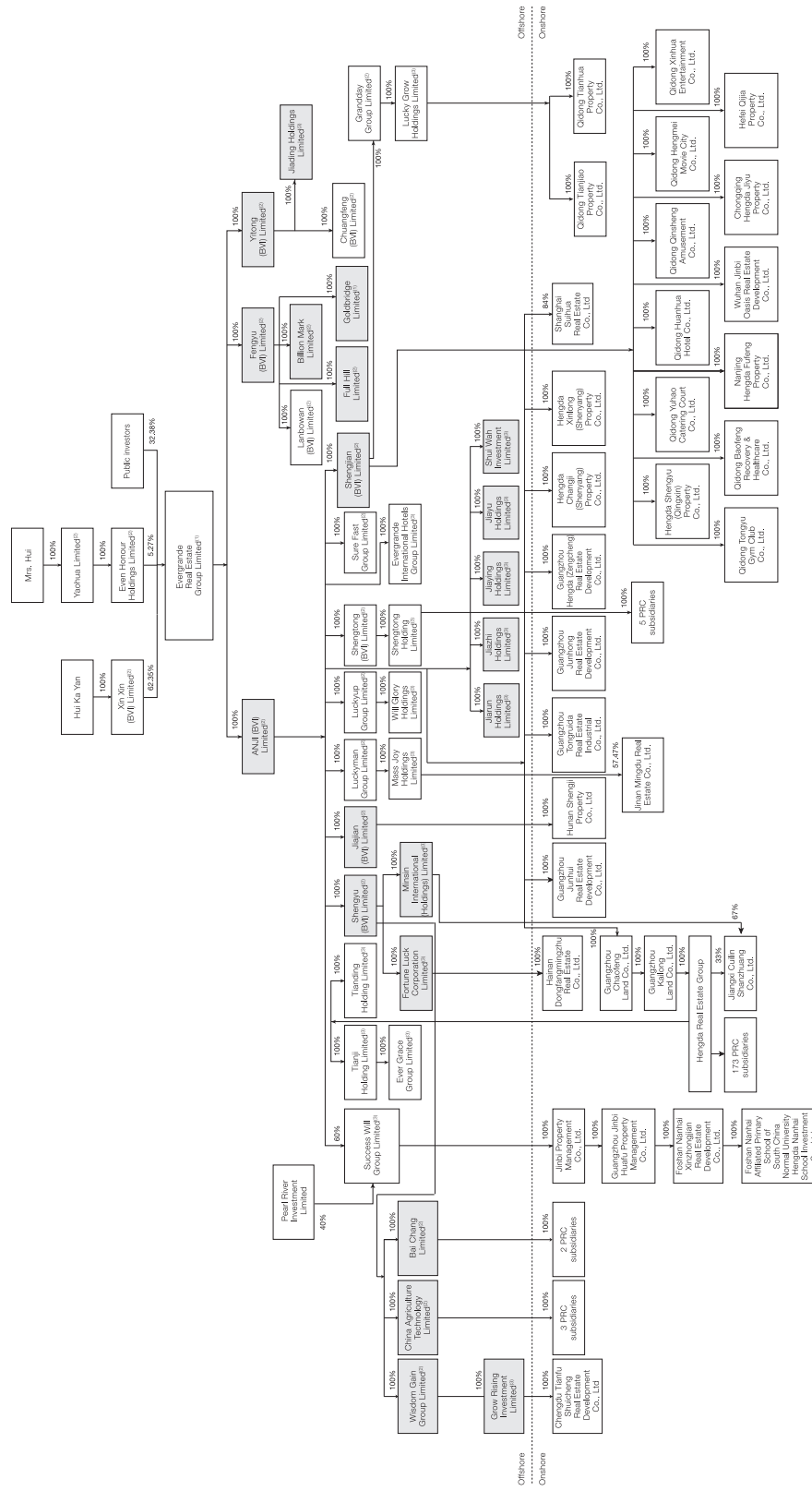
On August 27, 2007, we entered into a loan agreement (as amended on January 24, 2008, June 26, 2008 and September 21, 2009) with an affiliate of Credit Suisse, as initial lender, to raise a structured secured loan with a maximum aggregate principal amount of approximately US\$500 million. The loan was secured by a first-priority security interest over the equity interests and land use rights of our subsidiaries related to our Evergrande Splendor Qidong project. We fully repaid the structured secured loan with our internal funds and a portion of the net proceeds from the 2015 Notes offering.

On June 9, 2008, we entered into an investment agreement (as amended) pursuant to which certain investors agreed to subscribe for an aggregate of 374,104,266 new shares in our Company for an aggregate subscription amount of US\$506 million. Upon consummation of our IPO in November 2009, these shares became *pari passu* with all our other shares listed on the Hong Kong Stock Exchange.



## Our Current Corporate Structure

The following chart shows our simplified corporate structure as of the date of this offering memorandum. The companies marked with shading are all Subsidiary Guarantors under the Indentures.



1. Incorporated in the Cayman Islands.
2. Incorporated in BVI.
3. Incorporated in Hong Kong.

There are a number of PRC subsidiaries of which we do not currently own 100% of the equity interests. Under the relevant contractual arrangements relating to such subsidiaries, however, we have the right, and are obligated, to purchase the remaining equity interests upon the satisfaction of certain conditions as follows:

*Henan Software Institute Industrial Development Co., Ltd.* Based on the terms and conditions of the equity purchase agreement between us and the equity owner of this company in May 2007, we are required to acquire the remaining 20% equity interest in this company with our payment of the remaining consideration of approximately RMB 210 million in accordance with the agreement. This company is the holder of our Evergrande Oasis Zhengzhou project described under the section entitled “Business — Project Overview — Project Description – Henan Province — (80) Evergrande Oasis Zhengzhou.” The completion of such acquisition is conditioned upon the seller meeting certain local planning requirements. Due to revision by the local government of the relevant planning requirements after we entered into the agreement, it is currently uncertain when the seller will be able to meet the revised planning requirements. Therefore, it is currently uncertain when the acquisition will be completed.

*Changsha Xinlin Property Co., Ltd.* Based on the terms and conditions of the equity purchase agreement between us and the equity owners of this company in July 2009, we are required to acquire the remaining 0.27% equity interest in this company with our payment of the remaining consideration of approximately RMB 54 million in accordance with the agreement. This company is the holder of our Evergrande City Changsha project described under the section entitled “Business — Project Overview — Project Description – Hunan Province — (74) Evergrande City Changsha.” We expect to complete such acquisition by March 2011.

*Jiangxi Hongji Investment Co., Ltd.* Based on the terms and conditions of the equity purchase agreement between us and the equity owner of this company in July 2009, we are required to acquire the remaining 12% equity interest in this company with our payment of the remaining consideration of approximately RMB 185 million in accordance with the agreement. This company is the holder of our Evergrande City Nanchang project described under the section entitled “Business — Project Overview — Project Description – Jiangxi Province — (87) Evergrande City Nanchang.” We expect to complete such acquisition by June 2011.

*Shanghai Suihua Property Co., Ltd.* Based on the terms and conditions of the equity purchase agreement between us and the equity owner of this company in December 22, 2010, we are required to acquire the remaining 16% equity interest in this company with our payment of the remaining consideration of approximately RMB 200 million in accordance with the agreement. This company is the holder of our Evergrande Palace Shanghai project described under the section entitled “Business — Project Overview — Project Description – Shanghai Municipality — (103) Evergrande Palace Shanghai.” We expect to complete such acquisition by March 2011.

*Henan Dayou Real Estate Development Co., Ltd.* Based on the terms and conditions of the equity purchase agreement between us and the equity owner of this company in May 2010, we are required to acquire the remaining 15% equity interest in this company with our payment of the remaining consideration of approximately RMB 135 million in accordance with the agreement. This company is the holder of our Evergrande Metropolis Xinyang project described under the section entitled “Business — Project Overview — Project Description – Henan Province — (83) Evergrande Metropolis Xinyang.” We expect to complete such acquisition by October 2011.

*Zunyi Xinguang Real Estate Development Co., Ltd.* Based on the terms and conditions of the equity purchase agreement between us and the equity owner of this company in June 2010, we are required to acquire the remaining 49% equity interest in this company with our payment of the remaining consideration of approximately RMB 351 million in accordance with the agreement.

This company is the holder of our Evergrande City Zunyi project described under the section entitled “Business — Project Overview — Project Description – Guizhou Province — (67) Evergrande City Zunyi.” We expect to complete such acquisition by June 2011.

*Taiyuan Deyi Real Estate Development Co., Ltd.* Based on the terms and conditions of the equity purchase agreement between us and the equity owner of this company in September 2009, we are required to acquire the remaining 15% equity interest in this company with our payment of the remaining consideration of approximately RMB 131 million in accordance with the agreement. This company is the holder of our Evergrande Scenic Garden Taiyuan project described under the section entitled “Business — Project Overview — Project Description – Shanxi Province — (62) Evergrande Scenic Garden Taiyuan.” We expect to complete such acquisition by December 2012.

*Hebei Gaojieshi Real Estate Development Co., Ltd.* Based on the terms and conditions of the equity purchase agreement between us and the equity owner of this company in February 2010, we are required to acquire the remaining 42.5% equity interest in this company with our payment of the remaining consideration of approximately RMB 336 million in accordance with the agreement. This company is the holder of our Evergrande Atrium Shijiazhuang project described under the section entitled “Business — Project Overview — Project Description – Hebei Province — (92) Evergrande Atrium Shijiazhuang.” We expect to complete such acquisition by March 2011.

*Shijiazhuang Shengyu Real Estate Development Co., Ltd.* Based on the terms and conditions of the equity purchase agreement between us and the equity owner of this company in February 2010, we are required to acquire the remaining 30% equity interest in this company with our payment of the remaining consideration of approximately RMB 120 million in accordance with the agreement. This company is the holder of our Evergrande Oasis Shijiazhuang project described under the section entitled “Business — Project Overview — Project Description – Hebei Province — (93) Evergrande Oasis Shijiazhuang.” We expect to complete such acquisition by March 2011.

*Lanzhou Shenjun Logistic Co., Ltd.* Based on the terms and conditions of the equity purchase agreement between us and the equity owner of this company in April 2010, we are required to acquire the remaining 95% equity interest in this company with our payment of the remaining consideration of approximately RMB 988.8 million in accordance with the agreement. We expect to complete such acquisition by December 2012.

For the following PRC subsidiary, while we have acquired all of its equity interest, we still have outstanding payables under the contractual arrangement relating to the acquisition of such subsidiary:

*Henan Xingke Property Co., Ltd.* Based on the terms and conditions of the equity purchase agreement between us and the equity owner of this company in February 2010, we are required to pay a consideration of RMB 1,451 million for the 100% equity interest in this company. We have paid RMB 300 million to the seller, with the remaining consideration of RMB 1,151 million payable in installments in accordance with the purchase agreement. This company is the holder of our Evergrande Metropolis Zhengzhou project described under the section entitled “Business — Our Property Projects — Project Overview – Henan Province — (81) Evergrande Metropolis Zhengzhou.” We expect to complete such acquisition by December 2012.

## BUSINESS

### Business Overview

We are one of the largest developers of quality residential property projects and a leader in adopting a standardized operational model to manage our various projects in different cities across China. Founded in Guangzhou, Guangdong Province in 1996, we have become a leading national property developer through our economies of scale and widely recognized brand name, under the leadership of our management team. Over the years, our focus on a centralized management system, a standardized operational model and quality products has allowed us to quickly replicate our success across China. We focus primarily on provincial capitals and other selected cities that we believe have high-growth potential. We believe our land reserves cover the most provincial capitals and municipalities among all PRC property developers. Through our standardized operational model, we have been able to simultaneously manage projects in various development and sale stages in 62 cities across China as of December 31, 2010.

Our residential property development integrates planning, design, construction and property management and follows our standardized process management to ensure development speed and product quality. We have been awarded the highest recognition in China in real estate development, architectural planning and design, construction, construction supervision and property management, and have been ranked among the “Top 10 Property Developers of China” for seven consecutive years since 2004 by China Real Estate Top 10 Research Group, an organization constituted by Enterprise Research Institute of the Development Research Center of the State Council, Tsinghua University Real Estate Research Center and China Index Academy.

According to a report published on January 1, 2011 by China Real Estate Appraisal, a non-profit professional evaluation institution, and CRIC, we were ranked No. 2 among property developers in China in terms of GFA pre-sold for the year ended December 31, 2010, and were among the top five property developers in China in terms of aggregate value of contracted sales for the year ended December 31, 2010.

We believe we have the largest land reserves among all PRC property developers, with a total GFA of approximately 96.0 million square meters of high-quality and low-cost land as of December 31, 2010 with an average cost of approximately RMB 520 per square meter. As of December 31, 2010, we have an aggregate of approximately RMB 19.3 billion outstanding land premiums of which RMB 10.3 billion is expected to be paid in 2011 and RMB 5.2 billion is expected to be paid in 2012. As of December 31, 2010, we had a total of 121 property projects, more than 60% of which were projects located in provincial capitals or municipalities. As of December 31, 2010, we had completed development of a total GFA of approximately 13.6 million square meters since our inception, and we had properties under development with a total GFA of approximately 55.8 million square meters, and properties held for future development with a total GFA of approximately 40.2 million square meters.

As of December 31, 2010, 69 of our property projects under development had construction permits with a total GFA of approximately 24.0 million square meters and a saleable GFA under construction of approximately 23.7 million square meters, and 56 of our projects had obtained pre-sale permits for a total GFA under construction of approximately 8.6 million square meters, of which approximately 4.5 million square meters remained unsold.

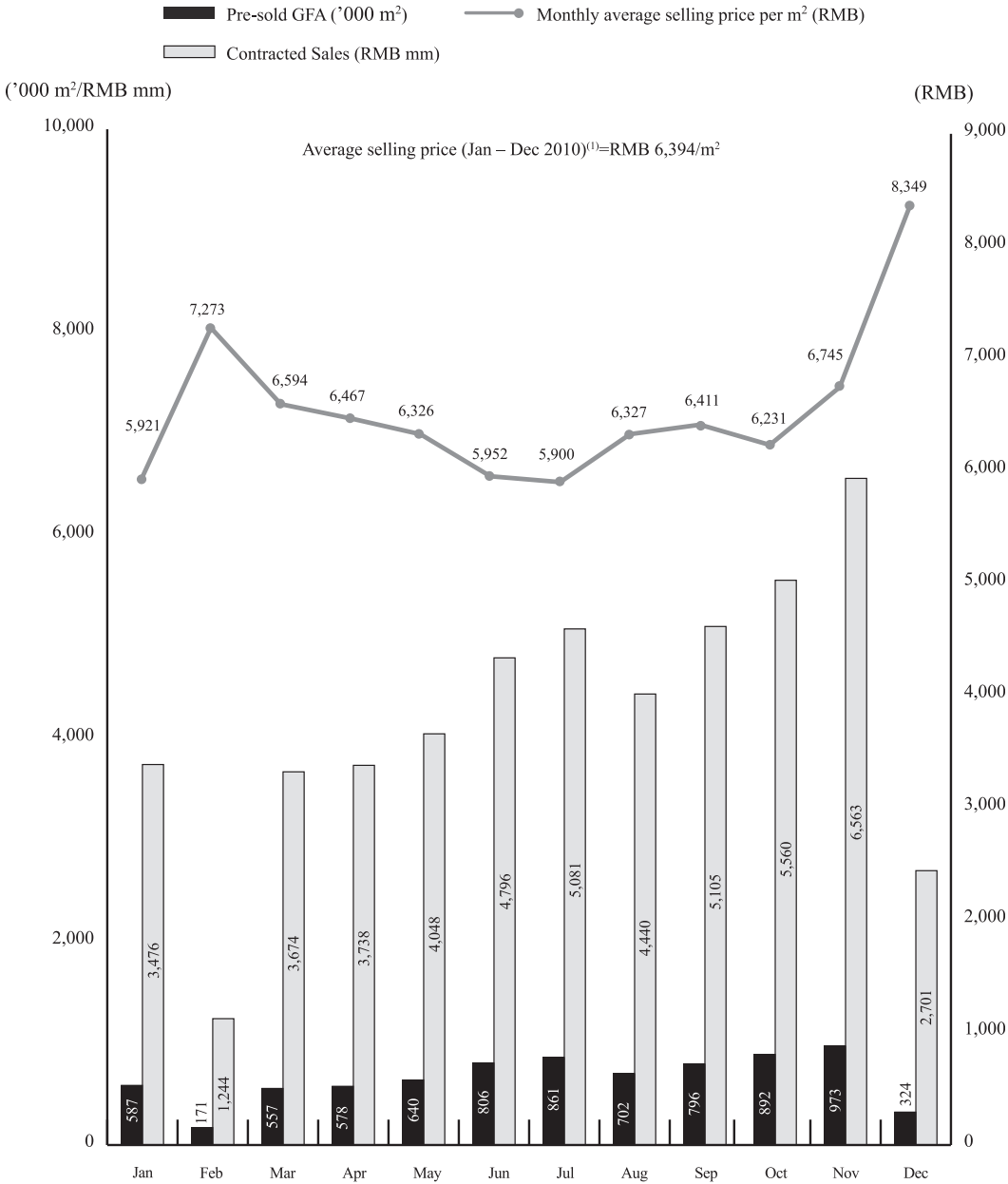
Over the years, we have developed and introduced various distinctive product series to the market, including:

- *Mid- to mid-high-end series* represented by products within our Evergrande Oasis (恒大綠洲) series, Evergrande Metropolis (恒大名都) series, Evergrande City (恒大城) series and Evergrande Atrium (恒大雅苑) series which we target to account for approximately 70% of the number of our current projects, and are marketed towards middle to upper-middle income residents, who currently constitute the largest segment of residential real estate purchasers. Evergrande Metropolis and Evergrande City are urban residential complexes in major cities, while Evergrande Oasis and Evergrande Atrium are located in areas with the requisite natural landscape. These series are equipped with well-developed facilities and amenities within the complexes.
- *High-end series* represented by products within our Evergrande Palace (恒大華府) series and Evergrande Royal Scenic (恒大御景) series, which we target to account for approximately 10% of the number of our current projects, and are positioned as high-end and premium residential properties in urban centers. Properties of our Evergrande Palace and Evergrande Royal Scenic Peninsula series target high-income residents in such regions.
- *Tourism-related series* represented by products within our Evergrande Splendor (恒大金碧天下) series and Evergrande Scenic Garden (恒大山水城) series, which we target to account for approximately 20% of the number of our current projects. Products within our Evergrande Splendor and Evergrande Scenic Garden series are positioned as large-scale resort projects that offer a mix of residential, commercial and tourism-related properties.

We design and develop all of our product series under our standardized operational model and market them under the brand name of “Evergrande” on a nationwide basis.

We strive to provide high-quality residential products to the market by focusing on every step of the development process, from site selection, planning, landscaping, construction to fitting-out and property management. We aim to deliver “best-in-class” end-products to our customers. Over the years, our products have gained a wide brand recognition among consumers as reflected by our strong contracted sales and sales records. For the year ended December 31, 2010, our contracted sales amounted to approximately RMB 50.4 billion. Of the contracted sales, approximately RMB 5.6 billion remained outstanding as of December 28, 2010 and is expected to be received from our customers in the future pursuant to our sales contracts. Our total cash (including cash equivalents and restricted cash) amounted to RMB 18,816.8 million and our aggregate outstanding borrowings amounted to RMB 30,970.1 million as of December 28, 2010. For the year ending December 31, 2011, we have set a total contracted sales target of RMB 70 billion, which is 40% higher than our total contracted sales in the year ended December 31, 2010.

Our total contracted sales, pre-sold GFA and monthly average selling prices per square meter for the year ended December 31, 2010 were as follows:



(1) Average selling price is calculated by dividing total contracted sales by pre-sold GFA for the twelve months ended December 31, 2010.

For the year ended December 31, 2010, we had a total pre-sold GFA of approximately 7.9 million square meters and a total contracted sales of RMB 50.4 billion. Our average selling price for the year ended December 31, 2010 was RMB 6,394 per square meter.

### Total Pre-sold GFA, Contracted Sales and Average Selling Prices

Average selling price per square meter is calculated by dividing total contracted sales by pre-sold GFA during the periods specified below.

As of December 31, 2010, we had 61 property projects under pre-sale in 2010. For the year ended December 31, 2010, we had a total pre-sold GFA of approximately 7.9 million square meters and a total contracted sales of RMB 50.4 billion, representing a growth of 41.1% and 66.3%, respectively, compared to 2009. We set forth below the details of these property projects.

Project	Year ended December 31, 2009			Year ended December 31, 2010		
	Pre-sold GFA (m <sup>2</sup> )	Contracted sales (RMB'000)	Average selling price per m <sup>2</sup> (RMB)	Pre-sold GFA (m <sup>2</sup> )	Contracted sales (RMB'000)	Average selling price per m <sup>2</sup> (RMB)
<b>Guangdong Province</b>						
Jinbi Garden No. 1 . . . . .	1,863	5,768	3,096	354	3,361	9,500
Jinbi Garden No. 3 . . . . .	582	12,550	21,546	—	—	—
Jinbi Palace . . . . .	27	605	22,442	506	32,909	65,000
Jinbi New City Garden . . . . .	189	1,408	7,439	1,362	15,953	11,709
Jinbi Century Garden . . . . .	2,353	21,168	8,996	481	5,210	10,835
Jinbi Junhong Garden . . . . .	653	5,120	7,844	5,394	45,230	8,386
Evergrande Royal Scenic Garden . . . . .	352,574	3,706,840	10,514	101,151	1,511,955	14,947
Evergrande Scenic Garden . . . . .	162,870	737,447	4,528	121,696	811,464	6,668
Evergrande Oasis Guangzhou . . . . .	144,501	1,584,371	10,964	92,163	1,370,215	14,867
Evergrande Splendor Qinyuan . . . . .	329,170	1,118,344	3,397	86,942	412,100	4,740
<b>Chongqing Municipality</b>						
Evergrande Splendor Chongqing . . . . .	197,895	903,820	4,567	165,075	714,219	4,327
Evergrande City Chongqing . . . . .	288,506	1,223,226	4,240	223,008	1,315,864	5,901
Evergrande Palace Chongqing . . . . .	150,545	986,790	6,555	118,120	861,283	7,292
Evergrande Oasis Chongqing . . . . .	55,697	360,071	6,465	140,278	878,703	6,264
Evergrande Metropolis Chongqing . . . . .	110,553	688,511	6,228	217,276	1,583,350	7,287
<b>Tianjin Municipality</b>						
Evergrande Splendor Tianjin . . . . .	159,156	950,772	5,974	69,690	528,550	7,584
Evergrande Oasis Tianjin . . . . .	—	—	—	124,824	1,185,393	9,496
<b>Hubei Province</b>						
Evergrande Splendor E'zhou . . . . .	96,358	435,546	4,520	67,573	384,254	5,687
Evergrande Palace Wuhan . . . . .	69,083	443,524	6,420	104,357	722,171	6,920
Evergrande Oasis Wuhan . . . . .	208,020	819,975	3,942	170,680	897,638	5,259
Evergrande City Wuhan . . . . .	118,961	536,250	4,508	85,118	483,226	5,677
Evergrande Metropolis Wuhan . . . . .	377,957	1,905,105	5,041	86,726	492,519	5,679
Evergrande Oasis Yichang . . . . .	168,033	782,206	4,655	83,619	476,215	5,695
<b>Sichuan Province</b>						
Evergrande Splendor Pengshan . . . . .	182,120	868,982	4,771	191,163	1,130,309	5,913
Evergrande Oasis Chengdu . . . . .	—	—	—	158,783	970,778	6,114
Evergrande City Chengdu . . . . .	—	—	—	186,663	1,010,871	5,415
Evergrande Scenic Garden Chengdu . . . . .	—	—	—	67,783	495,760	7,314
Evergrande Royal Scenic Peninsula Chengdu . . . . .	—	—	—	30,162	175,208	5,809
Evergrande Metropolis Chengdu . . . . .	—	—	—	136,772	851,814	6,228
<b>Liaoning Province</b>						
Evergrande Oasis Shenyang . . . . .	106,262	514,030	4,837	269,985	1,488,430	5,513
Evergrande City Shenyang . . . . .	187,890	834,336	4,441	197,094	1,099,316	5,578
Evergrande Metropolis Shenyang . . . . .	—	—	—	171,808	943,997	5,494
Evergrande Palace Shenyang . . . . .	—	—	—	8,634	85,281	9,877
Evergrande Oasis Liaoyang . . . . .	—	—	—	66,348	354,111	5,337



Project	Year ended December 31, 2009			Year ended December 31, 2010		
	Pre-sold GFA (m <sup>2</sup> )	Contracted sales (RMB'000)	Average selling price per m <sup>2</sup> (RMB)	Pre-sold GFA (m <sup>2</sup> )	Contracted sales (RMB'000)	Average selling price per m <sup>2</sup> (RMB)
<b><i>Shaanxi Province</i></b>						
Evergrande Metropolis Xi'an . . . . .	155,181	732,016	4,717	43,697	266,378	6,096
Evergrande Oasis Xi'an . . . . .	130,228	711,052	5,460	109,225	746,279	6,832
Evergrande City Xi'an . . . . .	182,073	1,054,340	5,791	258,994	1,819,599	7,026
<b><i>Jiangsu Province</i></b>						
Evergrande Splendor Nanjing . . . . .	142,132	692,917	4,875	140,651	777,579	5,528
Evergrande Oasis Nanjing . . . . .	120,858	730,993	6,048	1,543	30,072	19,484
Evergrande Metropolis Huai'an . . . . .	—	—	—	32,303	183,377	5,677
<b><i>Yunnan Province</i></b>						
Evergrande Splendor Kunming . . . . .	312,245	1,288,480	4,127	268,941	1,232,009	4,581
<b><i>Inner Mongolia Autonomous Region</i></b>						
Evergrande Palace Baotou . . . . .	117,023	738,786	6,313	217,565	1,451,784	6,673
<b><i>Shanxi Province</i></b>						
Evergrande Oasis Taiyuan . . . . .	324,707	1,758,816	5,417	318,857	2,201,537	6,904
Evergrande Metropolis Taiyuan . . . . .	—	—	—	121,281	795,601	6,560
<b><i>Guizhou Province</i></b>						
Evergrande Oasis Guiyang . . . . .	70,266	298,996	4,255	136,055	667,080	4,903
Evergrande City Guiyang . . . . .	—	—	—	47,666	231,040	4,847
<b><i>Anhui Province</i></b>						
Evergrande Palace Hefei . . . . .	158,491	921,018	5,811	169,290	1,227,645	7,252
Evergrande City Hefei . . . . .	—	—	—	182,862	1,028,346	5,624
<b><i>Hunan Province</i></b>						
Evergrande Palace Changsha . . . . .	139,184	714,212	5,131	115,452	731,392	6,335
Evergrande Metropolis Changsha . . . . .	191,651	714,106	3,726	196,605	874,828	4,450
Evergrande City Changsha . . . . .	—	—	—	226,763	1,287,114	5,676
Evergrande Oasis Changsha . . . . .	—	—	—	266,347	1,691,240	6,350
Evergrande Atrium Changsha . . . . .	—	—	—	190,974	1,261,563	6,606
<b><i>Henan Province</i></b>						
Evergrande Metropolis Zhengzhou . . . . .	—	—	—	61,495	646,051	10,506
Evergrande Oasis Luoyang . . . . .	121,310	496,489	4,093	220,728	1,042,408	4,723
Evergrande Metropolis Xinyang . . . . .	—	—	—	67,691	350,604	5,179
<b><i>Jiangxi Province</i></b>						
Evergrande Oasis Nanchang . . . . .	—	—	—	111,427	840,783	7,546
<b><i>Hebei Province</i></b>						
Evergrande City Shijianzhuang . . . . .	—	—	—	254,188	2,141,031	8,423
Evergrande Oasis Shijiazhuang . . . . .	—	—	—	94,323	552,487	5,857
<b><i>Shandong Province</i></b>						
Evergrande Metropolis Jinan . . . . .	—	—	—	172,856	1,254,418	7,257
Evergrande Oasis Jinan . . . . .	—	—	—	214,367	1,154,203	5,384
<b><i>Jilin Province</i></b>						
Evergrande Oasis Changchun . . . . .	—	—	—	93,033	600,279	6,452
	<b>5,637,167</b>	<b>30,298,986</b>	<b>5,375</b>	<b>7,886,767</b>	<b>50,424,383</b>	<b>6,394</b>

## Newly Acquired Land in 2010

During 2010, we acquired land with a total GFA of approximately 51.1 million square meters in 22 provinces and municipalities, with an average cost of approximately RMB 648 per square meter. The following table sets forth the geographic location of our newly acquired land in 2010.

<u>Province/Municipality</u>	<u>Geographic Location of Newly Acquired Land in 2010</u>	
	<u>GFA (m<sup>2</sup>)</u>	<u>Percentage</u>
Liaoning Province . . . . .	9,428,532	18.4%
Sichuan Province . . . . .	5,696,201	11.1%
Shandong Province . . . . .	4,244,316	8.3%
Hebei Province . . . . .	3,397,960	6.6%
Jilin Province . . . . .	3,276,056	6.4%
Guizhou Province . . . . .	3,043,116	6.0%
Jiangsu Province . . . . .	2,605,035	5.1%
Henan Province . . . . .	2,537,522	5.0%
Hubei Province . . . . .	2,460,578	4.8%
Gansu Province . . . . .	2,319,708	4.5%
Anhui Province . . . . .	1,727,571	3.4%
Chongqing Municipality . . . . .	1,694,251	3.3%
Tianjin Municipality . . . . .	1,605,527	3.1%
Shanxi Province . . . . .	1,466,698	2.9%
Jiangxi Province . . . . .	1,279,590	2.5%
Ningxia Hui Autonomous Region . . . . .	1,058,015	2.1%
Guangdong Province . . . . .	938,571	1.8%
Hunan Province . . . . .	837,889	1.6%
Inner Mongolia Autonomous Region . . . . .	642,161	1.3%
Hainan Province . . . . .	564,809	1.1%
Yunnan Province . . . . .	172,552	0.3%
Shanghai Municipality . . . . .	129,648	0.3%
<b>Total . . . . .</b>	<b>51,126,306</b>	<b>100.0%</b>

In addition, through the purchase of the equity interest in the holding company, we acquired in December 2010 an office tower located at the central business district of Pearl River New Town in Guangzhou. We have named the office tower “Evergrande Center.” It occupies a total site area of approximately 7,106 square meters with an aggregate total GFA of approximately 117,663 square meters. This project was completed and delivered in December 2010.

## Our Competitive Strengths

We believe that we possess the following principal competitive strengths that have allowed us to compete effectively with our peers in the property markets in China:

***We are a leader of the standardized operational model for large-scale quality property developments***

We believe that our industry-leading standardized operational model for quality real estate development is the core strength that has enabled us to effectively execute our rapid and successful nationwide expansion in recent years. We formulate our standardized operational procedures at our headquarters, which are then implemented through our regional offices under the close supervision and monitoring by our senior management. These standardized procedures cover various phases in our development process including planning and design of all of our projects nationwide, nationwide centralized bidding and procurement processes, project developments, construction and quality control and sales and marketing as well as property management. Our standardized operational model has allowed us to maintain our high-quality standards on a nationwide basis, to effectively control our costs and to achieve remarkable growth in recent years.

To support our business plan, we have established a standardized operational procedure across all regional offices, under which the staffing level and compensation schemes are determined by our senior management at the headquarters to ensure the consistency of organizational structure and staff qualification across all regional offices. We have implemented a uniform financial management and reporting system, under which the finance department of each regional office is directly managed by our headquarters. This system allows us to standardize, consolidate and centralize our capital management nationwide. Our centralized internal risk management also covers our archives management and accounts approval process in all our regional offices. We have also established a nationwide contract processing and approval system, which plays an important role in our cost control, facilitates our centralized monitoring of contract execution and in turn strengthens our internal control.

- *Standardized Project Selection*

With respect to the selection of new project sites, we follow a set of strict standards, including:

**Selection of location:** Provincial capitals, municipalities and other selected cities that we believe have high-growth potential;

**Project scale:** Generally 0.5 to 2.0 million square meters in GFA;

**Project positioning:** Target proportion of 10%, 70% and 20% in terms of the total number of projects distributed among high-end, mid- to mid-high-end and tourism-related series of our property projects; and

**Site status:** Minimized relocation requirement, and land use right certificates already in place for acquired projects.

We believe that our standardized project selection process has ensured that each of our new projects is in line with our overall development strategy while minimizing operational risk.

- *Standardized Planning and Design*

We have developed three major project series based on our product positioning, and created more than 150 types of standard residential unit layouts, which are then customized for different regional markets and product series. Our standardized designs for each project contain detailed specifications to be followed through each step of the development process, including material and quality standards for building construction, landscaping, ancillary facilities and interior decoration, to ensure consistency and quality of our products throughout the country. In order to maximize our ecological planning effect of low density and high green ratio, we have developed standard design rules for buildings, structures, facades and landscape. With respect to ancillary facilities, we have also established standardized functional configuration. Our projects are generally equipped with luxurious clubhouses, sports centers, commercial centers, nursery schools and other amenities. In addition, we have also standardized our decoration and finishing based on different regional markets and different types of residential units. These standardized planning and design measures ensure the accurate positioning of our projects, streamlining our planning, the implementation of our brand strategy and the quality of our products.

- *Standardized Use of Materials*

We have also standardized our use of materials building on our standardized planning and design. We have standardized our procurement of materials in massive quantities in connection with our construction, landscaping, ancillary facilities and decoration. This procurement system has

effectively accelerated the progress of our project construction and ensured our product quality. Standardized use of materials has also enabled us to centralize our procurement to reduce construction cost.

- *Standardized and Centralized Tender Process*

We believe that our effective centralized tender process enables us to achieve economies of scale and significant purchasing power. All large-scale projects handled by our regional offices must undergo a centralized bidding process that is supervised by our headquarters. All participants in the bidding must be among the top-rated product, equipment or service providers in their respective fields. Our headquarters are responsible for selecting the ultimate qualified bidder according to our standardized selection and evaluation process. We believe that such standardized tender process has afforded us with significant economies of scale and allowed us to maintain our competitive cost structure while securing quality products, equipment and services at reasonable prices.

- *Standardized Construction Management*

We utilize standardized development models nationwide and closely manage all aspects of the development process based on strict development schedules and specific quality standards. We stipulate construction milestones and strict quality control measures to ensure our construction contractors to adhere to both the pre-set construction timeline and our quality standards. We believe standardized construction management enables us to minimize the construction time and achieve our target of launching pre-sales within six months from the date of the land acquisition, thereby shortening our cash conversion cycle and maximizing our investment return.

- *Standardized Marketing*

Our sales and marketing efforts follow standardized procedures in developing, approving and implementing sales and marketing campaigns for all our projects. We formulate our marketing, promotion, pricing and advertising strategies for each of our projects in a highly coordinated and consistent manner to maintain brand equity, but allowing flexibility to adapt to local market dynamics.

We launch our projects for pre-sale only after we have substantially completed the relevant landscaping, ancillary facilities and mock-up units in order to demonstrate our superior product quality which in turn strengthens consumer confidence. We believe our actual on-site launch standard enhances the marketing impact, saleability and pricing of our products.

***We have strategically acquired large low-cost land reserves, with 96.0 million square meters in 62 cities across China as of December 31, 2010, focusing on provincial capitals and other selected cities that we believe have high-growth potential***

Our national land acquisition strategy aims to achieve greater regional diversification and higher growth by focusing on provincial capitals and other selected cities across China that we believe have high-growth potential.

- *Large-scale, High-quality and Low-cost Land Reserves with Significant Appreciation Potential*

We believe we had the largest land reserves in China among all property developers with 96.0 million square meters of land reserves at an average cost of approximately RMB 520 per square meter as of December 31, 2010. We believe the size of our current land reserves can satisfy our development needs for the next three to five years and our strategic site locations will provide significant appreciation and profitability potential.

- *Well diversified and balanced land reserves with extensive presence in large provincial capitals and other selected cities that we believe have high-growth potential*

Our land reserves are well diversified in terms of both geographic location and project type to achieve maximum profit potential. Currently, we cover the most provincial capitals and municipalities among all property developers in China and we have further expanded our operations into other selected cities that we believe have high-growth potential on a national basis since the second half of 2010.

- *Premier Project Location with Future Appreciation*

Our urban projects are generally located in prime locations with a natural landscape and well-developed infrastructure and transportation systems, poised for future appreciation. Our tourism-related development projects are generally 30–40 kilometers away from the center of major cities, adjacent to highway exits and surrounded by natural landscape. These projects are also characterized by low land cost and can be developed over multiple phases, which provided economies of scale.

***We have leveraged our industry-leading brand name and strategic partnerships with renowned suppliers to develop quality products that are well-recognized by the market***

- *We Have Been Recognized as One of the Top 10 Property Developers in China for Seven Consecutive Years*

We consistently market all of our new projects under the “Evergrande” brand to instill brand awareness nationwide and for customers to identify our brand name with high-quality residential projects. Since 2004, we have been ranked as one of the “Top 10 Property Developers in China” for seven consecutive years by the “Top 10 Property Developers Research Group of China” jointly constituted by the Institute of Enterprise Research of the Development and Research Center of the State Council, the Real Estate Research Institute of Tsinghua University and the China Index Academy.

- *Partnership with Prominent Suppliers to Develop Quality Products*

We maintain strict quality control measures throughout our development chain and partner with renowned international and national service and product providers to ensure top-quality products. We initiate our project planning process immediately after we acquire a land site and initially focus primarily on the structural and landscape designs of the site to ensure that they are of the best fit to the overall project. Since 2004, we have been consolidating our selection of vendors and suppliers to ensure that we work only with the first-rate vendors in the fields of construction landscaping and interior decoration and source only raw materials from top suppliers. By working with a small number of high-quality partners, we are able to receive superior services throughout the development process. In our current development projects, we primarily engage reputable construction companies in China, including China State Construction Engineering Corporation and Zhong-Tie Construction Group Corporation Limited, for a majority of our project construction work; reputable fitting-out companies in China, including Suzhou Gold Mantis Construction & Decoration Co., Ltd, Shenzhen Grandland Decoration & Construction Co., Ltd. and Shenzhen Decoration & Construction Industrial Co., Ltd., for our fitting-out and interior decoration work; and landscaping industry leaders including GVL International Landscaping Design Co., Ltd. for most of our landscaping work.

***We offer a comprehensive product mix that caters to different market segment demands***

We believe that a comprehensive product mix, an in-depth knowledge of target markets and an accurate product positioning are the keys to our rapid growth in China. We have a wide range of products that caters to different market segments. We generally target a product mix of 10% high-end products, 70% mid- to mid-high-end products and 20% tourism-related developments in terms of the number of projects. We believe this proportion allows us to meet the demands from a broad range of target clientele across different geographic regions. Our diversified product range consists of residential properties that caters to the needs of first-time homebuyers and wealthy property owners as well as non-residential properties, including hotels, resorts and commercial properties.

We place strong emphasis on market research which allows us to understand the underlying market trends and enables us to adjust our product design accordingly. We have developed various standardized product series with appropriate modifications to suit the needs of various markets and customer segment. We believe that our strong brand recognition as well as our strong adaptability in different regional markets will enable us to grow rapidly as we continue our national expansion plan.

***We are able to effectively control our costs at every stage of the project development***

- *Land acquisition*

As an early mover, we are able to access cities and regions with low-cost land and high-growth potential, develop quality and cost-efficient projects and achieve cost saving at the early stage of the process.

- *Design, tender and procurement*

We implement a standardized operational model for design and material procurement. We are able to limit construction cost through centralized tender process, and significantly reduce material and equipment cost through economies of scale and centralized procurement.

- *Management*

We adopt well-planned and efficient management system and measures in the entire process of project development to significantly reduce management and operating expenses.

***We possess a highly experienced and stable management team with proven execution capabilities to adapt and respond to market changes***

- *First-class Management Team in China*

We have a highly experienced management team comprised of well-regarded experts with an average of over 16 years of relevant experience in real estate development, planning and design, and finance and other fields. The team consists of four members with doctoral degree and seven members with master degree. The team is led by our chairman, Dr. Hui who is a professor in management with Wuhan University of Science and Technology. He is also a member of the Chinese People's Political Consultative Conference and the vice chairman of the China Real Estate Association. Our chief executive officer, Dr. Xia Haijun, has cumulative experiences of more than 17 years in real estate development and business management.

Our regional management teams are trained at the headquarters and most of them have been with our company for more than 10 years. As of December 31, 2010, over 90% of our management personnel had bachelor's degree or above. We believe our experienced and stable management team has contributed to our success and will further enhance our execution capabilities and focus both at the headquarters and regional company level.



- *First-class Management Structure*

We have created a first-class management structure by implementing internationally advanced management approach which is complemented with practical experience accumulated over the years. We have adopted a three-tier management system comprising the board of directors, senior management at the headquarter level and senior management at the regional subsidiary level. This management structure ensures a direct reporting line between the regional offices and the headquarters which enhances the overall internal control of our company. We adopt a result-oriented management model that is focused on goal-settings and performance evaluation which allowed the Company to achieve rapid and sustainable development.

We aim to motivate our staff effectively through our core values of quality, integrity, innovation and efficiency. Through our superior management structure and result-oriented compensation schemes, we are able to cultivate an effective corporate culture that commands strong loyalty from our team members, which in turn enhances our competitiveness, creativity and our execution capabilities.

- *Proven Execution Ability to Adapt and Respond to Changing Market Conditions*

Our management team has developed superior strategic insights and can respond quickly to changing market conditions. Since the inception of our company, our senior management team has periodically reviewed and set, and each time successfully implemented, our strategic plans for each phase of our growth, by focusing on accumulating talent pool for growth, building a low-cost land reserves, emphasizing product quality and branding strategy and securing financing in a timely manner to support our expansion. Under the leadership of our management team, we have achieved significant scale and strong market position in a relatively short period of time. In particular, when we experienced challenges in 2008 due to the global financial crisis which led to the suspension of our listing preparation, the management team took swift actions and successfully navigated our operations through such an economic turmoil.

***We have proven capability to develop projects and achieve asset turnover rapidly***

Through our integrated centralized management structure and our standardized operational model, we have proven capability to develop our projects rapidly nationwide and achieve rapid asset turnover.

Our integrated centralized management structure ensures seamless execution of our standardized operational model, therefore we can typically complete the project planning and design, project construction, procurement of materials and equipment, as well as obtain relevant government approvals shortly after site acquisition.

Based on our standardized project planning and design, we are able to quickly determine and implement the positioning and design of projects. We have established long-term strategic partnerships with leading vendors and this enables rapid commencement of new projects as well as efficiency and quality of the development. We have adopted a standardized quality control and construction supervision system to monitor the progress and quality of all of our construction projects. In addition, as rapid property development has been one of our key business strategies since our inception, through our standardized operational model, especially the standardized marketing procedures, as well as the strategic decisions our management team has adopted in combating the global economic slowdown and financial market crisis, we have been able to commence pre-sale of our recent property developments within six to eight months after site acquisition. As a result, we are able to maximize our investment return by shortening the development cycle, which in turn improves our operating cash flow. For example, we acquired the site for Evergrande City Xi'an on April 30, 2009, launched pre-sale of this project on September 30, 2009 and achieved total contracted sales of RMB 647 million on the commencement day of pre-sale; we acquired Evergrande Oasis Changsha on July 11, 2009, launched pre-sale of this project on January 1, 2010 and achieved total contracted sales of RMB 630 million on



the commencement day of pre-sale; and we acquired Evergrande City Changsha on July 5, 2009, launched pre-sale of this project on January 1, 2010 and achieved total contracted sales of RMB 480 million on the commencement day of pre-sale. Our rapid development business model results in a fast turnover of our land reserves. As a result, the recently tightened enforcement of the idle land regulations by the PRC government has not had a materially adverse impact on our business, results of operations and financial condition.

## **Business Strategies**

We aim to continue to enhance our leadership position in the PRC real estate industry with a focus to capitalize on development opportunities in large provincial capitals and other selected cities that we believe have high-growth potential. We will continue to implement our strategy of offering a diversified product range to our customers and to further optimize the standardized operational model of developing quality real estate products. We plan to implement the following strategies to achieve our goals:

### ***Continue to focus on provincial capitals and other selected cities that we believe have high-growth potential***

We will continue to focus on provincial capitals where we currently have operations and further penetrate the market of other selected cities that we believe have high-growth potential. We believe those areas present business opportunities due to their sound economic growth rate, rising household disposable income, accelerating urbanization level and ever increasing demand for quality residential properties. In addition, those areas have relatively less policy risks and competition pressure than the first-tier cities such as Beijing and Shanghai, allowing us to steadily reinforce our competitive position by capitalizing on our strong brand name and quality products.

### ***Continue to optimize and leverage our standardized operational model***

We will adhere to our standardized operational model to optimize our entire product chain for quality real estate development with an aim to apply our operational experience to all of our projects nationwide and ensure the successful development and sale of each project.

### ***Maintain a comprehensive product offering with a primary focus on residential properties***

We will maintain our strategy of offering a diversified product range to our customers with a view to maintaining a target proportion of 10%, 70% and 20% in terms of the number of projects distributed among our high-end, mid- to mid-high-end, and tourism-related property developments, in order to attract the broadest consumer groups.

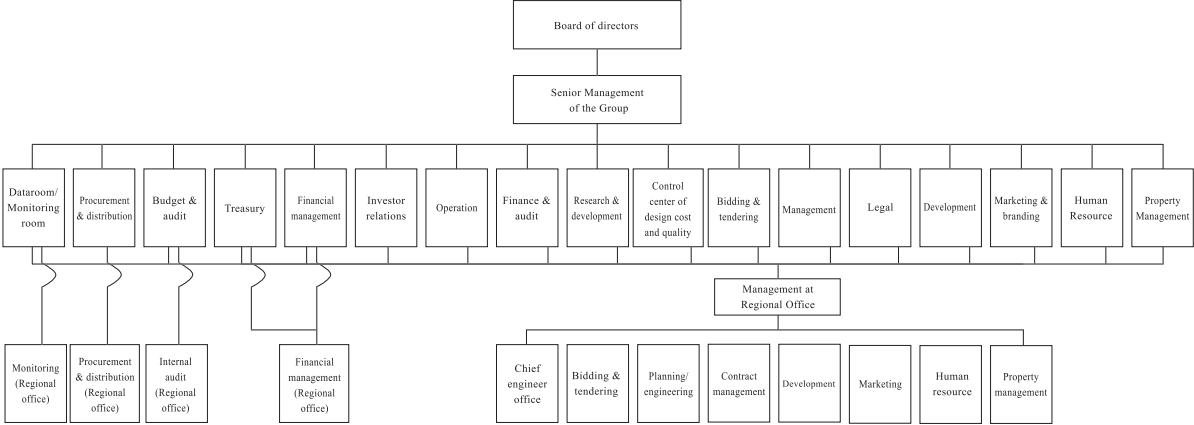
In addition, while we will continue to focus primarily on residential property developments within the next three years, we aim to gradually expand and diversify our business mix to include commercial properties to enhance our long-term financial performance and diversify risks.

### ***Focus on product quality to enhance our brand***

We will continue to focus on developing quality real estate products which we believe are integral to enhancing our brand value. We will continue to implement strict quality standards to maintain our competitive advantages over our peers.

**Our Standardized Operational Model**

In our standardized operational model, we develop new projects across China based on our years of proven experience in developing quality properties. By adopting the integrated standardized operational model, the headquarters standardize the management of all regional offices, including the operating model, project selection, project planning and design, material selection, tendering and bidding, construction management and marketing. The chart below sets forth our organizational structure established in accordance with our integrated standardized operational model:



**Site Selection**

Site selection is typically conducted via a three-stage standard process. Firstly, the development department of our headquarters and our regional offices are responsible for identifying a potential project, collecting information and performing primary screening. Should a potential project pass the primary screening, the development department, marketing department, research and development, or R&D, department and regional offices will be summoned together to conduct an in-depth analysis based on the collective experience of the parties involved and data extracted from our database. The summarized detailed analysis after multiple rounds of screening will then be submitted to our board of directors for review, discussion, and final approval. We believe the above measures ensure that the new projects are in line with our overall development strategy and therefore minimize the development risk in the future.

**Project Planning and Design**

After acquiring the site for a new project, the R&D department, marketing and branding department, regional office and sales agencies will each provide independent market research reports. The Board will arrange meetings with these departments to finalize product positioning and project planning, after which the R&D department will work with the relevant regional office to finalize the project planning and design plan based on the project positioning. This approach will ensure accurate market positioning, planning and design of each project.

**Centralized Tender**

We organize tenders and invite primarily first-rate construction companies in China to participate in the bidding for interior decoration, gardening and landscaping and other construction work to ensure high-quality construction work performed at competitive prices. We have centralized and standardized our tender process in order to facilitate our standard operating procedures to build quality products

rapidly. Our legal department and internal audit department supervise the entire tender process and carefully evaluate and compare each submitted bid. This effectively ensures our quality and progress of construction, which in turn minimizes our construction costs.

### ***Centralized Procurement***

Subject to our centralized tender process, we sign long-term procurement agreements with reputable service and product suppliers in China and overseas. We have also established a unified national distribution system. This procurement and distribution system enables us to successfully minimize our overall purchasing costs while ensuring the best product quality.

### ***Project Construction***

We strictly adhere to a set of standardized plan management, progress evaluation and quality supervision process that covers all the key project development and management activities conducted by our regional offices. Our headquarters have a dedicated team of more than 100 professional staff who collect information about the project progress and construction quality from each regional office through an advanced information management system. This strengthens our headquarters' control over project construction progress and quality, which in turn ensures that each property meets our requirements.

### ***Sales and Marketing***

Our sales and marketing effort follows standardized procedures so that the marketing, promotion, pricing and advertising strategies for each of our projects are created in a highly coordinated and consistent manner. These strategies are implemented for each project after being reviewed and approved by our Board.

### ***Human Resources Management***

Our headquarters appoint and remove our regional office management teams. Our employee recruitment criteria, staffing and compensation structure are standardized and formulated by our headquarters, ensuring that the team composition and staff quality meet our standard.

### ***Financial Management and Reporting Requirements***

We have implemented a uniform financial management and reporting system, under which the finance department of each regional office is directly managed by our headquarters. This system allows us to standardize, consolidate and centralize our capital management nationwide. Our centralized internal risk management also covers our archives management and accounts approval process in all our regional offices.

## **Our Property Projects**

Our property projects are generally divided into the following three categories:

- completed properties, comprising property projects we have completed since our inception, with the certificates of completion issued by the relevant government authorities;
- properties under development, comprising property projects with respect to which we have received land use rights certificates and partly received construction permits or governmental approval for early construction but have not yet received certificates of completion; and

- properties held for future development, comprising property projects with respect to which we have signed a land grant contract or a land transaction confirmation letter with the relevant PRC land administrative authorities, the project company equity transfer agreements or project cooperation agreements but have not yet obtained the land use right certificates.

Because our projects are typically relatively large in size and some of our projects comprise multi-phase developments on a rolling basis, a single project may include different phases at various stages of completion, under development or held for future development.

Each property project may be subject to multiple land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and other permits and certificates which are issued at different stages throughout their development. Our classification of properties is not directly comparable with the classification of properties in our consolidated financial information and our consolidated financial statements included elsewhere in this offering memorandum.

The table below sets forth our classification of properties and the corresponding classification of properties in our consolidated financial information and our consolidated financial statements included elsewhere in this offering memorandum:

<u>This offering memorandum</u>	<u>Consolidated financial information</u>
<ul style="list-style-type: none"> <li>• Completed properties, comprising properties with certificates of completion (including completed properties that have been sold)</li> </ul>	<ul style="list-style-type: none"> <li>• Completed properties held for sale (excluding completed properties that have been sold)</li> </ul>
<ul style="list-style-type: none"> <li>• Property under development, comprising properties for which we have obtained land use rights certificates and partly received construction permits or approval letters for early construction, but not yet received certificates of completion</li> </ul>	<ul style="list-style-type: none"> <li>• Land use rights (attributable to completed properties held for sale)</li> <li>• Investment properties</li> </ul>
<ul style="list-style-type: none"> <li>• Property held for future development, comprising properties for which we have not obtained land use rights certificates, but have entered into the land grant contracts or the project company equity transfer agreements, or cooperation agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Properties under development</li> <li>• Land use rights (attributable to properties under development)</li> <li>• Expenditures incurred for projects for which we have not yet obtained land use rights certificates were recorded as prepayments, deposits and other receivables within our current assets</li> </ul>

**Site Area Calculation.** The site area information in this offering memorandum is derived on the following basis:

- when we have received the land use rights certificates for a project, the site area information in respect of such project refers to the site area information in such land use rights certificates; and
- before we receive the land use rights certificates, the site area information in respect of such project refers to the site area information in the relevant land grant contract or the relevant government permits related to such project excluding, however, the areas earmarked for public infrastructure, such as roads and community recreation zones.

When completed properties and properties under development are subject to a single land use rights certificate, we calculate the site area attributable to such completed properties and such properties under development in proportion to their respective total GFA as a percentage of the aggregate total GFA under the land use rights certificate.

**GFA Calculation.** The GFA information in this offering memorandum is derived on the following basis:

- when the construction of a project is completed and we have received the certificate of completion, the total GFA information in respect of the project refers to the total GFA in such certificate of completion;
- if we have not yet obtained the certificate of completion, but have obtained the construction works planning permit for the project, the total GFA information in respect of the project refers to the total GFA in such construction works planning permit;
- if we have not yet obtained the construction works planning permit, but have obtained the construction land planning outline for the project, the total GFA information in respect of the project refers to the total GFA in such construction land planning outline;
- if we have not yet obtained the construction land planning outline, but have received the government-approved design plan for the project, the total GFA information in respect of the project refers to the total GFA in such government-approved design plan; and
- if we have not obtained any of the above documents for the project, the total GFA information in respect of the project refers to the total GFA based on our current development plan for the project.

Total GFA stated in certificates of completion, pre-sale certificates, construction works planning permits, construction land planning outline and government-approved design plans includes underground GFA. Underground GFA refers to basement and other underground spaces, generally used for parking and storage purposes.

The total GFA information in this offering memorandum includes both saleable and non-saleable GFA. Saleable GFA generally includes residential properties, saleable carparks, retail shops and office space (including internal floor area and shared areas in the building that are exclusively allocated to such properties). Non-saleable GFA generally includes communal facilities, such as schools, floor area for property management purposes as required by the government, project related supplemental facilities and our own properties such as hotels and non-saleable carparks.

***Saleable GFA Calculation.*** The saleable GFA information in this offering memorandum is derived on the following basis:

- if we have obtained property ownership certificate for a project, the saleable GFA information refers to the saleable GFA in the property ownership certificate;
- if we have not yet obtained the property ownership certificate, but have received the pre-sale permit for the project, the saleable GFA information refers to the saleable GFA in the pre-sale permit;
- if we have not yet obtained the pre-sale permit but have received the construction works planning permit for the project, the saleable GFA information in respect of the project refers to the saleable GFA estimated in such construction works planning permit;
- if we have not yet obtained the construction works planning permit, but have received the construction land planning outline for the project, the saleable GFA information in respect of the project refers to the saleable GFA estimated in such construction land planning outline;
- if we have not yet obtained the construction land planning outline, but have received the government-approved design plan for the project, the saleable GFA information in respect of the project is estimated based on such government-approved design plan; and
- if we have not yet obtained any of the above documents for the project, the saleable GFA information in respect of the project is estimated based on our current development plan for the project.

GFA sold information refers to the GFA sold or pre-sold as specified in the relevant sale and purchase agreements on an aggregate basis. GFA sold information in this offering memorandum does not include GFA of parking spaces. Unless the pre-sale of a project has started, we have provided estimated pre-sale commencement time for such on-going project in this offering memorandum. Unless a project has already been completed, we have likewise provided estimated completion time for such on-going project in this offering memorandum.

## Project Overview

Geographical distribution of our property projects as of December 31, 2010 was as follows:

Location	Completed properties		Properties under development		Properties held for future development	
	Total GFA (‘000 m <sup>2</sup> )	% of total GFA (%)	Total GFA (‘000 m <sup>2</sup> )	% of total GFA (%)	Total GFA (‘000 m <sup>2</sup> )	% of total GFA (%)
Guangdong Province . . . . .	4,384.0	32.2	4,456.5	8.0	602.9	1.5
Chongqing Municipality . . . . .	1,713.0	12.6	1,925.6	3.5	1,731.5	4.3
Tianjin Municipality . . . . .	411.4	3.0	758.1	1.4	918.7	2.3
Hubei Province . . . . .	881.2	6.5	3,547.4	6.4	1,144.8	2.9
Sichuan Province . . . . .	1,257.3	9.2	2,906.4	5.2	4,142.1	10.4
Liaoning Province . . . . .	793.6	5.8	3,296.4	5.9	8,334.0	20.8
Shaanxi Province . . . . .	634.7	4.7	1,006.0	1.8	—	0.0
Jiangsu Province . . . . .	458.3	3.4	13,289.2	23.8	2,231.1	5.6
Yunnan Province . . . . .	368.4	2.7	730.0	1.3	—	0.0
Inner Mongolia Autonomous Region . . . . .	128.1	0.9	1,866.8	3.3	313.4	0.8
Shanxi Province . . . . .	665.9	4.9	2,087.2	3.7	1,054.7	2.6
Guizhou Province . . . . .	192.4	1.4	1,086.8	1.9	2,073.9	5.2
Anhui Province . . . . .	510.0	3.7	790.1	1.4	1,727.6	4.3
Hunan Province . . . . .	882.1	6.5	3,844.7	6.9	505.5	1.3
Guangxi Zhuang Autonomous Region . . . . .	—	0.0	812.9	1.5	—	0.0
Henan Province . . . . .	259.2	1.9	3,124.8	5.6	3,921.4	9.8
Jiangxi Province . . . . .	60.4	0.4	3,822.8	6.9	—	0.0
Hebei Province . . . . .	—	0.0	1,458.6	2.6	2,845.3	7.1
Hainan Province . . . . .	—	0.0	2,407.8	4.3	210.4	0.5
Shandong Province . . . . .	—	0.0	1,548.7	2.8	2,695.6	6.7
Shanghai Municipality . . . . .	—	0.0	129.6	0.2	—	0.0
Jilin Province . . . . .	—	0.0	899.2	1.6	2,071.2	5.4
Gansu Province . . . . .	—	0.0	—	0.0	2,625.3	5.8
Ningxia Hui Autonomous Region . . . . .	—	0.0	—	0.0	1,058.0	2.6
Total . . . . .	<u>13,600.0</u>	<u>100.0</u>	<u>55,795.5</u>	<u>100.0</u>	<u>40,207.4</u>	<u>100.0</u>





The table below sets forth our project-by-project information of all of completed projects, projects under development and projects held for future development as of December 31, 2010.

No.	Project	Location	Site area (m <sup>2</sup> )	Total GFA (m <sup>2</sup> )	GFA (m <sup>2</sup> )			Attributable equity interest (%)
					Completed properties	Properties under development	Properties held for future development	
<b>Guangdong Province</b>								
1	Jinbi Garden No.1	Guangzhou	63,544	341,683	341,683	—	—	100
2	Jinbi Garden No.2	Guangzhou	69,146	305,722	275,521	—	30,201	100
3	Jinbi Garden No.3	Guangzhou	145,978	460,323	380,778	—	79,545	100
4	Jinbi Palace	Guangzhou	26,686	137,399	137,399	—	—	100
5	Jinbi City Plaza	Guangzhou	21,073	118,483	118,483	—	—	100
6	Jinbi Emerald Court	Guangzhou	5,409	53,453	53,453	—	—	100
7	Jinbi New City Garden	Guangzhou	120,240	428,003	428,003	—	—	100
8	Jinbi Century Garden	Guangzhou	138,116	413,021	413,021	—	—	100
9	Jinbi Bay Garden	Guangzhou	20,403	89,323	89,323	—	—	100
10	Jinbi Atrium	Guangzhou	54,930	209,005	209,005	—	—	100
11	Jinbi Junhong Garden	Guangzhou	36,357	197,013	157,575	39,438	—	100
12	Evergrande Royal Scenic Peninsula	Foshan	543,528	1,079,305	697,750	381,555	—	60
13	Evergrande Royal Scenic Bay	Foshan	60,491	229,902	—	—	229,902	100
14	Evergrande Scenic Garden	Guangzhou	536,199	755,680	311,875	443,805	—	100
15	Evergrande Oasis Guangzhou	Guangzhou	111,048	484,693	248,897	235,796	—	100
16	Evergrande Metropolis Foshan	Foshan	171,869	861,897	—	861,897	—	100 <sup>(1)</sup>
17	Evergrande Splendor Qingyuan	Qingyuan	1,801,408	2,569,803	521,207	2,048,596	—	100
18	Evergrande Oasis Zhongshan	Zhongshan	97,652	445,400	—	445,400	—	100
19	Evergrande City Yunfu	Yunfu	107,282	263,269	—	—	263,269	100
<b>Chongqing Municipality</b>								
20	Evergrande Splendor Chongqing	Chongqing	808,799	813,275	345,463	467,812	—	100
21	Evergrande City Chongqing	Chongqing	316,329	1,179,993	631,359	548,634	—	100
22	Evergrande Palace Chongqing	Chongqing	169,813	378,596	328,451	50,145	—	100
23	Evergrande Oasis Chongqing	Chongqing	91,928	465,752	205,706	122,264	137,782	100
24	Evergrande Metropolis Chongqing	Chongqing	191,400	838,207	202,022	340,192	295,993	100
25	Evergrande Atrium Chongqing	Chongqing	388,394	1,183,966	—	396,529	787,437	100
26	Evergrande Scenic Garden Fuling	Chongqing	197,054	510,285	—	—	510,285	100
<b>Tianjin Municipality</b>								
27	Evergrande Splendor Tianjin	Tianjin	1,675,803	641,735	294,241	89,359	258,135	100
28	Evergrande Oasis Tianjin	Tianjin	804,055	1,123,041	117,167	668,733	337,141	100
29	Evergrande Scenic Garden Tianjin	Tianjin	303,657	323,453	—	—	323,453	100
<b>Hubei Province</b>								
30	Evergrande Splendor E'zhou	E'zhou	1,742,809	2,010,674	141,920	806,261	1,062,493	100
31	Evergrande Palace Wuhan	Wuhan	286,659	564,596	182,363	382,233	—	100 <sup>(1)</sup>
32	Evergrande Oasis Wuhan	Wuhan	314,901	815,914	373,018	430,932	11,964	100
33	Evergrande City Wuhan	Wuhan	370,692	849,449	159,384	619,766	70,299	100
34	Evergrande Metropolis Wuhan	Wuhan	375,732	813,053	24,557	788,496	—	100
35	Evergrande Oasis Yichang	Yichang	153,964	519,665	—	519,665	—	100
<b>Sichuan Province</b>								
36	Evergrande Splendor Pengshan	Meishan	1,491,632	1,281,306	513,516	767,789	—	100
37	Evergrande Oasis Chengdu	Chengdu	142,145	629,449	358,706	270,743	—	100
38	Evergrande City Chengdu	Chengdu	169,501	698,772	385,045	313,727	—	100
39	Evergrande Scenic Garden Chengdu	Chengdu	1,775,243	933,475	—	210,352	723,123	100
40	Evergrande Royal Scenic Peninsula Chengdu	Chengdu	1,060,061	2,992,100	—	642,447	2,349,653	100
41	Evergrande Metropolis Chengdu	Chengdu	53,333	344,072	—	344,072	—	100
42	Evergrande Atrium Chengdu	Chengdu	43,540	340,374	—	—	340,374	100
43	Evergrande Oasis Nanchong	Nanchong	102,963	357,223	—	357,223	—	100
44	Evergrande Oasis Zigong	Zigong	216,449	728,957	—	—	728,957	100
<b>Liaoning Province</b>								
45	Evergrande Oasis Shenyang	Shenyang	602,130	2,107,948	489,923	481,677	1,136,348	100
46	Evergrande City Shenyang	Shenyang	355,000	887,500	303,690	556,043	27,767	100
47	Evergrande Metropolis Shenyang	Shenyang	353,066	1,128,216	—	1,128,216	—	100
48	Evergrande Palace Shenyang	Shenyang	72,970	210,671	—	210,671	—	100
49	Evergrande Oasis Liaoyang	Liaoyang	422,936	1,427,199	—	599,054	828,145	100
50	Evergrande Bay Shenyang	Shenyang	217,114	545,904	—	320,700	225,204	100
51	Evergrande Oasis Anshan	Anshan	352,910	1,251,787	—	—	1,251,787	100
52	Evergrande Oasis Yingkou	Yingkou	445,843	1,487,418	—	—	1,487,418	100
53	Evergrande City Yingkou	Yingkou	364,074	1,254,939	—	—	1,254,939	100
54	Evergrande Palace Panjin	Panjin	301,934	923,897	—	—	923,897	100
55	Evergrande Palace Fushun	Fushun	218,874	1,198,500	—	—	1,198,500	100

<sup>(1)</sup> We have entered into a co-development agreement with Chow Tai Fook Group affiliates for this project. For further details, you may refer to the sections entitled “— Property Description — Guangdong Province – (8) Evergrande Metropolis Foshan” and “— Property Description – Hubei Province — (23) Evergrande Palace Wuhan” below.

No.	Project	Location	Site area (m <sup>2</sup> )	Total GFA (m <sup>2</sup> )	GFA (m <sup>2</sup> )			Attributable equity interest (%)
					Completed properties	Properties under development	Properties held for future development	
<b>Shaanxi Province</b>								
56	Evergrande Metropolis Xi'an	Xi'an	78,574	303,816	303,816	—	—	100
57	Evergrande Oasis Xi'an	Xi'an	207,175	602,154	201,224	400,930	—	100
58	Evergrande City Xi'an	Xi'an	162,471	734,753	129,679	605,074	—	100
<b>Jiangsu Province</b>								
59	Evergrande Splendor Nanjing	Nanjing	983,033	1,108,766	306,395	802,371	—	100
60	Evergrande Oasis Nanjing	Nanjing	137,097	307,784	151,911	155,873	—	100
61	Evergrande Splendor Qidong	Qidong	5,978,624	11,957,045	—	11,957,045	—	100
62	Evergrande Metropolis Huai'an	Huai'an	304,755	918,357	—	373,943	544,414	100
63	Evergrande Metropolis Danyang	Danyang	282,022	853,024	—	—	853,024	100
64	Evergrande Palace Suqian	Suqian	238,187	833,654	—	—	833,654	100
<b>Yunnan Province</b>								
65	Evergrande Splendor Kunming	Kunming	660,891	925,806	368,390	557,416	—	100
66	Evergrande Metropolis Qujing	Qujing	77,461	172,552	—	172,552	—	100
<b>Inner Mongolia Autonomous Region</b>								
67	Evergrande Palace Baotou	Baotou	437,925	1,666,068	128,111	1,537,957	—	100
68	Evergrande Metropolis Baotou	Baotou	188,005	642,161	—	328,808	313,353	100
<b>Shanxi Province</b>								
69	Evergrande Oasis Taiyuan	Taiyuan	691,764	1,848,044	665,850	1,182,194	—	100
70	Evergrande Metropolis Taiyuan	Taiyuan	121,746	493,004	—	493,004	—	100
71	Evergrande Scenic Garden Taiyuan	Taiyuan	342,259	798,299	—	—	798,299	85
72	Evergrande Palace Taiyuan	Taiyuan	197,054	412,012	—	412,012	—	100
73	Evergrande Oasis Yuncheng	Yuncheng	67,975	256,387	—	—	256,387	100
<b>Guizhou Province</b>								
74	Evergrande Oasis Guiyang	Guiyang	146,825	309,918	192,361	117,557	—	100
75	Evergrande City Guiyang	Guiyang	248,965	969,218	—	969,218	—	100
76	Evergrande City Zunyi	Zunyi	540,573	2,073,898	—	—	2,073,898	51
<b>Anhui Province</b>								
77	Evergrande Palace Hefei	Hefei	142,578	504,573	297,996	206,577	—	100
78	Evergrande City Hefei	Hefei	310,929	795,520	211,989	583,531	—	100
79	Evergrande Oasis Tongling	Tongling	312,337	873,503	—	—	873,503	100
80	Evergrande Metropolis Huaibei	Huaibei	289,553	854,068	—	—	854,068	100
<b>Hunan Province</b>								
81	Evergrande Palace Changsha	Changsha	144,978	495,207	173,409	321,798	—	100
82	Evergrande Metropolis Changsha	Changsha	185,376	828,806	333,826	494,980	—	100
83	Evergrande City Changsha	Changsha	268,506	567,157	194,541	372,616	—	99.73
84	Evergrande Oasis Changsha	Changsha	144,187	747,484	180,335	567,149	—	100
85	Evergrande Atrium Changsha	Changsha	565,210	1,755,751	—	1,755,751	—	60
86	Evergrande Palace Liuyang	Liuyang	114,639	332,386	—	332,386	—	100
87	Evergrande Palace Chenzhou	Chenzhou	126,112	505,503	—	—	505,503	100
<b>Guangxi Zhuang Autonomous Region</b>								
88	Evergrande Oasis Nanning	Nanning	341,449	812,911	—	812,911	—	100
<b>Henan Province</b>								
89	Evergrande Oasis Zhengzhou	Zhengzhou	553,669	1,603,324	—	—	1,603,324	80
90	Evergrande Metropolis Zhengzhou	Zhengzhou	126,730	962,126	—	962,126	—	100
91	Evergrande Oasis Luoyang	Luoyang	892,080	3,164,544	259,216	1,401,893	1,503,434	100
92	Evergrande Metropolis Xinyang	Xinyang	323,530	760,769	—	760,769	—	85
93	Evergrande Oasis Wugang	Wugang	34,906	115,996	—	—	115,996	100
94	Evergrande Oasis Anyang	Anyang	386,168	422,155	—	—	422,155	100
95	Evergrande Atrium Xinxiang	Xinxiang	79,002	276,476	—	—	276,476	100
<b>Jiangxi Province</b>								
96	Evergrande City Nanchang	Nanchang	976,800	1,529,303	—	1,529,303	—	88
97	Evergrande Oasis Nanchang	Nanchang	1,577,389	1,074,355	60,412	1,013,943	—	100
98	Evergrande Metropolis Jingdezhen	Jingdezhen	205,558	597,186	—	597,186	—	100
99	Evergrande Atrium Xinyu	Xinyu	203,734	682,404	—	682,404	—	100
<b>Hebei Province</b>								
100	Evergrande City Shijiazhuang	Shijiazhuang	245,414	905,979	—	274,669	631,310	100
101	Evergrande Atrium Shijiazhuang	Shijiazhuang	171,198	616,286	—	616,286	—	58
102	Evergrande Oasis Shijiazhuang	Shijiazhuang	176,426	567,685	—	567,685	—	70
103	Evergrande City Qinhuangdao	Qinhuangdao	796,573	1,936,538	—	—	1,936,538	100
104	Evergrande Splendor Luquan	Luquan	446,395	277,451	—	—	277,451	100
<b>Hainan Province</b>								
105	Evergrande Oasis Haikou	Haikou	895,840	2,053,356	—	2,053,356	—	100
106	Evergrande Metropolis Danzhou	Danzhou	126,780	354,402	—	354,402	—	100
107	Evergrande Splendor Danzhou	Danzhou	533,333	210,407	—	—	210,407	100

No.	Project	Location	Site area (m <sup>2</sup> )	Total GFA (m <sup>2</sup> )	GFA (m <sup>2</sup> )			Attributable equity interest (%)
					Completed properties	Properties under development	Properties held for future development	
<i>Shandong Province</i>								
108	Evergrande Metropolis Jinan . . . . .	Jinan	134,118	429,026	—	429,026	—	100
109	Evergrande Oasis Jinan . . . . .	Jinan	678,556	1,951,110	—	963,310	987,800	100
110	Evergrande City Jinan . . . . .	Jinan	479,234	1,707,790	—	—	1,707,790	100
111	Evergrande Splendor Laiwu . . . . .	Laiwu	366,593	156,390	—	156,390	—	100
<i>Shanghai Municipality</i>								
112	Evergrande Palace Shanghai . . . . .	Shanghai	32,970	129,648	—	129,648	—	84
<i>Jilin Province</i>								
113	Evergrande Oasis Changchun . . . . .	Changchun	197,940	618,090	—	618,090	—	100
114	Evergrande City Changchun . . . . .	Changchun	215,377	1,638,400	—	—	1,638,400	100
115	Evergrande Center Changchun . . . . .	Changchun	26,239	305,641	—	—	305,641	100
116	Evergrande Royal Scenic Changchun . . . . .	Changchun	170,324	432,830	—	—	432,830	100
117	Evergrande Palace Jilin . . . . .	Jilin	127,455	281,095	—	281,095	—	100
<i>Gansu Province</i>								
118	Evergrande City Lanzhou . . . . .	Lanzhou	412,052	707,839	—	—	707,839	100
119	Evergrande Oasis Lanzhou . . . . .	Lanzhou	686,641	1,611,869	—	—	1,611,869	100
<i>Ningxia Hui Autonomous Region</i>								
120	Evergrande Metropolis Yinchuan . . . . .	Yinchuan	218,580	437,624	—	—	437,624	100
121	Evergrande Oasis Shizuishan . . . . .	Shizuishan	172,502	620,391	—	—	620,391	100
Total . . . . .			48,794,408	109,602,810	13,599,964	55,795,457	40,207,389	

## Completed Properties

Our completed properties represent all properties we have completed since our inception. As of December 31, 2010, we had completed the development of the following 49 property projects with a total GFA of approximately 13.6 million square meters, of which approximately 11.7 million square meters constitute saleable GFA. As of December 31, 2010, we held an aggregate of 1.1 million square meters of total GFA of our completed properties as investment properties. We set forth below the details of these property projects.

No.	Project	Project phase(s)	Completion time	Total GFA ('000 m <sup>2</sup> )	Attributable equity interest (%)	Saleable GFA ('000 m <sup>2</sup> )	Rentable GFA ('000 m <sup>2</sup> )
1	Jinbi Garden No.1, Guangzhou . . . . .	1-5	Mar 2005	341.7	100	341.7	32.5
2	Jinbi Garden No.2, Guangzhou . . . . .	1-5	Sep 2003	275.5	100	275.5	8.0
3	Jinbi Garden No.3, Guangzhou . . . . .	1-4	May 2007	380.8	100	380.8	13.6
4	Jinbi Palace, Guangzhou. . . . .	1-3	Nov 2004	137.4	100	137.4	19.6
5	Jinbi City Plaza, Guangzhou. . . . .	1	Jun 2006	118.5	100	118.5	23.6
6	Jinbi Emerald Court, Guangzhou . . . . .	1	Dec 2006	53.5	100	53.5	12.4
7	Jinbi New City Garden, Guangzhou . . . . .	1-5	Nov 2008	428.0	100	428.0	39.0
8	Jinbi Century Garden, Guangzhou . . . . .	1-5	Jun 2008	413.0	100	413.0	31.2
9	Jinbi Bay Garden, Guangzhou . . . . .	1-2	Mar 2007	89.3	100	89.3	7.7
10	Jinbi Atrium, Guangzhou . . . . .	1-5	Mar 2007	209.0	100	209.0	24.8
11	Jinbi Junhong Garden, Guangzhou . . . . .	1	Apr 2008	157.6	100	157.6	8.2
12	Evergrande Royal Scenic Peninsula, Guangzhou	1-3, 4 (partial)	Dec 2010	697.8	60	683.1	77.0
13	Evergrande Scenic Garden, Guangzhou. . . . .	1, 2 (partial)	Dec 2010	311.9	100	311.9	67.4
14	Evergrande Oasis Guangzhou . . . . .	1 (partial)	Dec 2010	248.9	100	248.9	30.3
15	Evergrande Splendor Qingyuan . . . . .	1 (partial)	Nov 2010	521.2	100	521.2	—
16	Evergrande Splendor Chongqing . . . . .	1, 2 (partial)	Sep 2010	345.5	100	345.5	84.1
17	Evergrande City Chongqing . . . . .	1 (partial)	Dec 2010	631.4	100	629.4	126.7
18	Evergrande Palace Chongqing . . . . .	1, 2 (partial)	Dec 2010	328.5	100	327.2	55.1
19	Evergrande Metropolis Chongqing . . . . .	1 (partial)	Dec 2010	205.7	100	205.7	3.5
20	Evergrande Oasis Chongqing . . . . .	1 (partial)	Dec 2010	202.0	100	202.0	8.9
21	Evergrande Splendor Tianjin. . . . .	1, 2 (partial)	Dec 2010	294.2	100	294.2	1.6
22	Evergrande Oasis Tianjin . . . . .	1 (partial)	Dec 2010	117.2	100	117.2	—
23	Evergrande Splendor E'zhou. . . . .	1, 2 (partial)	Dec 2010	141.9	100	140.1	—
24	Evergrande Palace Wuhan . . . . .	1, 2 (partial)	Sep 2010	182.4	100	180.5	7.1
25	Evergrande Oasis Wuhan . . . . .	1 (partial)	Dec 2010	373.0	100	363.6	20.6
26	Evergrande City Wuhan . . . . .	1 (partial)	Dec 2010	159.4	100	159.4	10.3
27	Evergrande Metropolis Wuhan . . . . .	1 (partial)	Aug 2010	24.6	100	24.6	—
28	Evergrande Splendor Pengshan . . . . .	1 (partial)	Dec 2010	513.5	100	513.5	—
29	Evergrande Oasis Chengdu . . . . .	1, 2 (partial)	Dec 2010	358.7	100	358.7	31.1
30	Evergrande City Chengdu . . . . .	1, 2 (partial)	Dec 2010	385.0	100	385.0	57.3
31	Evergrande Oasis Shenyang . . . . .	1, 2 (partial)	Dec 2010	489.9	100	488.0	22.3
32	Evergrande City Shenyang . . . . .	1, 2 (partial)	Dec 2010	303.7	100	301.7	22.3
33	Evergrande Metropolis Xi'an . . . . .	1	Dec 2009	303.8	100	303.8	36.5
34	Evergrande Oasis Xi'an . . . . .	1 (partial)	Dec 2010	201.2	100	201.2	30.9
35	Evergrande City Xi'an . . . . .	1 (partial)	Dec 2010	129.7	100	129.7	4.7
36	Evergrande Splendor Nanjing . . . . .	1, 2 (partial)	Dec 2010	306.4	100	306.4	—
37	Evergrande Oasis Nanjing. . . . .	1 (partial)	Dec 2010	151.9	100	151.9	—
38	Evergrande Splendor Kunming . . . . .	1 (partial)	Dec 2010	368.4	100	368.4	—
39	Evergrande Palace Baotou . . . . .	1 (partial)	Dec 2010	128.1	100	128.1	—
40	Evergrande Oasis Taiyuan . . . . .	1 (partial)	Dec 2010	665.9	100	665.9	134.3
41	Evergrande Oasis Guiyang . . . . .	1 (partial)	Dec 2010	192.4	100	192.4	—
42	Evergrande Palace Hefei. . . . .	1 (partial)	Jun 2010	298.0	100	298.0	—
43	Evergrande City Hefei . . . . .	1 (partial)	Dec 2010	212.0	100	212.0	—
44	Evergrande Palace Changsha. . . . .	1 (partial)	Dec 2010	173.4	100	173.4	—
45	Evergrande Metropolis Changsha. . . . .	1 (partial)	Dec 2010	333.8	100	333.8	5.1
46	Evergrande City Changsha . . . . .	1 (partial)	Dec 2010	194.5	99.73	194.5	5.3
47	Evergrande Oasis Changsha . . . . .	1 (partial)	Dec 2010	180.3	100	180.3	—
48	Evergrande Oasis Luoyang . . . . .	1 (partial)	Dec 2010	259.2	100	259.2	—
49	Evergrande Oasis Nanchang . . . . .	1 (partial)	Dec 2010	60.4	100	60.4	4.7
Total . . . . .				<u>13,600.0</u>		<u>11,661.0</u>	<u>1,052.4</u>

In addition, through the purchase of the equity interest in the holding company, we acquired in December 2010 an office tower located at the central business district of Pearl River New Town in Guangzhou. We have named the office tower “Evergrande Center.” It occupies a total site area of approximately 7,106 square meters with an aggregate total GFA of approximately 117,663 square meters. This project was completed and delivered in December 2010.

For all of our completed projects, we have received the land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion.

## Properties Under Development

For all of our property projects under development, we have received the land use rights certificates. With respect to “GFA with construction permits” or “GFA under construction,” we had obtained the relevant construction land planning permits, construction works planning permits and construction permits or governmental approval for early construction as of the date specified. Some of them had also received pre-sale permits. With respect to “GFA without construction permits,” we had yet to obtain some or all of the relevant construction land planning permits, construction works planning permits and construction permits as of the date specified. “GFA under development with pre-sale permits” means GFA with construction permits and pre-sale permits. “GFA under development without pre-sale permits” means GFA with construction permits but without pre-sale permits.

As of December 31, 2010, we had 76 property projects under development with a total GFA of approximately 55.8 million square meters. We set forth in the table below details of these property projects.

Project	Total GFA ('000 m <sup>2</sup> )			Attributable equity interest (%)	Saleable GFA ('000 m <sup>2</sup> )	Actual or estimated construction commencement time	Actual or estimated pre-sale commencement time
	GFA with construction permits	GFA without construction permits	Subtotal				
<b>Guangdong Province</b>							
1 Jinbi Junhong Garden . . . . .	39.4	—	39.4	100	28.2	Sep 2009	—
2 Evergrande Royal Scenic Peninsula . . . . .	381.6	—	381.6	60	365.0	Mar 2005	Oct 2007
3 Evergrande Scenic Garden . . . . .	443.8	—	443.8	100	439.0	Mar 2007	Sep 2008
4 Evergrande Oasis Guangzhou . . . . .	235.8	—	235.8	100	228.2	Oct 2008	Oct 2009
5 Evergrande Metropolis Foshan . . . . .	221.5	640.4	861.9	100	859.8	Apr 2008	May 2010
6 Evergrande Splendor Qingyuan . . . . .	1,038.5	1,010.1	2,048.6	100	2,035.4	Dec 2007	Jan 2009
7 Evergrande Oasis Zhongshan. . . . .	—	445.4	445.4	100	443.2	Jul 2010	Mar 2011
<b>Chongqing Municipality</b>							
8 Evergrande Splendor Chongqing . . . . .	451.8	16.0	467.8	100	465.9	May 2007	Sep 2008
9 Evergrande City Chongqing . . . . .	537.4	11.2	548.6	100	528.2	Jan 2008	Sep 2008
10 Evergrande Palace Chongqing . . . . .	50.1	—	50.1	100	48.6	Aug 2007	May 2008
11 Evergrande Oasis Chongqing . . . . .	28.3	94.0	122.3	100	122.3	Jan 2008	Oct 2009
12 Evergrande Metropolis Chongqing . . . . .	248.4	91.8	340.2	100	340.2	Apr 2008	Aug 2009
13 Evergrande Atrium Chongqing . . . . .	209.1	187.4	396.5	100	394.5	Dec 2010	Jun 2011
<b>Tianjin Municipality</b>							
14 Evergrande Splendor Tianjin. . . . .	89.4	—	89.4	100	79.6	Sep 2007	Sep 2008
15 Evergrande Oasis Tianjin . . . . .	668.7	—	668.7	100	659.4	Jan 2010	Jun 2010
<b>Hubei Province</b>							
16 Evergrande Splendor E'zhou . . . . .	608.9	197.4	806.3	100	802.2	Jun 2007	Sep 2008
17 Evergrande Palace Wuhan. . . . .	178.1	204.2	382.2	100	380.3	Jun 2007	Apr 2008
18 Evergrande Oasis Wuhan . . . . .	409.9	21.0	430.9	100	421.0	Oct 2007	Jun 2009
19 Evergrande City Wuhan . . . . .	84.3	535.5	619.8	100	589.0	Dec 2007	Mar 2009
20 Evergrande Metropolis Wuhan. . . . .	616.1	172.4	788.5	100	786.6	May 2010	Oct 2010
21 Evergrande Oasis Yichang . . . . .	344.7	174.9	519.7	100	518.8	Jul 2010	Oct 2010
<b>Sichuan Province</b>							
22 Evergrande Splendor Pengshan . . . . .	482.4	285.4	767.8	100	765.5	Dec 2007	Jun 2009
23 Evergrande Oasis Chengdu . . . . .	116.6	154.2	270.7	100	268.7	Apr 2007	Apr 2008
24 Evergrande City Chengdu. . . . .	313.8	—	313.7	100	311.7	Aug 2007	Jul 2008
25 Evergrande Scenic Garden Chengdu. . . . .	143.5	66.9	210.4	100	210.4	Mar 2010	Jun 2010
26 Evergrande Royal Scenic Peninsula Chengdu . . . . .	642.4	—	642.4	100	637.0	May 2010	Nov 2010
27 Evergrande Metropolis Chengdu . . . . .	344.1	—	344.1	100	344.1	Jan 2010	Jul 2010
28 Evergrande Oasis Nanchong . . . . .	291.1	66.1	357.2	100	355.8	Nov 2010	Feb 2011
<b>Liaoning Province</b>							
29 Evergrande Oasis Shenyang . . . . .	333.9	147.7	481.7	100	479.7	Jun 2007	Dec 2007
30 Evergrande City Shenyang . . . . .	355.7	200.3	556.0	100	554.1	Dec 2007	Sep 2008
31 Evergrande Metropolis Shenyang. . . . .	503.1	625.1	1,128.2	100	1,128.2	Mar 2010	Aug 2010
32 Evergrande Palace Shenyang. . . . .	210.7	—	210.7	100	210.7	Mar 2010	Oct 2010
33 Evergrande Oasis Liaoyang. . . . .	599.1	—	599.1	100	599.1	Sep 2010	Nov 2010
34 Evergrande Bay Shenyang . . . . .	150.6	170.1	320.7	100	318.7	Jun 2010	Jan 2011
<b>Shaanxi Province</b>							
35 Evergrande Oasis Xi'an . . . . .	263.0	138.0	400.9	100	399.0	Nov 2007	Sep 2008
36 Evergrande City Xi'an . . . . .	605.1	—	605.1	100	599.8	Sep 2009	Oct 2009

Project	Total GFA ('000 m <sup>2</sup> )			Attributable equity Interest (%)	Saleable GFA ('000 m <sup>2</sup> )	Actual or estimated construction commencement time	Actual or estimated pre-sale commencement time
	GFA with construction permits	GFA without construction permits	Subtotal				
<b>Jiangsu Province</b>							
37 Evergrande Splendor Nanjing	153.4	649.0	802.4	100	798.1	Aug 2007	Sep 2008
38 Evergrande Oasis Nanjing	155.9	—	155.9	100	151.9	Dec 2007	Sep 2008
39 Evergrande Splendor Qidong	891.6	11,065.4	11,957.0	100	11,913.3	Mar 2010	May 2011
40 Evergrande Metropolis Huai'an	335.1	38.8	373.9	100	372.1	Mar 2010	Oct 2010
<b>Yunnan Province</b>							
41 Evergrande Splendor Kunming	533.0	24.4	557.4	100	555.3	Nov 2007	Sep 2008
42 Evergrande Metropolis Qujing	172.6	—	172.6	100	172.6	Nov 2010	Apr 2011
<b>Inner Mongolia Autonomous Region</b>							
43 Evergrande Palace Baotou	365.4	1,172.6	1,538.0	100	1,534.2	Nov 2008	Aug 2009
44 Evergrande Metropolis Baotou	127.8	201.0	328.8	100	326.8	Apr 2010	Jan 2011
<b>Shanxi Province</b>							
45 Evergrande Oasis Taiyuan	269.9	912.3	1,182.2	100	1,173.4	Dec 2007	Sep 2008
46 Evergrande Metropolis Taiyuan	374.8	118.2	493.0	100	483.9	Aug 2009	Jun 2010
47 Evergrande Palace Taiyuan	—	412.0	412.0	100	403.0	Sep 2010	Sep 2011
<b>Guizhou Province</b>							
48 Evergrande Oasis Guiyang	117.6	—	117.6	100	115.6	Dec 2007	Sep 2009
49 Evergrande City Guiyang	492.9	476.3	969.2	100	960.0	Apr 2010	Oct 2010
<b>Anhui Province</b>							
50 Evergrande Palace Hefei	206.6	—	206.6	100	204.7	Feb 2008	Jun 2009
51 Evergrande City Hefei	159.5	424.1	583.5	100	576.8	Sep 2009	May 2010
<b>Hunan Province</b>							
52 Evergrande Palace Changsha	271.6	50.2	321.8	100	318.4	Jan 2008	Jan 2009
53 Evergrande Metropolis Changsha	401.1	93.9	495.0	100	495.0	Aug 2008	May 2009
54 Evergrande City Changsha	305.2	67.4	372.6	99.73	372.6	Aug 2009	Jan 2010
55 Evergrande Oasis Changsha	216.9	350.2	567.1	100	564.0	Sep 2009	Jan 2010
56 Evergrande Atrium Changsha	484.2	1,271.5	1,755.8	100	1,721.1	Feb 2010	Jul 2010
57 Evergrande Palace Liuyang	298.3	34.1	332.4	100	332.4	Aug 2010	Feb 2011
<b>Guangxi Zhuang Autonomous Region</b>							
58 Evergrande Oasis Nanning	—	812.9	812.9	100	812.9	—	—
<b>Henan Province</b>							
59 Evergrande Metropolis Zhengzhou	194.5	767.6	962.1	100	962.1	Jun 2010	Nov 2010
60 Evergrande Oasis Luoyang	531.9	870.0	1,401.9	100	1,374.3	Jan 2008	Oct 2009
61 Evergrande Metropolis Xinyang	760.8	—	760.8	85	758.8	Jul 2010	Nov 2010
<b>Jiangxi Province</b>							
62 Evergrande City Nanchang	—	1,529.3	1,529.3	88	1,517.4	Apr 2011	Oct 2011
63 Evergrande Oasis Nanchang	609.6	404.3	1,013.9	100	1,009.6	Nov 2009	May 2010
64 Evergrande Metropolis Jingdezhen	218.3	378.9	597.2	100	595.3	Dec 2010	Jun 2011
65 Evergrande Atrium Xinyu	376.4	306.1	682.4	100	680.4	Nov 2010	May 2011
<b>Hebei Province</b>							
66 Evergrande City Shijiazhuang	264.3	10.4	274.7	100	265.5	Oct 2009	Apr 2010
67 Evergrande Atrium Shijiazhuang	—	616.3	616.3	57.5	606.5	May 2010	Jan 2011
68 Evergrande Oasis Shijiazhuang	413.3	154.3	567.7	100	558.5	Mar 2010	Sep 2010
<b>Hainan Province</b>							
69 Evergrande Oasis Haikou	—	2,053.4	2,053.4	100	2,041.4	May 2010	Apr 2011
70 Evergrande Metropolis Danzhou	354.4	—	354.4	100	352.2	Nov 2010	May 2011
<b>Shandong Province</b>							
71 Evergrande Metropolis Jinan	385.3	43.7	429.0	100	407.0	Mar 2010	Jul 2010
72 Evergrande Oasis Jinan	662.0	301.3	963.3	100	947.7	Feb 2010	Jul 2010
73 Evergrande Splendor Laiwu	156.4	—	156.4	100	156.4	Dec 2010	Jun 2011
<b>Shanghai Municipality</b>							
74 Evergrande Palace Shanghai	—	129.6	129.6	84	129.6	Aug 2011	Oct 2012
<b>Jilin Province</b>							
75 Evergrande Oasis Changchun	375.4	242.7	618.1	100	617.7	Jun 2010	Oct 2010
76 Evergrande Palace Jilin	93.3	187.8	281.1	100	278.7	Dec 2010	Jun 2011
Total	23,970.0	31,825.6	55,795.5		55,335.0		

- (1) We have entered into a co-development agreement with Chow Tai Fook Group affiliates for the development of this project. For further details, you may refer to the sections entitled “— Project Description – Guangdong Province — (8) Evergrande Metropolis Foshan” and “— Project Description – Hubei Province — (23) Evergrande Palace Wuhan” below.



The construction commencement time in the table above is derived from the relevant construction permits or the governmental approval for early construction.

### ***Total Saleable GFA under Construction***

Total saleable GFA under construction refers to total GFA with construction permits that is currently undergoing construction, excluding non-saleable GFA.

As of December 31, 2010, we had a total saleable GFA under construction of approximately 23.7 million square meters, of which approximately 4.1 million square meters had been pre-sold, approximately 4.5 million square meters remained unsold, and approximately 15.1 million square meters with respect to which we had not obtained pre-sale permits. We set forth below the details of these property projects.

<b>Project</b>	<b>Saleable GFA under construction ('000 m<sup>2</sup>)</b>			<b>Total saleable GFA under construction</b>
	<b>With pre-sale permits</b>		<b>Without pre-sale permits</b>	
	<b>Pre-sold</b>	<b>Unsold</b>		
1. Jinbi Junhong Garden . . . . .	—	—	39.4	39.4
2. Evergrande Royal Scenic Peninsula . . . . .	—	26.1	353.6	379.7
3. Evergrande Scenic Garden . . . . .	56.7	60.6	321.7	439.0
4. Evergrande Oasis Guangzhou . . . . .	37.0	76.6	114.6	228.2
5. Evergrande Metropolis Foshan . . . . .	—	—	221.5	221.5
6. Evergrande Splendor Qingyuan . . . . .	37.8	62.1	925.4	1,025.3
7. Evergrande Splendor Chongqing . . . . .	113.5	121.1	215.4	449.9
8. Evergrande City Chongqing . . . . .	114.8	108.9	298.2	521.9
9. Evergrande Palace Chongqing . . . . .	—	25.0	23.6	48.6
10. Evergrande Oasis Chongqing . . . . .	—	—	28.3	28.3
11. Evergrande Metropolis Chongqing . . . . .	90.5	14.8	143.1	248.4
12. Evergrande Atrium Chongqing . . . . .	56.3	59.0	93.9	209.1
13. Evergrande Splendor Tianjin . . . . .	—	21.2	58.4	79.6
14. Evergrande Oasis Tianjin . . . . .	13.3	43.5	602.7	659.4
15. Evergrande Splendor E'zhou . . . . .	7.1	106.3	495.5	608.9
16. Evergrande Palace Wuhan . . . . .	—	—	178.1	178.1
17. Evergrande Oasis Wuhan . . . . .	28.9	78.9	294.9	402.7
18. Evergrande City Wuhan . . . . .	45.3	18.2	20.8	84.3
19. Evergrande Metropolis Wuhan . . . . .	72.6	117.6	423.9	614.1
20. Evergrande Oasis Yichang . . . . .	77.2	89.0	178.6	344.7
21. Evergrande Splendor Pengshan . . . . .	70.6	16.6	393.0	480.1
22. Evergrande Oasis Chengdu . . . . .	68.2	21.2	25.2	114.6
23. Evergrande City Chengdu . . . . .	75.7	109.8	126.4	311.8
24. Evergrande Scenic Garden Chengdu . . . . .	—	143.5	—	143.5
25. Evergrande Royal Scenic Peninsula Chengdu . . . . .	—	232.3	410.1	642.4
26. Evergrande Metropolis Chengdu . . . . .	—	140.8	198.1	338.9
27. Evergrande Oasis Nanchong . . . . .	—	—	291.1	291.1
28. Evergrande Oasis Shenyang . . . . .	17.2	52.4	264.3	333.9
29. Evergrande City Shenyang . . . . .	171.4	134.8	47.6	353.7
30. Evergrande Metropolis Shenyang . . . . .	160.2	77.0	265.9	503.1
31. Evergrande Palace Shenyang . . . . .	6.1	61.5	143.1	210.7
32. Evergrande Oasis Liaoyang . . . . .	53.0	85.4	457.7	596.0
33. Evergrande Bay Shenyang . . . . .	—	37.4	113.3	150.6
34. Evergrande Oasis Xi'an . . . . .	94.6	3.5	163.0	261.1
35. Evergrande City Xi'an . . . . .	294.4	80.0	225.4	599.8
36. Evergrande Splendor Nanjing . . . . .	2.1	64.8	86.5	153.4
37. Evergrande Oasis Nanjing . . . . .	—	1.6	150.4	152.0
38. Evergrande Splendor Qidong . . . . .	—	—	891.6	891.6
39. Evergrande Metropolis Huai'an . . . . .	25.4	169.9	139.9	335.1
40. Evergrande Splendor Kunming . . . . .	268.0	180.5	82.4	530.9
41. Evergrande Metropolis Qujing . . . . .	—	—	170.7	170.7
42. Evergrande Palace Baotou . . . . .	169.1	88.7	107.6	365.4
43. Evergrande Metropolis Baotou . . . . .	—	—	127.8	127.8
44. Evergrande Oasis Taiyuan . . . . .	200.6	62.4	—	263.0

Project	Saleable GFA under construction ('000 m <sup>2</sup> )			Total saleable GFA under construction
	With pre-sale permits		Without pre-sale permits	
	Pre-sold	Unsold		
45. Evergrande Metropolis Taiyuan . . . . .	115.0	31.9	227.9	374.8
46. Evergrande Oasis Guiyang . . . . .	25.2	47.0	43.4	115.6
47. Evergrande City Guiyang . . . . .	45.9	111.9	335.2	492.9
48. Evergrande Palace Hefei . . . . .	35.3	135.0	34.4	204.7
49. Evergrande City Hefei . . . . .	24.3	7.1	128.0	159.5
50. Evergrande Palace Changsha . . . . .	43.2	94.7	130.2	268.2
51. Evergrande Metropolis Changsha . . . . .	80.0	114.1	200.5	394.7
52. Evergrande City Changsha . . . . .	6.7	48.8	239.5	295.1
53. Evergrande Oasis Changsha . . . . .	78.8	44.1	90.9	213.8
54. Evergrande Atrium Changsha . . . . .	183.0	98.3	168.2	449.5
55. Evergrande Palace Liuyang . . . . .	27.7	108.2	162.4	298.3
56. Evergrande Metropolis Zhengzhou . . . . .	64.0	85.1	45.4	194.5
57. Evergrande Oasis Luoyang . . . . .	64.4	40.7	426.8	531.9
58. Evergrande Metropolis Xinyang . . . . .	67.9	55.7	635.2	758.8
59. Evergrande Oasis Nanchang . . . . .	39.7	187.3	378.9	605.8
60. Evergrande Metropolis Jingdezhen . . . . .	—	—	218.3	218.3
61. Evergrande Atrium Xinyu . . . . .	—	—	374.2	374.2
62. Evergrande City Shijiazhuang . . . . .	228.9	1.3	32.2	262.3
63. Evergrande Oasis Shijiazhuang . . . . .	91.3	163.8	158.3	413.3
64. Evergrande Metropolis Danzhou . . . . .	—	136.2	218.2	354.4
65. Evergrande Metropolis Jinan . . . . .	175.9	3.3	184.0	363.3
66. Evergrande Oasis Jinan . . . . .	220.0	118.6	307.8	646.4
67. Evergrande Splendor Laiwu . . . . .	—	—	156.4	156.4
68. Evergrande Oasis Changchun . . . . .	93.5	82.7	199.2	375.4
69. Evergrande Palace Jilin . . . . .	—	—	93.3	93.3
Total . . . . .	4,138.0	4,508.3	15,101.3	23,747.6

***Total GFA under Construction and Delivery Schedule of Saleable GFA under Construction***

As of December 31, 2010, we had a total GFA under construction of approximately 24.0 million square meters and a total saleable GFA under construction of 23.7 million square meters.

Project	Total GFA under construction ('000 m <sup>2</sup> )	Total Saleable GFA under construction ('000 m <sup>2</sup> )	Estimated completion date of saleable GFA under construction ('000 m <sup>2</sup> )		
			2011	2012	Total
			1. Jinbi Junhong Garden . . . . .	39.4	39.4
2. Evergrande Royal Scenic Peninsula . . . . .	381.6	379.7	182.7	197.0	379.7
3. Evergrande Scenic Garden . . . . .	443.8	439.0	395.9	43.1	439.0
4. Evergrande Oasis Guangzhou . . . . .	235.8	228.2	222.3	5.8	228.2
5. Evergrande Metropolis Foshan . . . . .	221.5	221.5	—	221.5	221.5
6. Evergrande Splendor Qinyuan . . . . .	1,038.5	1,025.3	479.5	545.8	1,025.3
7. Evergrande Splendor Chongqing . . . . .	451.8	449.9	208.9	241.0	449.9
8. Evergrande City Chongqing . . . . .	537.4	521.9	151.4	370.5	521.9
9. Evergrande Palace Chongqing . . . . .	50.1	48.6	33.5	15.1	48.6
10. Evergrande Oasis Chongqing . . . . .	28.3	28.3	28.3	—	28.3
11. Evergrande Metropolis Chongqing . . . . .	248.4	248.4	163.4	84.9	248.4
12. Evergrande Atrium Chongqing . . . . .	209.1	209.1	164.5	44.7	209.1
13. Evergrande Splendor Tianjin . . . . .	89.4	79.6	79.6	—	79.6
14. Evergrande Oasis Tianjin . . . . .	668.7	659.4	459.1	200.3	659.4
15. Evergrande Splendor E'zhou . . . . .	608.9	608.9	48.7	560.2	608.9
16. Evergrande Palace Wuhan . . . . .	178.1	178.1	—	178.1	178.1
17. Evergrande Oasis Wuhan . . . . .	409.9	402.7	351.3	51.3	402.7
18. Evergrande City Wuhan . . . . .	84.3	84.3	66.3	18.0	84.3
19. Evergrande Metropolis Wuhan . . . . .	616.1	614.1	239.0	375.1	614.1
20. Evergrande Oasis Yichang . . . . .	344.7	344.7	208.4	136.3	344.7
21. Evergrande Splendor Pengshan . . . . .	482.4	480.1	200.9	279.2	480.1
22. Evergrande Oasis Chengdu . . . . .	116.6	114.6	71.8	42.8	114.6
23. Evergrande City Chengdu . . . . .	313.8	311.8	156.7	155.1	311.8

Project	Total GFA under construction ('000 m <sup>2</sup> )	Total Saleable GFA under construction ('000 m <sup>2</sup> )	Estimated completion date of saleable GFA under construction ('000 m <sup>2</sup> )		
			2011	2012	Total
24. Evergrande Scenic Garden Chengdu . . . . .	143.5	143.5	143.5	—	143.5
25. Evergrande Royal Scenic Peninsula Chengdu . . . . .	642.4	642.4	242.4	400.0	642.4
26. Evergrande Metropolis Chengdu . . . . .	344.1	338.9	157.7	181.2	338.9
27. Evergrande Oasis Nanchong . . . . .	291.1	291.1	180.0	111.1	291.1
28. Evergrande Oasis Shenyang . . . . .	333.9	333.9	185.0	148.9	333.9
29. Evergrande City Shenyang . . . . .	355.7	353.7	248.5	105.2	353.7
30. Evergrande Metropolis Shenyang . . . . .	503.1	503.1	291.4	211.7	503.1
31. Evergrande Palace Shenyang . . . . .	210.7	210.7	73.8	136.9	210.7
32. Evergrande Oasis Liaoning . . . . .	599.1	596.0	104.8	491.2	596.0
33. Evergrande Bay Shenyang . . . . .	150.6	150.6	—	150.6	150.6
34. Evergrande Oasis Xi'an . . . . .	263.0	261.1	68.1	193.0	261.1
35. Evergrande City Xi'an . . . . .	605.1	599.8	430.6	169.2	599.8
36. Evergrande Splendor Nanjing . . . . .	153.4	153.4	146.3	7.1	153.4
37. Evergrande Oasis Nanjing . . . . .	155.9	152.0	35.5	116.5	152.0
38. Evergrande Splendor Qidong . . . . .	891.6	891.6	87.7	803.9	891.6
39. Evergrande Metropolis Huai'an . . . . .	335.1	335.1	202.1	133.1	335.1
40. Evergrande Splendor Kunming . . . . .	533.0	530.9	312.8	218.1	530.9
41. Evergrande Metropolis Qijing . . . . .	172.6	170.7	49.6	121.1	170.7
42. Evergrande Palace Baotou . . . . .	365.4	365.4	259.4	106.0	365.4
43. Evergrande Metropolis Baotou . . . . .	127.8	127.8	62.9	64.9	127.8
44. Evergrande Oasis Taiyuan . . . . .	269.9	263.0	223.4	39.6	263.0
45. Evergrande Metropolis Taiyuan . . . . .	374.8	374.8	149.5	225.3	374.8
46. Evergrande Oasis Guiyang . . . . .	117.6	115.6	97.0	18.6	115.6
47. Evergrande City Guiyang . . . . .	492.9	492.9	188.8	304.1	492.9
48. Evergrande Palace Hefei . . . . .	206.6	204.7	172.7	31.9	204.7
49. Evergrande City Hefei . . . . .	159.5	159.5	94.1	65.4	159.5
50. Evergrande Palace Changsha . . . . .	271.6	268.2	139.0	129.2	268.2
51. Evergrande Metropolis Changsha . . . . .	401.1	394.7	254.4	140.2	394.7
52. Evergrande City Changsha . . . . .	305.2	295.1	32.1	263.0	295.1
53. Evergrande Oasis Changsha . . . . .	216.9	213.8	163.2	50.6	213.8
54. Evergrande Atrium Changsha . . . . .	484.2	449.5	283.7	165.9	449.5
55. Evergrande Palace Liuyang . . . . .	298.3	298.3	108.1	190.2	298.3
56. Evergrande Metropolis Zhengzhou . . . . .	194.5	194.5	194.5	—	194.5
57. Evergrande Oasis Luoyang . . . . .	531.9	531.9	283.2	248.7	531.9
58. Evergrande Metropolis Xinyang . . . . .	760.8	758.8	155.8	603.0	758.8
59. Evergrande Oasis Nanchang . . . . .	609.6	605.8	274.5	331.4	605.8
60. Evergrande Metropolis Jingdezhen . . . . .	218.3	218.3	216.1	2.2	218.3
61. Evergrande Atrium Xinyu . . . . .	376.4	374.2	133.6	240.6	374.2
62. Evergrande City Shijiazhuang . . . . .	264.3	262.3	262.3	—	262.3
63. Evergrande Oasis Shijiazhuang . . . . .	413.3	413.3	266.0	147.3	413.3
64. Evergrande Metropolis Danzhou . . . . .	354.4	354.4	212.8	141.6	354.4
65. Evergrande Metropolis Jinan . . . . .	385.3	363.3	204.2	159.1	363.3
66. Evergrande Oasis Jinan . . . . .	662.0	646.4	307.7	338.7	646.4
67. Evergrande Splendor Laiwu . . . . .	156.4	156.4	67.3	89.1	156.4
68. Evergrande Oasis Changchun . . . . .	375.4	375.4	68.5	306.9	375.4
69. Evergrande Palace Jilin . . . . .	93.3	93.3	—	93.3	93.3
Total . . . . .	<u>23,970.0</u>	<u>23,747.6</u>	<u>11,786.2</u>	<u>11,961.4</u>	<u>23,747.6</u>

## ***Properties Held for Future Development***

We had 55 projects held for future development as of December 31, 2010. These properties were meant for future development and had an aggregate site area of approximately 15.7 million square meters and an estimated total GFA of 40.2 million square meters as of December 31, 2010.

We set forth in the table below further information about our properties held for future development as of December 31, 2010. The total GFA with respect to each project included in our properties held for future development represents estimates by our management on the basis of our current development plans formulated pursuant to the relevant land grant contracts.

<b>Project</b>	<b>Location</b>	<b>Site area (m<sup>2</sup>)</b>	<b>Total estimated GFA (m<sup>2</sup>)</b>	<b>Attributable equity interest (%)</b>
<b><i>Guangdong Province</i></b>				
1. Jinbi Garden No. 2 Phase 6 . . . . .	Guangzhou	7,932	30,201	100
2. Jinbi Garden No. 3 Phase 5 . . . . .	Guangzhou	26,590	79,545	100
3. Evergrande Royal Scenic Bay . . . . .	Foshan	60,491	229,902	100
4. Evergrande City Yunfu. . . . .	Yunfu	107,282	263,269	100
<b><i>Chongqing Municipality</i></b>				
5. Evergrande Oasis Chongqing . . . . .	Chongqing	38,307	137,782	100
6. Evergrande Metropolis Chongqing . . . . .	Chongqing	102,265	295,993	100
7. Evergrande Atrium Chongqing . . . . .	Chongqing	230,186	787,437	100
8. Evergrande Scenic Garden Fuling . . . . .	Chongqing	197,054	510,285	100
<b><i>Tianjin Municipality</i></b>				
9. Evergrande Splendor Tianjin . . . . .	Tianjin	821,638	258,135	
10. Evergrande Oasis Tianjin . . . . .	Tianjin	181,064	337,141	100
11. Evergrande Scenic Garden Tianjin . . . . .	Tianjin	303,657	323,453	100
<b><i>Hubei Province</i></b>				
12. Evergrande Splendor E'zhou . . . . .	E'zhou	656,733	1,062,493	100
13. Evergrande Oasis Wuhan . . . . .	Wuhan	43,875	11,964	100
14. Evergrande City Wuhan . . . . .	Wuhan	10,097	70,299	100
<b><i>Sichuan Province</i></b>				
15. Evergrande Scenic Garden Chengdu. . . . .	Chengdu	1,175,605	723,123	100
16. Evergrande Royal Scenic Peninsula Chengdu. . . . .	Chengdu	781,831	2,349,653	100
17. Evergrande Atrium Chengdu . . . . .	Chengdu	43,540	340,374	100
18. Evergrande Oasis Zigong . . . . .	Zigong	216,449	728,957	100
<b><i>Liaoning Province</i></b>				
19. Evergrande Oasis Shenyang . . . . .	Shenyang	262,485	1,136,348	100
20. Evergrande City Shenyang . . . . .	Shenyang	23,903	27,767	100
21. Evergrande Oasis Liaoyang. . . . .	Liaoyang	253,287	828,145	100
22. Evergrande Bay Shenyang . . . . .	Shenyang	105,263	225,204	100
23. Evergrande Oasis Anshan . . . . .	Anshan	352,910	1,251,787	100
24. Evergrande Oasis Yingkou . . . . .	Yingkou	445,843	1,487,418	100
25. Evergrande City Yingkou . . . . .	Yingkou	364,074	1,254,939	100
26. Evergrande Palace Panjin . . . . .	Panjin	301,934	923,897	100
27. Evergrande Palace Fushun . . . . .	Fushun	218,874	1,198,500	100
<b><i>Jiangsu Province</i></b>				
28. Evergrande Metropolis Huai'an . . . . .	Huai'an	180,929	544,414	100
29. Evergrande Metropolis Danyang . . . . .	Danyang	282,022	853,024	100
30. Evergrande Palace Suqian. . . . .	Suqian	238,187	833,654	100
<b><i>Inner Mongolia Autonomous Region</i></b>				
31. Evergrande Metropolis Baotou . . . . .	Baotou	33,154	313,353	100
<b><i>Shanxi Province</i></b>				
32. Evergrande Scenic Garden Taiyuan . . . . .	Taiyuan	342,259	798,299	85
33. Evergrande Oasis Yuncheng . . . . .	Yuncheng	67,975	256,387	100

<b>Project</b>	<b>Location</b>	<b>Site area (m<sup>2</sup>)</b>	<b>Total estimated GFA (m<sup>2</sup>)</b>	<b>Attributable equity interest (%)</b>
<b>Guizhou Province</b>				
34. Evergrande City Zunyi . . . . .	Zunyi	540,573	2,073,898	51
<b>Anhui Province</b>				
35. Evergrande Oasis Tongling . . . . .	Tongling	312,337	873,503	100
36. Evergrande Metropolis Huaibei . . . . .	Huaibei	289,553	854,068	100
<b>Hunan Province</b>				
37. Evergrande Palace Chenzhou. . . . .	Chenzhou	126,112	505,503	100
<b>Henan Province</b>				
38. Evergrande Oasis Zhengzhou . . . . .	Zhengzhou	553,669	1,603,324	80
39. Evergrande Oasis Luoyang . . . . .	Luoyang	306,525	1,503,434	100
40. Evergrande Oasis Wugang . . . . .	Wugang	34,906	115,996	100
41. Evergrande Oasis Anyang. . . . .	Anyang	386,168	422,155	100
42. Evergrande Atrium Xinxiang. . . . .	Xinxiang	79,002	276,476	100
<b>Hebei Province</b>				
43. Evergrande City Shijiazhuang . . . . .	Shijiazhuang	195,413	631,310	100
44. Evergrande City Qinhuangdao . . . . .	Qinhuangdao	796,573	1,936,538	100
45. Evergrande Splendor Luquan. . . . .	Luquan	446,395	277,451	100
<b>Hainan Province</b>				
46. Evergrande Splendor Danzhou. . . . .	Danzhou	533,333	210,407	100
<b>Shandong Province</b>				
47. Evergrande Oasis Jinan . . . . .	Jinan	199,813	987,800	100
48. Evergrande City Jinan . . . . .	Jinan	479,234	1,707,790	100
<b>Jilin Province</b>				
49. Evergrande City Changchun . . . . .	Changchun	215,377	1,638,400	100
50. Evergrande Center Changchun. . . . .	Changchun	26,239	305,641	100
51. Evergrande Royal Scenic Changchun . . . . .	Changchun	196,563	432,830	100
<b>Gansu Province</b>				
52. Evergrande City Lanzhou . . . . .	Lanzhou	412,052	707,839	100
53. Evergrande Oasis Lanzhou . . . . .	Lanzhou	686,641	1,611,869	100
<b>Ningxia Hui Autonomous Region</b>				
54. Evergrande Metropolis Yinchuan . . . . .	Yinchuan	218,580	437,624	100
55. Evergrande Oasis Shizuishan. . . . .	Shizuishan	172,502	620,391	100
Total . . . . .		<u>15,685,253</u>	<u>40,207,389</u>	

For all of our projects held for future development, we had entered into a land grant contract or a land transaction confirmation letter. We had not, however, received the land use rights certificates, construction land planning permits, construction works planning permits and construction permits as of December 31, 2010.

### **Product Series**

Over the years, we have developed and introduced various distinctive product series to the market, including:

- *Mid- to mid-high-end series.* This series consists mainly of products within our Evergrande Oasis (恒大綠洲) series, Evergrande Metropolis (恒大名都) series, Evergrande City (恒大城) series and Evergrande Atrium (恒大雅苑) series. We target for properties of this series to account for approximately 70% of the number of our current projects. They are positioned as large residential complexes with a full range of ancillary facilities and services. Typically located in the sub-central urban areas with comprehensive infrastructure and easy

transportation network, these projects generally include multi-storey, mid-rise, mid-to-high-rise and high-rise apartments. They are usually equipped with large clubhouses, sports centers, kindergartens, commercial streets and other living facilities.

- *High-end series.* This series consists mainly of products of Evergrande Palace (恒大华府) series and Evergrande Royal Scenic (恒大御景) series. We target for properties of this series to account for approximately 10% of the number of our current projects. They are positioned as high-end urban residential projects targeting high-income residents. Typically situated in the prime locations of existing urban areas, or areas with significant future value appreciation potential within large cities, these projects generally include garden houses and condominiums. Most of them are large units with the highest and most luxury design and construction standards. Usually, these projects are fully equipped with facilities and services of superior standard, including large luxurious clubhouse, commerce and education facilities.
- *Tourism-related series.* This series consists mainly of products of Evergrande Splendor (恒大金碧天下) series and Evergrande Scenic Garden (恒大山水城) series. We target for properties of this series to account for approximately 20% of the number of our current projects. They are positioned as large resort projects offering a mix of tourism, resort, commercial and residential-related properties. Typically located in or close to the key transportation network within urban cities with population of over five million, and in areas with beautiful natural surroundings of rivers, lakes or mountains, and unique eco landscape resources, these projects generally include low-density houses, garden houses, mid-rise and high-rise apartments. They are usually equipped with comprehensive ancillary facilities with a total GFA of over 100,000 square meters which include upscale hotels, conference centers, health centers, entertainment centers, food centers, commercial centers, sports centers and regional public transportation systems.
- *Completed projects prior to 2008.* Our projects completed prior to 2008 consist mostly of products of Jinbi (金碧) series. Most of these completed residential property developments are located in Guangzhou.

We design and develop all of our product series under our standardized management and market them under the brand name of “Evergrande” on a nationwide basis. We also market products of these series under different project names.

Within our product series, we mainly develop five types of residential properties:

- villas, which are typically independent houses with one or three stories;
- semi-detached villas, which are typically two separate houses that share a common wall;
- townhouses, which are typically connected houses of more than two units;
- condominiums, which are typically low-rise residential buildings of four to 18 stories; and
- high-rise residential buildings, which are typically higher than 18 stories.

## ***Project Description — Guangdong Province***

### ***(1) Jinbi Garden No. 2 (第二金碧花園)***

Jinbi Garden No. 2 is positioned as a residential complex located in Haizhu District in Guangzhou, next to Jinbi Garden No. 1. This project occupies a total site area of 69,146 square meters with an aggregate total GFA of approximately 305,722 square meters. It consists of condominiums, high-rise residential buildings, a commercial center, underground car parks as well as ancillary facilities including an elementary school, a kindergarten, a cultural activity center, a community service center and sports facilities.

We plan to develop this project in six phases. We completed the development of phase 1 to phase 5 in September 2003. Phase 1 to phase 5 consists of 24 high-rise residential buildings, commercial units and underground car parks with an aggregate total GFA of approximately 275,521 square meters. As of December 31, 2010, all residential units in these phases had been sold.

Phase 6 of Jinbi Garden No. 2 is held for future development and consists of a commercial center and related premises. It occupies a total site area of 7,932 square meters with an aggregate total GFA of approximately 30,201 square meters. We expect to commence development of phase 6 in January 2011 and expect to complete it in March 2012.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Limited (恒大地產集團有限公司).

### ***(2) Jinbi Garden No. 3 (第三金碧花園)***

Jinbi Garden No. 3 is positioned as a residential complex located in Haizhu District in Guangzhou, across the street from Jinbi Garden No. 1 and Jinbi Garden No. 2. This project occupies a total site area of approximately 145,978 square meters with an aggregate total GFA of approximately 460,323 square meters. It consists of condominiums and high-rise residential buildings, commercial units, underground car parks, as well as ancillary facilities including a commercial center, a middle school, a kindergarten, an outdoor swimming pool, a cultural activity center, a community center and various outdoor sports facilities.

We plan to develop this project in five phases. We have completed the development of phase 1 to phase 4 of this project in May 2007. Phase 1 to phase 4 consists of condominiums, high-rise residential buildings, commercial units and underground car parks with an aggregate total GFA of approximately 380,778 square meters. As of December 31, 2010, all residential units in these phases have been sold.

Phase 5 of Jinbi Garden No. 3 is held for future development and consists of five high-rise residential buildings. It occupies a total site area of approximately 26,590 square meters with an aggregate total GFA of approximately 79,545 square meters. We expect to commence development of phase 5 in January 2011 and expect to commence pre-sale of phase 5 in July 2011.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Limited. (恒大地產集團有限公司).

### ***(3) Jinbi Junhong Garden (金碧駿鴻花園)***

Jinbi Junhong Garden is positioned as a residential complex located in Huangpu District in Guangzhou. It is conveniently located along Line 5 of Guangzhou subway which is currently under construction. It is only a five minute driving distance to Guangzhou Science City. This project occupies a total site area of approximately 36,357 square meters with an aggregate total GFA of approximately



197,013 square meters. It consists of townhouses, high-rise residential buildings, office buildings, underground car parks, as well as ancillary facilities including an elementary school, a kindergarten, a commercial center and an outdoor swimming pool.

We plan to develop this project in two phases. We have completed development of phase 1 of this project in April 2008. Phase 1 consists of 74 townhouses, six 32-storey buildings and a kindergarten with an aggregate total GFA of approximately 157,575 square meters.

Phase 2 consists of an office tower and an elementary school, with an aggregate total GFA of approximately 39,438 square meters. We commenced development of phase 2 in September 2009.

We are developing this project through our PRC subsidiary, Guangzhou Junhong Real Estate Development Co., Ltd. (廣州市駿鴻房地產開發有限公司).

(4) *Evergrande Royal Scenic Peninsula* (恒大御景半島)

Evergrande Royal Scenic Peninsula is positioned as a large-scale luxurious residential complex located in the ecological living community of Guangzhou, Jinshazhou area. Situated in the center of the commercial circle of Guangzhou and Foshan, this project is in a scenic area with a 2.8-kilometer coastline in the upstream area of the Pearl River. The project occupies a total site area of approximately 543,528 square meters with an aggregate total GFA of approximately 1,079,305 square meters. It consists of high-rise residential buildings, villas, semi-detached villas, as well as ancillary facilities including a five-star hotel, a large-scale indoor sports complex, an elementary school affiliated with South China Normal University, two kindergartens, a commercial street, and a private boat pier.

We plan to develop this project in six phases. We commenced development of this project in March 2005. As of December 31, 2010, we completed a total GFA of 697,750 square meters and had a total GFA of 381,555 square meters under development. We commenced pre-sale of phase 1 in October 2007.

We are developing this project through our PRC subsidiary, Xinzhongjian (南海新中建).

(5) *Evergrande Royal Scenic Bay* (恒大御景灣)

Evergrande Royal Scenic Bay is located to the south of our Evergrande Royal Scenic Peninsula. The project occupies a site area of 60,491 square meters with an aggregate total GFA of 229,902 square meters. It consists of high-rise residential buildings.

We plan to develop this project in multiple phases. As of December 31, 2010, we had a total GFA of 229,902 square meters held for future development.

We are developing this project through our PRC subsidiary, Foshan Nanhai Yinglong Development Co., Ltd. (佛山市南海區盈隆發展有限公司).

(6) *Evergrande Scenic Garden* (恒大山水城)

Evergrande Scenic Garden is positioned as a large-scale natural ecological resort property with a full range of facilities. It is located in Zengcheng, Guangzhou, being an integrated part of the 45-minute living circle of Guangzhou. Surrounded by mountains on four sides, with two lakes and one natural reservoir, the project is situated in a unique natural environment close to highways. This project occupies a total site area of approximately 536,199 square meters with an aggregate total GFA of approximately 755,680 square meters. It consists of villas, semi-detached villas, townhouses, condominiums, high-rise residential buildings, as well as ancillary facilities including an upscale hotel, a clubhouse, two kindergartens, a business center and outdoor sports facilities.

We plan to develop this project in three phases. We commenced development of this project in March 2007. As of December 31, 2010, we completed a total GFA of 311,875 square meters and had a total GFA of 443,805 square meters under development. We commenced pre-sale of phase 1 in September 2008.

We are developing phase 1 of this project through our PRC subsidiary, Guangzhou Hengda (Zengcheng) Real Estate Development Co., Ltd. (廣州恒大(增城)房地產開發有限公司) and developing phases 2 and 3 through our PRC subsidiary, Hengda Real Estate Group Limited (恒大地產集團有限公司).

(7) *Evergrande Oasis Guangzhou (廣州恒大綠洲)*

Evergrande Oasis Guangzhou is positioned as a high-class riverside residential complex located in Baiyun District in Guangzhou. It is in the Jinshazhou area which is the focus of the local government for residential development. This project faces the Pearl River, and is close to Subway Line 6, which is currently under construction. This project occupies a total site area of 111,048 square meters with an aggregate total GFA of 484,693 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including a large-scale commercial center, a kindergarten and a clubhouse.

We plan to develop this project in three phases. We commenced development of this project in October 2008. As of December 31, 2010, we completed a total GFA of 248,897 square meters and had a total GFA of 235,796 square meters under development. We commenced pre-sale of phase 1 in October 2009.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Limited (恒大地產集團有限公司).

(8) *Evergrande Metropolis Foshan (佛山恒大名都)*

Evergrande Metropolis Foshan is positioned as a well-equipped and garden-style residential complex, next to our Evergrande Royal Scenic Peninsula located in Guangzhou, Jinshazhou area. The project is close to the Pearl River and surrounded by an attractive natural environment with greenery and hills. It is conveniently located adjacent to the main roads and subway lines which are currently under construction. This project occupies a total site area of 171,869 square meters with an aggregate total GFA of 861,897 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a large-scale commercial center and a kindergarten.

We plan to develop this project in three phases. Phase 1 has an aggregate total GFA of 861,897 square meters, and consists of condominiums, high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a large-scale commercial center and a kindergarten.

On April 30, 2008, we and a subsidiary of Chow Tai Fook Group, or NWS, entered into a co-development agreement pursuant to which we and NWS agreed to co-develop this project. Under the co-development arrangement, we have provided the land use rights to the project whereas NWS would contribute to the development costs of the project (other than those units that were already completed before the handover date of the project) and manage its development. NWS has also extended a 10-year term loan in the amount of approximately RMB 483 million to us.

Under the co-development arrangement, the sales proceeds from the sale and/or pre-sale of the properties in the development, after deducting costs, expenses and management fee, will be shared between NWS and us in the proportion of 60% and 40%. If the aggregate amount of the loan provided by NWS and the sales proceeds received by us from the development is less than RMB 600 million,

NWS will pay an amount equivalent to the difference between RMB 600 million and the then outstanding amount of the loan to us at the time of our receipt of the distribution of the sales proceeds, at which time our obligation to repay the loan will be waived and forgiven.

This project is being developed through our PRC subsidiary, Foshan Nanhai Juncheng Property Development Co., Ltd. (佛山市南海俊城房地產開發有限公司), managed by NWS.

(9) *Evergrande Splendor Qingyuan (清遠恒大金碧天下)*

Evergrande Splendor Qingyuan is positioned as a large-scale ecological living community with facilities for residence, vacation, business convention, and casual outing. This project is located in the Qingxin County of Qingyuan City, adjacent to State 4A-graded Scenery Area of Qingxin hot spring resort. This project occupies a total site area of 1,801,408 square meters with an aggregate total GFA of 2,569,803 square meters. This project consists of villas, semi-detached villas, townhouses, garden-view villas and high-rise residential buildings, as well as ancillary facilities including an upscale hotel, a convention center, a food center, a sports center, a recreation center, a fitness center and a commercial center.

We plan to develop this project in three phases. We commenced development of this project at the end of 2007. As of December 31, 2010, we completed a total GFA of 521,207 square meters and had a total GFA of 2,048,596 square meters under development. We commenced pre-sale of phase 1 in January 2009.

We are developing this project through our PRC subsidiary, Hengda Shengyu (Qingxin) Property Co., Ltd. (恒大盛宇(清新)置業有限公司).

(10) *Evergrande Oasis Zhongshan (中山恒大綠洲)*

Evergrande Oasis Zhongshan is positioned as a large-scale urban garden residential project located along the bank of Qijiang River at the junction of Zhongshan City's South Ring Road and Guang-Zhu Highway, adjacent to a forest. This project occupies a total site area of 97,652 square meters with an aggregate total GFA of 445,400 square meters. This project consists of 35 high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a kindergarten, a cinema and outdoor sports facilities.

We plan to develop this project in four phases. We expect to commence development of this project in July 2010 and to commence pre-sale of phase 1 in March 2011.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group (Zhongshan) Co., Ltd. (恒大地產集團(中山)有限公司).

(11) *Evergrande City Yunfu (雲浮恒大城)*

Evergrande City Yunfu is positioned as an urban landscape residential project located near Central City West Road, Yunfu City. This project occupies a total site area of 107,282 square meters with an aggregate total GFA of 263,269 square meters. This project consists of 23 condominiums, as well as ancillary facilities including a multifunctional clubhouse, a kindergarten, a cinema and a commercial center. We plan to develop this project in two phases.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Yunfu Co., Ltd. (恒大地產集團雲浮有限公司).

## ***Project Description — Chongqing Municipality***

### ***(12) Evergrande Splendor Chongqing (重慶恒大金碧天下)***

Evergrande Splendor Chongqing is positioned as a large-scale ecological living community with facilities for residence, vacation, business convention, and casual outings. The project is located in the Shuangfu Industrial Park of Jiangjin District of Chongqing. It is adjacent to the State 4A-Graded Scenery Area of the Jinyun Mountain and surrounded by multiple lakes, with convenient access to the center of the city via multiple highways. This project occupies a total site area of 808,799 square meters with an aggregate total GFA of 813,275 square meters. It consists of villas, semi-detached villas, townhouses, garden-view villas, condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale hotel, a convention center, a food center, a sports center, a recreation center, a fitness center and a commercial center.

We plan to develop this project in three to four phases. We commenced development of this project in May 2007. As of December 31, 2010, we completed a total GFA of 345,463 square meters and had a total GFA of 467,812 square meters under development. We commenced the pre-sale of phase 1 in September 2008.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Jiangjin Co., Ltd. (恒大地產集團江津有限公司).

### ***(13) Evergrande City Chongqing (重慶恒大城)***

Evergrande City Chongqing is positioned as a large-scale garden-style residential community located in Banan District, with the Yangtze River to the north and Nanshan Scenic Area to the east. It is adjacent to Jiangnan University Town and the Hotspring Resort District, with a station for Light Rail No. 3, which is under construction in the vicinity. This project occupies a total site area of 316,329 square meters with an aggregate total GFA of 1,179,993 square meters. It consists of garden-view villas, condominiums and high-rise residential buildings, as well as ancillary facilities including a sports center, an upscale clubhouse, a kindergarten, an elementary school and a commercial street.

We plan to develop this project in four phases. We commenced development of this project in January 2008. As of December 31, 2010, we completed a total GFA of 631,359 square meters and had a total GFA of 548,634 square meters under development. We commenced the pre-sale of phase 1 in September 2008.

We are developing this project through our PRC subsidiary, Chongqing Hengda Jiyu Property Co., Ltd. (重慶恒大基宇置業有限公司).

### ***(14) Evergrande Palace Chongqing (重慶恒大華府)***

Evergrande Palace Chongqing is positioned as an upscale urban residential complex located in northern Chongqing, which is a new development area designated as a core zone of economic growth by the government. Situated in front of a botanical garden and several large ecological parks, the project lies adjacent to the central business district of the new city in northern Chongqing. This project occupies a total site area of 169,813 square meters with an aggregate total GFA of 378,596 square meters. It consists of garden-view villas and condominiums, as well as ancillary facilities including a clubhouse, a kindergarten and a commercial street.

We plan to develop this project in three phases. We commenced development of this project in August 2007. As of December 31, 2010, we completed a total GFA of 328,451 square meters and had a total GFA of 50,145 square meters under development. We commenced the pre-sale of phase 1 in May 2008.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group (Chongqing) Co., Ltd. (恒大地產集團重慶有限公司).

(15) *Evergrande Oasis Chongqing* (重慶恒大綠洲)

Evergrande Oasis Chongqing is positioned as a large-scale urban scenic community located at the main commercial center of Jiulongpo District of Chongqing. It is adjacent to the Chongqing Zoo, the Jiulongpo Library and a high-speed light rail station. This project occupies a total site area of 91,928 square meters with an aggregate total GFA of 465,753 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including a large clubhouse and a kindergarten.

We plan to develop this project in three phases. We commenced development of this project in January 2008. As of December 31, 2010, we completed a total GFA of 205,706 square meters, had a total GFA of 122,264 square meters under development and had a total GFA of 137,782 square meters held for future development. We commenced the pre-sale of phase 1 in October 2009.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group (Chongqing) Co., Ltd. (恒大地產集團重慶有限公司).

(16) *Evergrande Metropolis Chongqing* (重慶恒大大名都)

Evergrande Metropolis Chongqing is positioned as a garden-style residential community. The project is conveniently located in the commercial circle of Yuzhong District of Chongqing, surrounded by hotels and shopping centers. This project occupies a total site area of 191,400 square meters with an aggregate total GFA of 838,207 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, an indoor professional sports center, a kindergarten and an elementary school.

We plan to develop this project in three phases. We commenced development of this project in April 2008. As of December 31, 2010, we completed a total GFA of 202,022 square meters, had a total GFA of 340,192 square meters under development and had a total GFA of 295,993 square meters held for future development. We commenced the pre-sale of phase 1 in August 2009.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group (Chongqing) Co., Ltd. (恒大地產集團重慶有限公司).

(17) *Evergrande Atrium Chongqing* (重慶恒大雅苑)

Evergrande Atrium Chongqing is positioned as a garden-style residential community located at Huayan New City of Jiulongpo District. It is adjacent to Yuansheng Park and a tourist scenic area, as well as close to Light Rail No. 2 and No. 5. This project occupies a total site area of 388,394 square meters with an aggregate total GFA of 1,183,966 square meters. It consists of condominiums and mid to high-rise residential buildings, as well as ancillary facilities including a large indoor sports center, a large shopping center, and an upscale clubhouse.

We plan to develop this project in four phases. We commenced development of this project in December 2010. As of December 31, 2010, we had a total GFA of 396,529 square meters under development and had a total GFA of 787,437 square meters held for future development. We expect to commence pre-sale of phase 1 in June 2011.

We are developing this project through our PRC subsidiary, Chongqing Hengda Junxin Property Development Co., Ltd. (重慶恒大君鑫房地產開發有限公司).

(18) *Evergrande Scenic Garden Fuling (涪陵恒大山水城)*

Evergrande Scenic Garden Fuling is positioned as an urban large-scale ecological community located along the Yangtze River. It is adjacent to Fuling Normal College and only a 15-minute drive from the city center. This project occupies a total site area of 197,054 square meters with an aggregate total GFA of 510,285 square meters. It consists of garden-view villas, condominiums, and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse and outdoors sports facilities.

We plan to develop this project in three phases. As of December 31, 2010, we had a total GFA of 510,285 square meters held for future development.

We are developing this project through our PRC subsidiary, Chongqing Hengda Fuling Property Development Co., Ltd. (重慶恒大涪城房地產開發有限公司).

***Project Description — Tianjin Municipality***

(19) *Evergrande Splendor Tianjin (天津恒大金碧天下)*

Evergrande Splendor Tianjin is positioned as a large-scale resort with convention centers adjacent to both Beijing and Tianjin. This project is located in a national 5A-graded scenic area in the Ji County of Tianjin, which is to the south of Panshan Scenic Area and adjacent to Pinggu District of Beijing. This project occupies a total site area of 1,675,803 square meters with an aggregate total GFA of 641,735 square meters. It consists of villas, semi-detached villas and townhouses, as well as ancillary facilities including a five-star hotel and a convention center, a food center, a sports center, a recreation center, a fitness center and a commercial center.

We plan to develop this project in three phases. We commenced development of this project in September 2007. As of December 31, 2010, we completed a total GFA of 294,241 square meters, had a total GFA of 89,359 square meters under development and had a total GFA of 258,135 square meters held for future development. We commenced the pre-sale of phase 1 in September 2008.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Tianjin Ji County Co., Ltd. (恒大地產集團天津薊縣有限公司).

(20) *Evergrande Oasis Tianjin (天津恒大綠洲)*

Evergrande Oasis Tianjin is positioned as an integrated waterfront community for residence and vacation and is located on the north bank of the Li Lake of Tianjin Dongli Lake Hot Spring Tourist District. This project occupies a total site area of 804,055 square meters with an aggregate total GFA of 1,123,041 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including five-star hotels, an upscale clubhouse, a kindergarten, a convention center, a food center, a sports center, a recreation center, a fitness center and a commercial center.

We plan to develop this project in five phases. We commenced development of this project in January 2010. As of December 31, 2010, we completed a total GFA of 117,167 square meters, had a total GFA of 668,733 square meters under development and had a total GFA of 337,141 square meters for held future development. We commenced pre-sale of phase 1 in June 2010.

We are developing this project through our PRC subsidiaries, Tianjin Jinli Lake Investment Co., Ltd. (天津市津麗湖投資有限公司) and Tianjin Yilian Chuangzhan Property Co., Ltd (天津億聯創展置業有限公司).



(21) *Evergrande Scenic Garden Tianjin (天津恒大山水城)*

Evergrande Scenic Garden Tianjin is positioned as an urban ecological community located in Longfeng New Town, Wuqing District, Tianjin. It is situated 40 kilometers away from Beijing's Fifth Ring Road and 40 kilometers away from Tianjin's city center. This project occupies a total site area of 303,657 square meters with an aggregate total GFA of 323,453 square meters. It consists of semi-detached villas and high-rise residential buildings, as well as ancillary facilities including a luxury clubhouse and a sports center.

We plan to develop this project in multiple phases. We expect to commence development of this project in January 2011 and expect to commence pre-sale of phase 1 in June 2011.

We are developing this project through our PRC subsidiary, Tianjin Shanshuicheng Investment Co., Ltd. (天津山水城投資有限公司).

***Project Description — Hubei Province***

(22) *Evergrande Splendor E'zhou (鄂州恒大金碧天下)*

Evergrande Splendor E'zhou is positioned as a large-scale resort project, with facilities for residence, vacation and business conventions. Located by the Honglian Lake with two peninsulas, it has easy access to Wuhan Optics Valley High-Tech Development Zone via multiple highways. This project occupies a total site area of 1,742,809 square meters with an aggregate total GFA of 2,010,674 square meters. It consists of villas, semi-detached villas, townhouses, garden-view villas and condominiums, as well as ancillary facilities including an upscale hotel and a convention center, a food center, a sports center, a recreation center, a fitness center and a commercial center.

We plan to develop this project in three phases. We commenced development of this project in June 2007. As of December 31, 2010, we completed a total GFA of 141,920 square meters, had a total GFA of 806,261 square meters under development and had a total GFA of 1,062,493 square meters held for future development. We commenced pre-sale of phase 1 in September 2008.

We are developing this project through our PRC subsidiary, E'zhou Hengda Property Development Co., Ltd. (鄂州恒大房地產開發有限公司).

(23) *Evergrande Palace Wuhan (武漢恒大華府)*

Evergrande Palace Wuhan is positioned as an upscale urban residential complex located at the Donghu Development Zone, adjacent to the Forest Park of Wuhan and the regional commercial center. The project site is situated in a scenic area with several high schools and high-tech companies in the neighborhood. This project occupies a total site area of 286,659 square meters with an aggregate total GFA of 564,596 square meters. It consists of garden-view villas, scenic villas, condominiums and high-rise residential buildings, as well as ancillary facilities including a luxury clubhouse, a commercial street and a kindergarten.

We plan to develop this project in four phases. We commenced development of this project in June 2007. As of December 31, 2010, we completed a total GFA of 182,363 square meters and had a total GFA of 382,233 square meters under development. We commenced pre-sale of phase 1 in April 2008.

We are developing phase 1 through our PRC subsidiary, Wuhan Donghu Hengda Property Development Co., Ltd. (武漢東湖恒大房地產開發有限公司).



(24) *Evergrande Oasis Wuhan (武漢恒大綠洲)*

Evergrande Oasis Wuhan is positioned as a garden-style urban residential community located by the Zhiyin Lake at Wuhan New District. It is adjacent to an industry development zone and Nanhu Eco-tourism Area. This project occupies a total site area of 314,901 square meters with an aggregate total GFA of 815,914 square meters. It consists of garden-view villas, condominiums and high-rise residential buildings, as well as ancillary facilities including a luxury clubhouse, a kindergarten, an elementary school and an outdoor sports center.

We plan to develop this project in five phases. We commenced development of this project in October 2007. As of December 31, 2010, we completed a total GFA of 373,018 square meters, had a total GFA of 430,932 square meters under development and had a total GFA of 11,964 square meters held for future development. We commenced the pre-sale of phase 1 in June 2009.

We are developing this project through our PRC subsidiary, Wuhan Jinbi Oasis Real Estate Development Co., Ltd. (武漢市金碧綠洲房地產開發有限公司).

(25) *Evergrande City Wuhan (武漢恒大城)*

Evergrande City Wuhan is positioned as a large-scale scenic community located next to Jinyin Lake in Dongxihu District of Wuhan, adjacent to 10,000-acre of grape garden. The area is designated as a technology and commercial district by the local government with a well-established transportation network. This project occupies a total site area of 370,692 square meters with an aggregate total GFA of 849,449 square meters. It consists of garden-view villas, condominiums and high-rise residential buildings, as well as ancillary facilities including a luxury clubhouse, a professional indoor sports center and a kindergarten.

We plan to develop this project in four phases. We commenced development of this project in December 2007. As of December 31, 2010, we completed a total GFA of 159,384 square meters, had a total GFA of 619,766 square meters under development and had a total GFA of 70,299 square meters held for future development. We commenced pre-sale of phase 1 in March 2009.

We are developing this project by our PRC subsidiary, Hubei Yiqingyazhu Real Estate Development Co., Ltd. (湖北怡清雅築房地產開發有限公司).

(26) *Evergrande Metropolis Wuhan (武漢恒大大名都)*

Evergrande Metropolis Wuhan is positioned as an urban waterfront residential community and is located along the waterfront of Chang Lake in Panlongcheng Economic Development Zone, Wuhan. This project occupies a total site area of 375,732 square meters with an aggregate total GFA of 813,053 square meters. It consists of semi-detached villas, garden-view villas and high-rise residential buildings, as well as ancillary facilities including a luxury clubhouse, a kindergarten and outdoor sports facilities.

We plan to develop this project in five phases. We commenced development of this project in May 2010. As of December 31, 2010, we completed a total GFA of 24,557 square meters and had a total GFA of 788,496 square meters under development. We commenced pre-sale of phase 1 in October 2010.

We are developing this project through our PRC subsidiary, Wuhan Huali Property Development Co., Ltd. (武漢華力置業有限公司).

(27) *Evergrande Oasis Yichang* (宜昌恒大綠洲)

Evergrande Oasis Yichang is positioned as an urban mountain-view landscape community and is located to the west of Fazhan Avenue, Yiling District, Yichang City and adjacent to Meiziya Water Reservoir. This project occupies a total site area of 153,964 square meters with an aggregate total GFA of 519,665 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including a luxury clubhouse, community stores and outdoor sports facilities.

We plan to develop this project in three phases. We commenced development of this project in July 2010. and As of December 31, 2010, we had a total GFA of 519,665 square meters under development. We commenced pre-sale of phase 1 in October 2010.

We are developing this project through our PRC subsidiary, Yichang Meiziya Market Development Co., Ltd. (宜昌梅子壩市場建設開發有限公司).

***Project Description — Sichuan Province***

(28) *Evergrande Splendor Pengshan* (彭山恒大金碧天下)

Evergrande Splendor Pengshan is positioned as a large-scale resort community with facilities for residence, vacation, business convention and casual outings. This project is located in Pengshan County of Meishan City, which connects to Chengdu in the north and it is 37 kilometers away from Chengdu Second Ring Road, and 10 kilometers away from the famous scenic attraction of Pengzu Mountain. The project occupies a total site area of 1,491,632 square meters with an aggregate total GFA of 1,281,306 square meters and consists of villas, semi-detached villas, townhouses, garden-view villas, condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale hotel, an upscale clubhouse and a commercial center.

We plan to develop this project in three phases. We commenced development of this project in December 2007. As of December 31, 2010, completed a total GFA of 513,516 square meters and had a total GFA of 767,789 square meters under development. We commenced pre-sale of phase 1 in June 2009.

We are developing this project through our PRC subsidiary, Hengda Xinfeng (Pengshan) Property Co., Ltd. (恒大鑫豐(彭山)置業有限公司).

(29) *Evergrande Oasis Chengdu* (成都恒大綠洲)

Evergrande Oasis Chengdu is positioned as a large-scale scenic community with a full range of integrated facilities. The project is located in an ecological tourism area which is designated as a development focus by the local government, and adjacent to the Sichuan Normal University and two 4A-rated national scenic areas. The project occupies a total site area of 142,145 square meters with an aggregate total GFA of 629,449 square meters. It consists of condominiums, high-rise residential buildings, as well as ancillary facilities including an upscale hotel, a commercial street, an upscale clubhouse and a kindergarten.

We plan to develop this project in three phases. We commenced development of this project in April 2007. As of December 31, 2010, we completed a total GFA of approximately 358,706 square meters and had a total GFA of 270,743 square meters under development. We commenced pre-sale of phase 1 in April 2008.

We are developing this project through our PRC subsidiary, Chengdu Hengda Galaxy New City Property Co., Ltd. (成都恒大銀河新城置業有限公司).

(30) *Evergrande City Chengdu (成都恒大城)*

Evergrande City Chengdu is positioned as a garden-style urban residential community, adjacent to the government buildings, an 800-acre floral theme park and a university complex. A light rail and Subway Line No. 4 are planned for development in the area. The project occupies a total site area of 169,501 square meters with an aggregate total GFA of 698,772 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a commercial center and a kindergarten.

We plan to develop this project in four phases. We commenced development of this project in August 2007. As of December 31, 2010, we completed a total GFA of 385,045 square meters and had a total GFA of 313,727 square meters under development. We commenced pre-sale of phase 1 in July 2008.

We are developing this project through our PRC subsidiary, Chengdu Wenjiang Xinjinkang Property Co., Ltd. (成都市溫江區鑫金康置業有限責任公司).

(31) *Evergrande Scenic Garden Chengdu (成都恒大山水城)*

Evergrande Scenic Garden Chengdu is positioned as a large-scale international spa resort, with facilities for vacation, residence, business convention, hot springs, entertainment, and commercial uses. This project is located in Dayi County, adjacent to the hot springs and the Xiling Snow Mountain resorts. The project occupies a total site area of 1,775,243 square meters with an aggregate total GFA of 933,475 square meters. This project consists of villas, semi-detached villas, townhouses and condominiums, as well as ancillary facilities including an upscale hotel, a convention center, a food center, a sports center, a recreation center, a fitness center, a commercial center and large-scale commercial complexes.

We plan to develop this project in four phases. We commenced development of this project in March 2010. As of December 31, 2010, we had a total GFA of approximately 210,352 square meters under development and had a total GFA of 723,123 square meters held for future development. We commenced pre-sale of phase 1 in June 2010.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group (Dayi) Co., Ltd. (恒大地產集團大邑有限公司).

(32) *Evergrande Royal Scenic Peninsula Chengdu (成都恒大御景半島)*

Evergrande Royal Scenic Peninsula Chengdu is positioned as a luxurious urban waterfront residential project located in Chengdu Jintang, which is approximately a 40 minute driving distance from Chengdu's city center. Chengdu's second international airport is also planned to be built in this region. The project occupies a total site area of 1,060,061 square meters with an aggregate total GFA of 2,992,100 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale hotel, conference centers, sports centers, and schools.

We plan to develop this project in three phases. We commenced development of this project in May 2010. As of December 31, 2010, we had a total GFA of 642,447 square meters under development and had a total GFA of 2,349,653 square meters held for future development. We commenced pre-sale of phase 1 in November 2010.

We are developing this project through our PRC subsidiary, Chengdu Tianfu Shuicheng Real Estate Development Co., Ltd. (成都天府水城房地產開發有限公司).

(33) *Evergrande Metropolis Chengdu (成都恒大名都)*

Evergrande Metropolis Chengdu is positioned as an urban garden-view residential community, located in the upscale residential area of Lishan Road in Chengdu City. The project occupies a total site area of 53,333 square meters with an aggregate total GFA of 344,072 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a commercial street and outdoor sports facilities.

We plan to develop this project in two phases. We commenced development of this project in January 2010. As of December 31, 2010, we had a total GFA of 344,072 square meters under development. We commenced pre-sale of phase 1 in July 2010.

We are developing this project through our PRC subsidiary, Chengdu Anheng Real Estate Co., Ltd. (成都市安恒置業有限公司).

(34) *Evergrande Atrium Chengdu (成都恒大雅苑)*

Evergrande Atrium Chengdu is positioned as an ecological residential area located in the city center of Qingbaijiang District, in the northern part of Chengdu City. The project occupies a total site area of 43,540 square meters with an aggregate total GFA of 340,374 square meters. It will consist of high-rise residential buildings, as well as ancillary facilities including a large-scale clubhouse, commercial streets, a kindergarten and outdoor sports facilities.

We plan to develop this project in two phases. We expect to commence development of this project in January 2011 and to commence pre-sale of phase 1 in August 2011.

We are developing this project through our PRC subsidiary, Chengdu Guangjuyuan Investment Co., Ltd. (成都廣聚源投資有限公司).

(35) *Evergrande Oasis Nanchong (南充恒大綠洲)*

Evergrande Oasis Nanchong is positioned as a garden-style urban residential community, and is located in Nanchong City. This project occupies a total site area of 102,963 square meters with an aggregate total GFA of 357,223 square meters. The project will consist of high-rise residential buildings, as well as ancillary facilities including a large-scale clubhouse, commercial streets and outdoor sports facilities.

We plan to develop this project in two phases. We expect to commence development of this project in January 2011. As of December 2010, we had a total GFA of 357,223 square meters under development. We plan to commence pre-sale of phase 1 in July 2011.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Nanchong Co., Ltd (恒大地產集團南充有限公司).

(36) *Evergrande Oasis Zigong (自貢恒大綠洲)*

Evergrande Oasis Zigong is positioned as a large-scale ecological living community, and is located at the center of Yantan New Town of Zigong City, adjacent to a municipal ecological park. This project occupies a total site area of 216,449 square meters with an aggregate total GFA of 728,957 square meters. It will consist of garden-view villas, condominiums and high-rise residential buildings, as well as ancillary facilities including a large-scale clubhouse, commercial streets, a kindergarten and outdoor sports facilities.

We plan to develop this project in two to three phases. As of December 31, 2010, we had a total GFA of 728,957 square meters held for future development.

We are developing this project through our PRC subsidiary Hengda Real Estate Group (Zigong) Co., Ltd. (恒大地產集團自貢有限公司).

***Project Description — Liaoning Province***

***(37) Evergrande Oasis Shenyang (瀋陽恒大綠洲)***

Evergrande Oasis Shenyang is positioned as a large-scale residential project located beside the north bank of the Hun River in Heping District of Shenyang City, adjacent to the Shenyang Exhibition Center and Shenyang Xinnan Station. The project occupies a total site area of 602,130 square meters with an aggregate total GFA of 2,107,948 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an indoor sports center, two large upscale clubhouses, two kindergartens, an elementary school, an outdoor basketball court and an outdoor pool.

We plan to develop this project in six phases. We commenced development of this project in June 2007. As of December 31, 2010, we completed a total GFA of 489,923 square meters, had a total GFA of 481,677 square meters under development and had a total GFA of 1,136,348 square meters held for future development. We commenced pre-sale of phase 1 in December 2007.

We are developing this project through our PRC subsidiary, Hengda Changji (Shenyang) Property Co., Ltd. (恒大長基(瀋陽)置業有限公司).

***(38) Evergrande City Shenyang (瀋陽恒大城)***

Evergrande City Shenyang is positioned as a large-scale water-view residential community located in Yuhong District of Shenyang City with a university town to the north and the 80,000-acre Beiling Park to the south. This project is adjacent to Songshan Station on the No. 2 subway line. It occupies a total site area of 355,000 square meters with an aggregate total GFA of 887,500 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including two large-scale commercial centers, an indoor sports center, an upscale clubhouse and outdoor sports facilities.

We plan to develop this project in six phases. We commenced development of this project in December 2007. As of December 31, 2010, we completed a total GFA of 303,690 square meters, had a total GFA of 556,043 square meters under development and had a total GFA of 27,767 square meters held for future development. We commenced pre-sale of phase 1 in September 2008.

We are developing this project through our PRC subsidiary, Hengda Xinyuan (Shenyang) Real Estate Development Co., Ltd. (恒大鑫源(瀋陽)置業有限公司).

***(39) Evergrande Metropolis Shenyang (瀋陽恒大名都)***

Evergrande Metropolis Shenyang is positioned as a large-scale lake-view residential community and is located in Heping District of Shenyang City, adjacent to the Shenyang Exhibition Center and Shenyang Xinnan Station. This project occupies a total site area of 353,066 square meters with an aggregate total GFA of 1,128,216 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, an indoor sports center, and commercial centers.

We plan to develop this project in five phases. We commenced development of this project in March 2010. As of December 31, 2010, we had a total GFA of 1,128,216 square meters under development. We commenced pre-sale of phase 1 in August 2010.

We are developing this project through our PRC subsidiary, Shenyang Yuetong Property Co., Ltd. (瀋陽悅通置業有限公司).

(40) *Evergrande Palace Shenyang* (瀋陽恒大華府)

Evergrande Palace Shenyang is positioned as a luxurious urban residential project located within the Second Ring Road of Shenyang City and within a 10 minute driving distance from the major commercial areas. The project occupies a total site area of 72,970 square meters with an aggregate total GFA of 210,671 square meters. It consists of 17 condominiums, as well as ancillary facilities including an upscale clubhouse and outdoor leisure facilities.

We plan to develop this project in two phases. We commenced development of this project of this project in March 2010. As of December 31, 2010, we had a total GFA of 210,671 square meters under development. We commenced pre-sale of phase 1 in October 2010.

We are developing this project through our PRC subsidiary, Shenyang Jiaqi Property Co., Ltd. (瀋陽嘉祺置業有限公司).

(41) *Evergrande Oasis Liaoyang* (遼陽恒大綠洲)

Evergrande Oasis Liaoyang is positioned as garden-style urban residential community located in Hedong New Town District of Liaoyang City. The project occupies a total site area of 422,936 square meters with an aggregate total GFA of 1,427,199 square meters. It consists of 16 condominiums, 51 high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, an indoor sports center and commercial centers.

We plan to develop this project in multiple phases. We commenced development of this project in September 2010. As of December 31, 2010, we had a total GFA of 599,054 square meters under development and had a total GFA of 828,145 square meters held for future development. We commenced pre-sale of phase 1 in November 2010.

We are developing this project through our PRC subsidiary, Liaoyang Hengsheng Property Co., Ltd. (遼陽恒盛置業有限公司).

(42) *Evergrande Bay Shenyang* (瀋陽恒大江灣)

Evergrande Bay Shenyang is positioned as riverside garden-style residential project located to the south of the Hun River in Shenyang City, and adjacent to the Shenyang Olympics Sports Center. The project occupies a total site area of 217,114 square meters with an aggregate total GFA of 545,904 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a kindergarten, and outdoor leisure facilities.

We plan to develop this project in four to five phases. We commenced development of the project in June 2010. As of December 31, 2010, we had a total GFA of approximately 320,700 square meters under development and had a total GFA of approximately 225,204 square meters held for future development.

We are developing this project through our PRC subsidiary, Shenyang Jiakai Property Co., Ltd. (瀋陽嘉凱置業有限公司).

(43) *Evergrande Oasis Anshan* (鞍山恒大綠洲)

Evergrande Oasis Anshan is positioned as a large-scale garden-style residential complex. It is located in Lishan District of Anshan City. The project occupies a total site area of 352,910 square meters with an aggregate total GFA of 1,251,787 square meters. It consists of high-rise residential buildings as well as ancillary facilities including an upscale clubhouse, a large-scale indoor sports center, and outdoor leisure facilities.



We plan to develop this project in multiple phases. We expect to commence development of this project of this project in January 2011. As of December 31, 2010, we had a total GFA of 1,251,787 square meters held for future development.

We are developing this project through our PRC subsidiary, Anshan Jiarui Property Co., Ltd. (鞍山嘉瑞置業有限公司).

(44) *Evergrande Oasis Yingkou* (營口恒大綠洲)

Evergrande Oasis Yingkou is positioned as an urban residential community and is located on the south side of Yingkou City, adjacent to a wetland park and a five-star hotel. It is three kilometers away from the municipal government office. The project occupies a total site area of 445,843 square meters with an aggregate total GFA of 1,487,418 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a kindergarten, and a large indoor sports center.

We plan to develop this project in multiple phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 1,487,418 square meters held for future development.

We are developing this project through our PRC subsidiary, Yingkou Jialong Property Co., Ltd. (營口嘉隆置業有限公司).

(45) *Evergrande City Yingkou* (營口恒大城)

Evergrande City Yingkou is positioned as a residential community with an artistic flare located adjacent to Yingdong New Town District's government office and a cultural art center. The project occupies a total site area of 364,074 square meters with an aggregate total GFA of 1,254,939 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a large indoor sports center, a cinema, a kindergarten and outdoor leisure facilities.

We plan to develop this project in multiple phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 1,254,939 square meters held for future development.

We are developing this project through our PRC subsidiary, Yingkou Jialong Property Co., Ltd. (營口嘉隆置業有限公司).

(46) *Evergrande Palace Panjin* (盤錦恒大華府)

Evergrande Palace Panjin is positioned as a luxury waterfront residential community and is located on the east side of the city. It is 2.5 kilometers away from the city government building, and connected to a well-developed transportation network. The project occupies a total site area of 301,934 square meters with an aggregate total GFA of 923,897 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a large-scale indoor sports center, commercial streets and outdoor leisure facilities.

We plan to develop this project in multiple phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 923,897 square meters held for future development. We expect to commence pre-sale of phase 1 in July 2011.

We are developing this project through our PRC subsidiary, Panjin Jiading Property Co., Ltd. (盤錦嘉鼎置業有限公司).



(47) *Evergrande Palace Fushun* (撫順恒大華府)

Evergrande Palace Fushun is positioned as a large-scale integrated urban complex for both residential and commercial use. It is located in an area in Shuncheng District of Fushun City that is being promoted by the government as a cultural and recreational center. This project occupies a total site area of 218,874 square meters with an aggregate GFA of 1,198,500 square meters. It consists of high-rise residential buildings, an upscale hotel and office buildings, as well as ancillary facilities including a large-scale indoor sports center, an upscale clubhouse, a cinema and a kindergarten.

We plan to develop this project in multiple phases. We expect to commence development of phase 1 in February 2011. As of December 31, 2010, we had a total GFA of 1,198,500 square meters held for future development. We expect to commence pre-sale of phase 1 in August 2011.

We have not decided which of our PRC subsidiaries will develop this project.

***Project Description — Shaanxi Province***

(48) *Evergrande Oasis Xi'an* (西安恒大綠洲)

Evergrande Oasis Xi'an is positioned as a large-scale residential project located to the west of Chan River. It has a panoramic river view and a scenic view of fruit trees as well as various tourist resorts opposite to the river. This project occupies a total site area of 207,175 square meters with an aggregate total GFA of 602,154 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a large indoor sports center and a kindergarten.

We plan to develop this project in three phases. We commenced development of this project in November 2007. As of December 31, 2010, we completed a total GFA of 201,224 square meters and had a total GFA of 400,930 square meters under development. We commenced pre-sale of phase 1 in September 2008.

We are developing this project through our PRC subsidiary, Xi'an Qujiang Investment & Construction Co., Ltd. (西安曲江投資建設有限公司).

(49) *Evergrande City Xi'an* (西安恒大城)

Evergrande City Xi'an is positioned as a large-scale, well-supported urban residential community located adjacent to a hi-tech industry zone and various urban parks and historical and cultural scenic areas. This project occupies a total site area of 162,471 square meters with an aggregate total GFA of 734,753 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including a luxurious clubhouse, an elementary school and a kindergarten.

We plan to develop this project in four phases. We commenced development of this project in September 2009. As of December 31, 2010, we completed a total GFA of 129,679 square meters, had a total GFA of 605,074 square meters under development. We commenced pre-sale of phase 1 in October 2009.

We are developing this project through our PRC subsidiary, Shaanxi Jinhong Investment Co., Ltd. (陝西金泓投資有限公司).

## ***Project Description — Jiangsu Province***

### ***(50) Evergrande Splendor Nanjing (南京恒大金碧天下)***

Evergrande Splendor Nanjing is positioned as a large-scale resort integrating the functions of residential community, tourism, conference and leisure located to the north of Lishui, Nanjing and adjacent to the southeast side of Wolong lake. It is connected to a well-developed transportation network and is approximately 20 minutes driving distance from the city center. This project occupies a total site area of 983,033 square meters with an aggregate total GFA of 1,108,766 square meters. It consists of villas, semi-detached villas, townhouses, garden-view villas, condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale hotel, a luxurious clubhouse, a kindergarten, a convention center, a food center, a sports center, a recreation center, a fitness center and a commercial center.

We plan to develop this project in five phases. We commenced development of this project in August 2007. As of December 31, 2010, we completed a total GFA of 306,395 square meters and had a total GFA of 802,371 square meters under development. We commenced pre-sale of phase 1 in September 2008.

We are developing this project through our PRC subsidiary, Nanjing Hengda Fufeng Property Co., Ltd. (南京恒大富豐置業有限公司).

### ***(51) Evergrande Oasis Nanjing (南京恒大綠洲)***

Evergrande Oasis Nanjing is positioned as an ecological residential community, and located in the Jiangning Economic Development Zone in Nanjing at the foot of Fangshan Mountain, adjacent to Jiangning University City, Qinhuai River and Jiangning Science Park. This project occupies a total site area of 137,097 square meters with an aggregate total GFA of 307,784 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse and a kindergarten.

We plan to develop this project in two phases. We commenced development of this project in December 2007. As of December 31, 2010, we completed a total GFA of 151,911 square meters and had a total GFA of 155,873 square meters under development. We commenced pre-sale of phase 1 in September 2008.

We are developing this project through our PRC subsidiary, Nanjing Handian Property Development Co., Ltd. (南京漢典房地產開發有限公司).

### ***(52) Evergrande Splendor Qidong (啟東恒大金碧天下)***

Evergrande Splendor Qidong is located at the mouth of the Yangtze River on the northern coast of Shanghai. This project faces the ocean on three sides with a 4.8-kilometer coastline. The Shanghai-Chongming Island-Jiangsu Expressway, which is currently under construction, is expected to be completed in 2011, when it will take only 50 minutes to drive from the project site to Shanghai. The project occupies a total site area of 5,978,624 square meters with an aggregate total GFA of 11,957,045 square meters. We plan to develop a large-scale resort with Venetian themes, primarily targeting business and vacation home buyers from the Yangtze River Delta and overseas. It will consist of villas, semi-detached villas, townhouses, garden-view villas, condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale hotel, a large convention center, an upscale clubhouse, a sports center, a commercial center and a school.

The project will be developed on a piece of land acquired through marine reclamation by the local government. We have paid relevant relocation fees and marine use right fees to the local government as the consideration to obtain the land use right. We plan to develop this project in multiple phases. As of December 31, 2010, we had completed piping, reclamation, road construction and drainage.

We plan to develop this project through seven of our PRC subsidiaries.

(53) *Evergrande Metropolis Huai'an* (淮安恒大名都)

Evergrande Metropolis Huai'an is positioned as a garden-style, urban residential community located south of the Qingpu Bridge in Huai'an City. It is adjacent to the Beijing-Hangzhou Canal and Yangguang Lake Theme Park. The project occupies a total site area of 304,755 square meters with an aggregate total GFA of 918,357 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse and a kindergarten.

We plan to develop this project in three phases. We commenced development of this project in March 2010. As of December 31, 2010, we had a total GFA of 373,943 square meters under development and had a total GFA of 544,414 square meters held for future development. We commenced pre-sale of phase 1 in October 2010.

We are developing this project through our PRC subsidiary, Huai'an Evergrande Fufeng Property Development Co., Ltd. (淮安恒大富豐房地產開發有限公司).

(54) *Evergrande Metropolis Danyang* (丹陽恒大名都)

Evergrande Metropolis Danyang is positioned as a waterfront ecological residential community and is located on the south side of Danyang City. It is adjacent to the Jiuqu River and is only 1.5 kilometers away from the city center. The project occupies a total site area of 282,022 square meters with an aggregate total GFA of 853,024 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse and a kindergarten.

We plan to develop this project in three to four phases. As of December 31, 2010, we had a total GFA of 853,024 square meters held for future development. We expect to commence pre-sale of phase 1 in April 2011.

We are developing this project through our PRC subsidiary, Danyang Evergrande Property Co., Ltd. (丹陽恒大置業有限公司).

(55) *Evergrande Palace Suqian* (宿遷恒大華府)

Evergrande Palace Suqian is positioned as an upscale urban residential complex. It is located on the ancient Beijing-Hangzhou Canal, to the east of the canal bridge in Sucheng District. This project occupies a total site area of 238,187 square meters with an aggregate total GFA of 833,654 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including a large-scale indoor sports center, an upscale clubhouse, a cinema and a kindergarten.

We plan to develop this project in multiple phases. As of December 31, 2010, we had a total GFA of 833,654 square meters held for future development. We expect to commence pre-sale of phase 1 in June 2011.

We are developing this project through our PRC subsidiary, Suqian Evergrande Palace Property Development Co., Ltd. (宿遷恒大華府置業有限公司).

### ***Project Description — Yunan Province***

#### ***(56) Evergrande Splendor Kunming (昆明恒大金碧天下)***

Evergrande Splendor Kunming is positioned as a large-scale resort integrating the functions of residential community, tourism, conference and leisure. It is located in Anning City, connected to a well-developed transport network. It is adjacent to the Xishan Forest Park on the east and has a natural reservoir on the property. This project occupies a total site area of 660,891 square meters with an aggregate total GFA of 925,806 square meters. It consists of villas, semi-detached villas, townhouses, garden-view villas, condominiums, as well as ancillary facilities including an upscale hotel, a kindergarten, a convention center, a food center, a sports center, a recreation center, a fitness center and a commercial center.

We plan to develop this project in five phases. We commenced development of this project in November 2007. As of December 31, 2010, we completed a total GFA of 368,390 square meters and had a total GFA of 557,416 square meters under development. We commenced pre-sale of phase 1 in September 2008.

We are developing this project through our PRC subsidiary, Hengda Xinyuan (Kunming) Property Co., Ltd. (恒大鑫源(昆明)置業有限公司).

#### ***(57) Evergrande Metropolis Qujing (曲靖恒大名都)***

Evergrande Metropolis Qujing is positioned as a large-scale water-themed residential community. The project is located in the Agricultural and Science Park of Qujing City, and is adjacent to the Baichong Reservoir. The project occupies a total site area of 77,461 square meters, with an aggregate total GFA of 172,552 square meters. It consists of semi-detached villas, condominiums, and high-rise residential buildings, as well as ancillary facilities including an upscale hotel, a cinema, an upscale clubhouse, commercial streets and a kindergarten.

We plan to develop this project in three to four phases. We commenced development of this project in November 2010. As of December 31, 2010, we had a total GFA of 172,552 square meters under development. We expect to commence pre-sale of phase 1 in April 2011.

We are developing this project through our PRC subsidiary, Qujing Zhongxi Property Co., Ltd. (曲靖中熙置業有限公司).

### ***Project Description — Inner Mongolia Autonomous Region***

#### ***(58) Evergrande Palace Baotou (包頭恒大華府)***

Evergrande Palace Baotou is positioned as an upscale garden-view residential community. It is located on the north-south axis of the city center, opposite to a large urban park and adjacent to the district government and other administrative buildings. The project occupies a total site area of 437,925 square meters with an aggregate total GFA of 1,666,068 square meters. It consists of condominiums, high-rise residential buildings and serviced apartments as well as ancillary facilities such as two large-scale commercial complexes, an indoor sports center, an elementary school and a kindergarten.

We plan to develop this project in four phases. We commenced development of this project in November 2008. As of December 31, 2010, we completed a total GFA of 128,111 square meters and had a total GFA of 1,537,957 square meters under development. We commenced pre-sale of phase 1 in August 2009.

We are developing this project through our PRC subsidiary, Hengda (Baotou) Real Estate Group Co., Ltd. (恒大地產集團包頭有限公司).

(59) *Evergrande Metropolis Baotou* (包頭恒大名都)

Evergrande Metropolis Baotou is positioned as a well-equipped residential complex located in Kun District of Baotou, adjacent to a large urban park with a full range of facilities. The project occupies a total site area of 188,005 square meters with an aggregate total GFA of 642,161 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a kindergarten and a commercial center.

We plan to develop this project in four phases. We commenced development of this project in April 2010. As of December 31, 2010, we had a total GFA of 328,808 square meters under development and had a total GFA of 313,353 square meters held for future development. We expect to commence pre-sale of phase 1 in January 2011.

We are developing this project through our PRC subsidiary, Hengda (Baotou) Real Estate Group Co., Ltd. (恒大地產集團包頭有限公司).

***Project Description — Shanxi Province***

(60) *Evergrande Oasis Taiyuan* (太原恒大綠洲)

Evergrande Oasis Taiyuan is positioned as a large-scale scenic residential community located in the Taiyuan Economic and Technological Development Zone, and is within approximately 10 minutes driving distance from Taiyuan Airport and the South Passenger Railway Station. This project occupies a total site area of 691,764 square meters with an aggregate total GFA of 1,848,044 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a large indoor sports center, an elementary school and a kindergarten.

We plan to develop this project in six phases. We commenced development of this project in December 2007. As of December 31, 2010, we completed a total GFA of 665,850 square meters and had a total GFA of 1,182,194 square meters under development. We commenced pre-sale of phase 1 in September 2008.

We are developing this project through our PRC subsidiary, Hengda (Taiyuan) Real Estate Group Co., Ltd. (恒大地產集團太原有限公司).

(61) *Evergrande Metropolis Taiyuan* (太原恒大名都)

Evergrande Metropolis Taiyuan is located to the north bank of the Beijian River in Taiyuan. It is adjacent to the North Passenger Railway Station and the Taiyuan Zoo, with the Fen River and Taiyuan Forest Park to the west. The project occupies a total site area of 121,746 square meters with an aggregate total GFA of approximately 493,004 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, an elementary school, a kindergarten and a commercial street.

We plan to develop this project in two phases. We commenced development of this project in August 2009. As of December 31, 2010, we had a total GFA of 493,004 square meters under development. We commenced pre-sale of phase 1 in June 2010.

We are developing this project through our PRC subsidiary, Evergrande Metropolis Taiyuan Real Estate Development Co., Ltd. (太原名都房地產開發有限公司).

(62) *Evergrande Scenic Garden Taiyuan* (太原恒大山水城)

Evergrande Scenic Garden Taiyuan is positioned as a large-scale scenic residential community. It is located in the center of Yingze District, and is within approximately 10 minutes driving distance from the new Changfeng Central Business District. The project occupies a total site area of 342,259 square meters with an aggregate total GFA of 798,299 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, an elementary school, a kindergarten and a commercial street.

We plan to develop this project in five phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 798,299 square meters held for future development. We expect to commence pre-sale of phase 1 in July 2011.

We are developing this project through our PRC subsidiary, Taiyuan Deyi Real Estate Development Co., Ltd. (太原得一房地產開發有限公司).

(63) *Evergrande Palace Taiyuan* (太原恒大華府)

Evergrande Palace Taiyuan is positioned as an upscale residential project in the Central Business District of Taiyuan. It is located in the center of the new Changfeng Central Business District, and is adjacent to a well-developed transportation network connecting to the city. The project occupies a total site area of 197,054 square meters with an aggregate total GFA of 412,012 square meters. It consists of high-rise residential buildings as well as ancillary facilities including a large indoor sports center, an upscale clubhouse, an elementary school, a kindergarten and a commercial street.

We plan to develop this project in three to four phases. We commenced development of this project in September 2010. As of December 31, 2010, we had a total GFA of 412,012 square meters under development. We expect to commence pre-sale of phase 1 in September 2011.

We are developing this project through our PRC subsidiary, Taiyuan Junjing Real Estate Development Co., Ltd. (太原俊景房地產開發有限公司).

(64) *Evergrande Oasis Yuncheng* (運城恒大綠洲)

Evergrande Oasis Yuncheng is positioned as a large-scale ecological living community located in the center of Yuncheng and is adjacent to a well-developed transportation network. The project occupies a total site area of 67,975 square meters with an aggregate total GFA of 256,387 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including a large-scale commercial complex, an upscale clubhouse and a kindergarten.

We plan to develop this project in two to three phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 256,387 square meters held for future development. We expect to commence pre-sale of phase 1 in July 2011.

We are developing this project through our PRC subsidiary, Yuncheng Jinheng Real Estate Development Co., Ltd. (運城市金恒房地產開發有限公司).



### ***Project Description — Guizhou Province***

#### ***(65) Evergrande Oasis Guiyang (貴陽恒大綠洲)***

Evergrande Oasis Guiyang is positioned as a mountain-view residential complex, located in a new residential area between the Guiyang municipal government and the Baiyun district government, with a well-planned transportation network. This project is located at the foothill of the Qing Mountain and occupies a total site area of 146,825 square meters with an aggregate total GFA of 309,918 square meters. It consists of condominiums as well as ancillary facilities including an upscale clubhouse, a kindergarten and a commercial street.

We plan to develop this project in two phases. We commenced development of this project in December 2007. As of December 31, 2010, we completed a total GFA of 192,361 square meters and had a total GFA of 117,557 square meters under development. We commenced pre-sale of phase 1 in September 2009.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Guiyang Property Co., Ltd. (恒大地產集團貴陽置業有限公司).

#### ***(66) Evergrande City Guiyang (貴陽恒大城)***

Evergrande City Guiyang is positioned as a European garden-style residential community located in the new residential area in the northern part of the city, and is within approximately 10 minutes driving distance to the district's administrative center. This project occupies a total site area of 248,965 square meters with an aggregate total GFA of 969,218 square meters. It consists of high-rise residential buildings, serviced apartments, as well as ancillary facilities including an upscale clubhouse, an elementary school, a kindergarten and a commercial street.

We plan to develop this project in four phases. We commenced development of this project in April 2010. As of December 31, 2010, we had a total GFA of 969,218 square meters under development. We commenced pre-sale of phase 1 in October 2010.

We are developing this project through our PRC subsidiary, Guizhou Guangjuyuan Real Estate Development Co., Ltd. (貴州廣聚源房地產開發有限公司).

#### ***(67) Evergrande City Zunyi (遵義恒大城)***

Evergrande City Zunyi is positioned as a large-scale scenic residential community, located in the district's administrative center, with a full range of facilities. It is adjacent to scenic rivers and mountains. This project occupies a total site area of 540,573 square meters with an aggregate total GFA of 2,073,898 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including a large indoor sports center, an upscale clubhouse, an elementary school, a kindergarten and a commercial street.

We plan to develop this project in multiple phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 2,073,898 square meters held for future development. We expect to commence pre-sale of phase 1 in July 2011.

We are developing this project through our PRC subsidiary, Zunyi Xinguang Real Estate Development Co., Ltd. (遵義市新廣房地產開發有限公司).



### ***Project Description — Anhui Province***

#### ***(68) Evergrande Palace Hefei (合肥恒大華府)***

Evergrande Palace Hefei is positioned as a high-end luxury urban residential community located in the new administrative and cultural district promoted by Hefei government as its key focus development area. It is adjacent to the Economic Development Zone with a scenic mountain view. This project occupies a total site area of 142,578 square meters with an aggregate total GFA of 504,573 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a kindergarten and a commercial street.

We plan to develop this project in three phases. We commenced development of this project in February 2008. As of December 31, 2010, we completed a total GFA of 297,996 square meters, had a total GFA of 206,577 square meters under development. We commenced pre-sale of phase 1 in June 2009.

We are developing this project through our PRC subsidiary, Hefei Qijia Property Co., Ltd. (合肥祺嘉置業有限公司).

#### ***(69) Evergrande City Hefei (合肥恒大城)***

Located at Longgang Development Zone in eastern Hefei City, Evergrande City Hefei has easy access to main highways and offers comprehensive ancillary facilities. It occupies a total site area of 310,929 square meters with a planned aggregate total GFA of 795,520 square meters. It consists of condominiums and high-rise residential buildings as well as ancillary facilities including an upscale clubhouse, a kindergarten and a commercial street.

We plan to develop this project in five phases. We commenced development of this project in September 2009. As of December 31, 2010, we completed a total GFA of 211,989 square meters and had a total GFA of 583,531 square meters under development. We commenced pre-sale of phase 1 in May 2010.

We are developing this project through our PRC subsidiary, Anhui Sanlin Property Co., Ltd. (安徽三林置業有限公司).

#### ***(70) Evergrande Oasis Tongling (銅陵恒大綠洲)***

Evergrande Oasis Tongling is positioned as a large-scale commercial and residential complex located in the Economic Development Zone of Tongling. It is adjacent to the local administrative park and universities. This project occupies a total site area of 312,337 square meters with an aggregate total GFA of 873,503 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a kindergarten and a commercial street.

We plan to develop this project in multiple phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 873,503 square meters held for future development. We expect to commence pre-sale of phase 1 in July 2011.

We are developing this project through our PRC subsidiary, Tongling Hengda Property Co., Ltd. (銅陵恒大置業有限公司).

(71) *Evergrande Metropolis Huaibei (淮北恒大名都)*

Evergrande Metropolis Huaibei is positioned as a large-scale garden-style residential community located in Huaixi County. It is adjacent to the inland lake in the city and the scenery strip of Huai River. This project occupies a total site area of 289,553 square meters with an aggregate total GFA of 854,068 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a kindergarten and a commercial street.

We plan to develop this project in multiple phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 854,068 square meters held for future development. We expect to commence pre-sale of phase 1 in July 2011.

We are developing this project through our PRC subsidiary, Huaibei Yuetong Property Co., Ltd. (淮北粵通置業有限公司).

***Project Description — Hunan Province***

(72) *Evergrande Palace Changsha (長沙恒大華府)*

Evergrande Palace Changsha is positioned as a high-end urban residential community located in the new district near the city government of Changsha. It is located to the south of the Ecological Green Garden, adjacent to the 4A-rated Yue Lu Mountain Park, and opposite of a top-rated municipal middle school. This project occupies a total site area of 144,978 square meters with an aggregate total GFA of 495,207 square meters. It consists of condominiums, high-rise residential buildings and serviced apartments, as well as ancillary facilities including an upscale clubhouse, a commercial street, and a kindergarten.

We plan to develop the project in four phases. We commenced development of this project in January 2008. As of December 31, 2010, we completed a total GFA of 173,409 square meters and had a total GFA of 321,798 square meters under development. We commenced pre-sale of phase 1 in January 2009.

We are developing this project through our PRC subsidiary, Hunan Xiongzhen Investment Co., Ltd. (湖南雄震投資有限公司).

(73) *Evergrande Metropolis Changsha (長沙恒大名都)*

Evergrande Metropolis Changsha is positioned as a garden-style urban residential community. It is located in Wang Cheng County of Changsha City, adjacent to a hot-spring tourist resort and connected to a well-developed transportation network. It overlooks the Xiang River and a new train station is planned for development in the area. This project occupies a total site area of 185,376 square meters with an aggregate total GFA of 828,806 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse and a kindergarten.

We plan to develop the project in six phases. We commenced development of this project in August 2008. As of December 31, 2010, we completed a total GFA of 333,826 square meters and had a total GFA of 494,980 square meters under development. We commenced pre-sale of phase 1 in May 2009.

We are developing this project through our PRC subsidiary, Hunan Shengji Real Estate Co., Ltd. (湖南盛基置業有限公司).

(74) *Evergrande City Changsha* (長沙恒大城)

Evergrande City Changsha is located in Yuhua District of Changsha, opposite to a national forest park and the Hunan Botanic Garden, and adjacent to the provincial government office of Hunan and a natural lake. This project occupies a total site area of 268,506 square meters with an aggregate total GFA of 567,157 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse and a large-scale water theme park.

We plan to develop the project in four phases. We commenced development of this project in August 2009. As of December 31, 2010, we completed a total GFA of 194,541 square meters and had a total GFA of 372,616 square meters under development. We commenced pre-sale of phase 1 in January 2010.

We are developing this project through our PRC subsidiary, Changsha Xinlin Property Co., Ltd. (長沙鑫霖置業有限公司).

(75) *Evergrande Oasis Changsha* (長沙恒大綠洲)

Evergrande Oasis Changsha is located in Yuhua District of Changsha, bordering the Liuyang River in the east, and adjacent to expressways and a national forest park. This project occupies a total site area of 144,187 square meters with an aggregate total GFA of 747,484 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse.

We plan to develop this project in four or five phases. We commenced development of this project in September 2009. As of December 31, 2010, we completed a total GFA of 180,335 square meters and had a total GFA of 567,149 square meters under development. We commenced pre-sale of phase 1 in January 2010.

We are developing this project through our PRC subsidiary, Changsha Tianxi Real Estate Property Co., Ltd. (長沙天璽置業有限公司).

(76) *Evergrande Atrium Changsha* (長沙恒大雅苑)

Evergrande Atrium Changsha is positioned as a lake-side ecological residential community located near Yuehu Lake in Changsha City and is adjacent to the Hunan TV station and University of Changsha. This project occupies a total site area of 565,210 square meters with an aggregate total GFA of 1,755,751 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including a large indoor sports center, an upscale clubhouse, a primary school and outdoor recreational facilities.

We plan to develop this project in multiple phases. We commenced development of this project in February 2010. As of December 31, 2010, we had a total GFA of 1,755,751 square meters under development. We commenced pre-sale of phase 1 in July 2010.

We are developing this project through our PRC subsidiary, Changsha Baorui Property Co., Ltd. (長沙寶瑞房地產開發有限公司).

(77) *Evergrande Palace Liuyang* (瀏陽恒大華府)

Evergrande Palace Liuyang is positioned as a luxurious urban residential community located in the local administrative center near the municipal government, a top-rated middle school and a sports stadium. This project occupies a total site area of 114,639 square meters with an aggregate total GFA of

332,386 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including a large indoor sports center, a shopping center, a cinema, an upscale clubhouse, a kindergarten and outdoor recreational facilities.

We plan to develop this project in multiple phases. We commenced development of this project in August 2010. As of December 31, 2010, we had a total GFA of 332,386 square meters under development. We expect to commence pre-sale of phase 1 in February 2011.

We are developing this project through our PRC subsidiary, Liuyang Jinbi Property Co., Ltd. (瀏陽金碧置業有限公司).

*(78) Evergrande Palace Chenzhou (郴州恒大華府)*

Evergrande Palace Chenzhou is positioned as a luxurious urban residential project and it is located to the west of the district government. It is surrounded by several ecological parks and is a three-minute drive to the city central square and an eight-minute drive to the high-speed railway station. This project occupies a total site area of 126,112 square meters with an aggregate total GFA of 505,503 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale hotel, a cinema, an upscale clubhouse, a kindergarten and outdoor recreational facilities.

We plan to develop this project in multiple phases. As of December 31, 2010, we had a total GFA of 505,503 square meters held for future development. We expect to commence pre-sale of phase 1 in May 2011.

We are developing this project through our PRC subsidiary, Chenzhou Jinbi Property Co., Ltd. (郴州金碧置業有限公司).

***Project Description — Guangxi Zhuang Autonomous Region***

*(79) Evergrande Oasis Nanning (南寧恒大綠洲)*

Evergrande Oasis Nanning is positioned as a riverside garden-view residential community. This project is located in Liangqing District of Nanning City. It is adjacent to the Yong River to the north and near Wuxiang Forest Garden. It is approximately five kilometers away from the downtown area of Nanning. This project occupies a total site area of 341,449 square meters with an aggregate total GFA of 812,911 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including a large clubhouse, a primary school and a kindergarten.

We plan to develop this project in four phases. As of December 31, 2010, we had a total GFA of 812,911 square meters under development.

We are developing this project through our PRC subsidiary, Nanning Yinxiang Real Estate Development Co., Ltd. (南寧銀象房地產開發有限責任公司).

***Project Descriptions — Henan Province***

*(80) Evergrande Oasis Zhengzhou (鄭州恒大綠洲)*

Evergrande Oasis Zhengzhou is positioned as a large-scale integrated complex for both residential and commercial use located in the national development area in the southern New Zhengdong District, and is adjacent to the central business district. This project occupies a total site area of 553,669 square meters with an aggregate total GFA of 1,603,324 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including a luxurious hotel, a large clubhouse and a kindergarten.

We plan to develop this project in multiple phases. As of December 31, 2010, we had a total GFA of 1,603,324 square meters held for future development.

We are developing this project through our PRC subsidiary, Henan Software Institute Industrial Development Co., Ltd. (河南省軟件園實業發展有限公司).

(81) *Evergrande Metropolis Zhengzhou* (鄭州恒大名都)

Evergrande Metropolis Zhengzhou is positioned as an upscale integrated complex for both residential and commercial use located in the core business area of Henan Science and Technology District, surrounded by numerous information technology companies. This project occupies a total site area of 126,730 square meters with an aggregate total GFA of 962,126 square meters. It consists of high-rise residential buildings, high grade office buildings, serviced apartments, and a large-scale shopping center, as well as ancillary facilities including an upscale clubhouse and a commercial center.

We plan to develop this project in four phases. We commenced development of this project in June 2010. As of December 31, 2010, we had a total GFA of 962,126 square meters under development. We commenced pre-sale of phase 1 in November 2010.

We are developing this project through our PRC subsidiary, Henan Xinke Property Co., Ltd. (河南興科置業有限公司).

(82) *Evergrande Oasis Luoyang* (洛陽恒大綠洲)

Evergrande Oasis Luoyang is positioned as a large-scale residential community with a natural panoramic river-view located in eastern Luoyang, adjacent to the Luopu Garden with the Luohe River on the south side. It has convenient access to the long-distance bus station and major urban transportation hub of Luoyang. This project occupies a total site area of 892,080 square meters with an aggregate total GFA of 3,164,544 square meters. It consists of condominiums, high-rise residential buildings and a commercial center, as well as ancillary facilities including an upscale hotel, an office building, an upscale clubhouse, a kindergarten and a primary school.

We plan to develop this project in multiple phases. We commenced development of this project in January 2008. As of December 31, 2010, we completed a total GFA of 259,216 square meters, had a total GFA of 1,401,893 square meters under development and had a total GFA of 1,503,434 square meters held for future development. We commenced pre-sale of phase 1 in October 2009.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Luoyang Co., Ltd. (恒大地產集團洛陽有限公司).

(83) *Evergrande Metropolis Xinyang* (信陽恒大名都)

Evergrande Metropolis Xinyang is positioned as a garden-style residential community located in the core area of the New Yangshan District of Xinyang City. It is adjacent to the municipal government and a large-scale municipal park. This project occupies a total site area of 323,530 square meters with an aggregate total GFA of 760,769 square meters. It consists of high-rise residential buildings and serviced apartments, as well as ancillary facilities including a luxurious hotel, a large shopping center, an upscale clubhouse and a kindergarten.

We plan to develop this project in five phases. We commenced development of this project in July 2010. As of December 31, 2010, we had a total GFA of 760,769 square meters under development. We commenced pre-sale of phase 1 in December 2010.

We are developing this project through our PRC subsidiary, Henan Dayou Property Development Co., Ltd. (河南大有房地產開發有限公司).

(84) *Evergrande Oasis Wugang* (舞鋼恒大綠洲)

Evergrande Oasis Wugang is positioned as an upscale urban residential community located on Gangcheng Road of Wugang City, surrounded by ancillary amenities. This project occupies a total site area of 34,906 square meters with an aggregate total GFA of 115,996 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse and a kindergarten.

We plan to develop this project in two phases. As of December 31, 2010, we had a total GFA of 115,996 square meters held for future development.

We are developing this project through our PRC subsidiary, Wugang Hengda Property Co., Ltd. (舞鋼恒大置業有限公司).

(85) *Evergrande Oasis Anyang* (安陽恒大綠洲)

Evergrande Oasis Anyang is positioned as a garden-style ecological residential community. It is located in the new residential area on the east side of Anyang City, and it is well-connected to transportation network. This project occupies a total site area of 386,168 square meters with an aggregate total GFA of 422,155 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including a large indoor sports center, an upscale clubhouse, a commercial street and a kindergarten.

We plan to develop this project in multiple phases. As of December 31, 2010, we had a total GFA of 422,155 square meters held for future development.

We are developing this project through our PRC subsidiary, Anyang Tongruida Property Co., Ltd. (安陽通瑞達房地產有限公司).

(86) *Evergrande Atrium Xinxiang* (新鄉恒大雅苑)

Evergrande Atrium Xinxiang is positioned as a European-style landscaped residential community located in the New Chengnan District. It has convenient access to main roads, and it is surrounded with a strong cultural atmosphere. This project occupies a total site area of 79,002 square meters with an aggregate total GFA of 276,476 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a cinema and a commercial street.

We plan to develop this project in multiple phases. As of December 31, 2010, we had a total GFA of 276,476 square meters held for future development.

We are developing this project through our PRC subsidiary, Xinxiang Mingdu Property Co., Ltd. (新鄉名都置業有限公司).

***Project Descriptions — Jiangxi Province***

(87) *Evergrande City Nanchang* (南昌恒大城)

Evergrande City Nanchang is positioned as a large-scale landscaped residential community. It is located on the south side of Nanchang City, to the east of Gan River and close to major highways which connect to downtown Nanchang City. This project occupies a total site area of 976,800 square meters with an aggregate total GFA of 1,529,303 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including a large indoor sports center, an upscale clubhouse, a cinema and a kindergarten.



We plan to develop this project in five phases. We expect to commence development of this project in April 2011. As of December 31, 2010, we had a total GFA of 1,529,303 square meters under development. We expect to commence pre-sale of phase 1 in October 2011.

We are developing this project through our PRC subsidiary, Jiangxi Hongji Investment Co., Ltd. (江西宏吉投資有限公司).

(88) *Evergrande Oasis Nanchang* (南昌恒大綠洲)

Evergrande Oasis Nanchang is positioned as an urban golf community located in the Yingxiong Development Zone of Nanchang City. This project occupies a total site area of 1,577,389 square meters with an aggregate total GFA of 1,074,355 square meters. It consists of various types of villas and high-rise residential buildings, as well as ancillary facilities including an indoor sports center, a high-end hotel, an upscale clubhouse and a kindergarten.

We plan to develop this project in six phases. We commenced development of this project in November 2009. As of December 31, 2010, we completed a total GFA of 60,412 square meters and had a total GFA of 1,013,943 square meters under development. We commenced pre-sale of phase 1 in May 2010.

We are developing this project through our PRC subsidiary, Jiangxi Cuilin Shanzhuang Co., Ltd. (江西翠林山莊有限公司).

(89) *Evergrande Metroplis Jingdezhen* (景德鎮恒大名都)

Evergrande Metroplis Jingdezhen is positioned as a European-style residential community located in the new residential area on the east side of Jingdezhen City. The project occupies a total site area of 205,558 square meters with an aggregate total GFA of 597,186 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including a large commercial center, an upscale clubhouse, a cinema, and a kindergarten.

We plan to develop this project in four to five phases. We commenced development of this project in December 2010. As of December 31, 2010, we had a total GFA of 597,186 square meters under development. We expect to commence pre-sale of phase 1 in June 2011.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Jingdezhen Property Development Co., Ltd. (恒大地產集團景德鎮置業有限公司).

(90) *Evergrande Atrium Xinyu* (新余恒大雅苑)

Evergrande Atrium Xinyu is positioned as a scenic ecological wetland community located in the Xinyu High & New Technology Development Zone, and adjacent to a national wetland park and upscale hotels. The project occupies a total site area of 203,734 square meters with an aggregate total GFA of 682,404 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a commercial street and a kindergarten.

We plan to develop this project in four to five phases. We commenced development of this project in November 2010. As of December 31, 2010, we had a total GFA of 682,404 square meters under development. We expect to commence pre-sale of phase 1 in May 2011.

We are developing this project through our PRC subsidiary, Xinyu Fuchen Real Estate Development Co., Ltd. (新余福辰置業發展有限公司).



## ***Project Description — Hebei Province***

### ***(91) Evergrande City Shijiazhuang (石家莊恒大城)***

Evergrande City Shijiazhuang is positioned as a large-scale urban scenic community. It is located at the prosperous area of Qiaoxi District of Shijiazhuang and surrounded by numerous city gardens, upscale hotels and commercial centers. The project occupies a total area of 245,414 square meters with an aggregate total GFA of 905,979 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including a large indoor sports center, an upscale clubhouse, a commercial street, an elementary school and a kindergarten.

We plan to develop the project in two phases. We commenced development of this project in October 2009. As of December 31, 2010, we had a total GFA of 274,669 square meters under development and had a total GFA of 631,310 square meters held for future development. We commenced pre-sale of phase 1 in April 2010.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Shijiazhuang Co., Ltd. (恒大地產集團石家莊有限公司).

### ***(92) Evergrande Atrium Shijiazhuang (石家莊恒大雅苑)***

Evergrande Atrium Shijiazhuang is positioned as a European garden-style residential community located in the new residential area on the south side of Shijiazhuang with a well-established transportation network. The project occupies a total site area of 171,198 square meters with an aggregate total GFA of 616,286 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a commercial street, a traditional market and a kindergarten.

We plan to develop this project in three phases. We commenced development of this project in May 2010. As of December 31, 2010, we had a total GFA of 616,286 square meters under development. We expect to commence pre-sale of phase 1 in January 2011.

We are developing this project through our PRC subsidiary, Hebei Gaojieshi Real Estate Development Co., Ltd. (河北高傑士房地產開發有限公司).

### ***(93) Evergrande Oasis Shijiazhuang (石家莊恒大綠洲)***

Evergrande Oasis Shijiazhuang is positioned as a scenic residential community with both mountain and lake views. It is adjacent to the provincial government office and a city park, and near a station on the No. 3 Subway Line. The project occupies a total site area of 176,426 square meters with an aggregate total GFA of 567,685 square meters. It consists of high-rise residential buildings as well as ancillary facilities including an upscale clubhouse, a commercial street, a kindergarten and outdoor sports facilities.

We plan to develop this project in four phases. We commenced development of this project in March 2010. As of December 31, 2010, we had a total GFA of 567,685 square meters under development. We commenced pre-sale of phase 1 in September 2010.

We are developing this project through our PRC subsidiary, Shijiazhuang Shengyu Real Estate Development Co., Ltd. (石家莊盛宇房地產開發有限公司).

(94) *Evergrande City Qinhuangdao (秦皇島恒大城)*

Evergrande City Qinhuangdao is positioned as a large-scale integrated complex for both residential and commercial use located in the Harbor Commercial Center of Qinhuangdao City, and is adjacent to a railway station and a city center plaza. The project occupies a total site area of 796,573 square meters with an aggregate total GFA of 1,936,538 square meters. It consists of condominiums, high-rise residential buildings, an international trade center, and upscale office buildings, as well as ancillary facilities including a large indoor sports center, an upscale clubhouse, a commercial street and a kindergarten.

We plan to develop this project in multiple phases. As of December 31, 2010, we had a total GFA of 1,936,538 square meters under development.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Qinhuangdao Real Estate Development Co., Ltd. (恒大地產集團秦皇島恒大城房地產開發有限公司).

(95) *Evergrande Splendor Luquan (鹿泉恒大金碧天下)*

Evergrande Splendor Luquan is positioned as a large-scale resort with integrated living, tourism, convention and leisure facilities located in the Shanqian Development Zone of Luquan City, with a well-established transportation network that connects to the city center. This project occupies a total site area of 533,333 square meters with an aggregate total GFA of 277,451 square meters. It consists of various villas and high-rise residential buildings, as well as ancillary facilities including high-end hotels, a convention center, a food center, a sports center, a recreation center, a fitness center and a commercial center. We plan to expand our land bank in the peripheral area at the appropriate cost.

We plan to develop this project in multiple phases. As of December 31, 2010, we had a total GFA of 277,451 square meters held for future development.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Luquan Co., Ltd. (恒大地產集團鹿泉有限公司).

***Project Description — Hainan Province***

(96) *Evergrande Oasis Haikou (海口恒大綠洲)*

Evergrande Oasis Haikou is positioned as a European island-style residential community located in the new residential area of Long Hua District, and adjacent to a natural reservoir and the city's major roads. The project occupies a total site area of 895,840 square meters with an aggregate total GFA of 2,053,356 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including a large indoor sports center, an upscale clubhouse, a commercial street and a kindergarten.

We plan to develop this project in multiple phases. We commenced development of this project in May 2010. As of December 31, 2010, we had a total GFA of 2,053,356 square meters under development. We expect to commence pre-sale of phase 1 in April 2011.

We are developing this project through our PRC subsidiary, Hainan Dongfang Mingzhu Real Estate Co., Ltd. (海南東方明珠房地產有限公司).

(97) *Evergrande Metropolis Danzhou (儋州恒大名都)*

Evergrande Metropolis Danzhou is positioned as an urban central park-style residential community located in the New Area in the northern part of the Danzhou City. It is adjacent to the city center plaza and is only a five minute driving distance from the city government offices. The project occupies a total

site area of 126,780 square meters with an aggregate total GFA of 354,402 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a commercial street and a kindergarten.

We plan to develop this project in multiple phases. We commenced development of this project in November 2010. As of December 31, 2010, we had a total GFA of 354,402 square meters under development. We expect to commence pre-sale of phase 1 in May 2011.

We are developing this project through our PRC subsidiary, Danzhou Hengda Binhai Investment Co., Ltd. (儋州恒大濱海投資有限公司).

(98) *Evergrande Splendor Danzhou (儋州恒大金碧天下)*

Evergrande Splendor Danzhou is positioned as a large-scale coastal resort with integrated living, tourism, convention and leisure facilities located in the Binhai New Area of Danzhou City in Hainan Province. It is surrounded by the sea on three sides and connected to a well-established transportation network. This project occupies a total site area of 533,333 square meters with an aggregate total GFA of 210,407 square meters. It consists of various villas, garden-view townhouses, condominiums, and high-rise residential buildings, as well as ancillary facilities including high-end hotels, a convention center, a food center, a sports center, a recreation center, a fitness center and a commercial center, a scenic commercial street and a kindergarten. We plan to expand our land bank in the peripheral area at the appropriate cost.

We plan to develop this project in multiple phases. As of December 31, 2010, we had a total GFA of 210,407 square meters held for future development.

We are developing this project through our PRC subsidiary, Danzhou Hengda Binhai Investment Co., Ltd. (儋州恒大濱海投資有限公司).

***Project Description — Shandong Province***

(99) *Evergrande Metropolis Jinan (濟南恒大名都)*

Evergrande Metropolis Jinan is positioned as a landscaped garden-style residential community located in the core area of New Tangye District in the eastern part of Jinan City and adjacent to the Olympic Sports Center. The project occupies a total site area of 134,118 square meters with an aggregate total GFA of 429,026 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a commercial street, an elementary school and a kindergarten.

We plan to develop this project in two phases. We commenced development of this project in March 2010. As of December 31, 2010, we had a total GFA of 429,026 square meters under development. We commenced pre-sale of phase 1 in July 2010.

We are developing this project through our PRC subsidiary, Jinan Mingdu Real Estate Co., Ltd. (濟南名都置業有限公司).

(100) *Evergrande Oasis Jinan (濟南恒大綠洲)*

Evergrande Oasis Jinan is positioned as an urban ecological residential community with both mountain and lake views. It is located in the core area of Changqing District, adjacent to the university town and the Horticultural Expo site, and is surrounded by commercial centers and hotels. The project occupies a total site area of 678,556 square meters with an aggregate total GFA of 1,951,110 square meters. It consists of condominiums and high-rise residential buildings, as well as ancillary facilities including a large indoor sports center, an upscale clubhouse, a commercial street and a kindergarten.

We plan to develop this project in multiple phases. We commenced development of this project in February 2010. As of December 31, 2010, we had a total GFA of 963,310 square meters under development and a total GFA of 987,800 square meters held for future development. We commenced pre-sale of phase 1 in July 2010.

We are developing this project through our PRC subsidiary, Evergrande Oasis Jinan Real Estate Co., Ltd. (濟南恒大綠洲置業有限公司).

(101) *Evergrande City Jinan* (濟南恒大城)

Evergrande City Jinan is positioned as a large-scale integrated complex for both residential and commercial use. It is located in the fast-growing new development area in the eastern part of Jinan City, with well-established commercial and education infrastructure. The project occupies a total site area of 479,234 square meters with an aggregate total GFA of 1,707,790 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a commercial street, supermarkets and a kindergarten.

We plan to develop this project in multiple phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 1,707,790 square meters held for future development. We expect to commence pre-sale of phase 1 in July 2011.

We are developing this project through our PRC subsidiary, Jinan Evergrande Jinbi Real Estate Development Co., Ltd. (濟南恒大金碧房地產開發有限公司).

(102) *Evergrande Splendor Laiwu* (萊蕪恒大金碧天下)

Evergrande Splendor Laiwu is positioned as a tourism complex with facilities for residence, sports, business conventions and healthier living. It is adjacent to Xueye Lake in Laiwu City, and it is only a 30-minute drive to Jinan City via expressway. This project occupies a total site area of 366,593 square meters with an aggregate total GFA of 156,390 square meters. It consists of various villas, high-rise residential buildings, as well as ancillary facilities including a convention center, a food center, a sports center, a recreation center, a fitness center and a commercial center, a luxury hotel, an indoor ski slope, an indoor ice-skating rink and a kindergarten.

We plan to develop this project in multiple phases. We commenced development of this project in December 2010. As of December 31, 2010, we had a total GFA of 156,390 square meters under development. We expect to commence pre-sale of phase 1 in June 2011.

We are developing this project through our PRC subsidiary, Evergrande Splendor Laiwu Real Estate Co., Ltd. (萊蕪恒大金碧天下置業有限公司).

***Project Description — Shanghai Municipality***

(103) *Evergrande Palace Shanghai* (上海恒大華府)

Evergrande Palace Shanghai is positioned as a top-grade commercial and residential complex located at the center of the Lujiazui area in Shanghai's Pudong District, with the Huangpu River to the north. This project occupies a total site area of 32,970 square meters with an aggregate total GFA of 129,648 square meters. It consists of high-rise residential buildings and Grade A office buildings.

We plan to develop this project in two phases. We expect to commence development of phase 1 in August 2011. As of December 31, 2010, we had a total GFA of 129,648 square meters under development. We expect to commence pre-sale of phase 1 in October 2012.

We are developing this project through our PRC subsidiary, Shanghai Suihua Real Estate Co., Ltd. (上海穗華置業有限公司).

***Project Description — Jilin Province***

***(104) Evergrande Oasis Changchun (長春恒大綠洲)***

Evergrande Oasis Changchun is positioned as a European-style residential development featuring gardens and waterscape located in Gaoxin District of Changchun City, and adjacent to large-scale water reservoirs and rivers. This project occupies a total site area of 197,940 square meters with an aggregate total GFA of 618,090 square meters. It consists of high-rise residential buildings as well as ancillary facilities including an upscale clubhouse, a cinema, a commercial center, a commercial street and a kindergarten.

We plan to develop this project in three phases. We commenced development of this project in June 2010. As of December 31, 2010, we had a total GFA of 618,090 square meters under development. We commenced pre-sale of phase 1 in October 2010.

We are developing this project through our PRC subsidiary, Changchun Longji Real Estate Development Co., Ltd. (長春隆基房地產開發有限公司).

***(105) Evergrande City Changchun (長春恒大城)***

Evergrande City Changchun is positioned as a large-scale lakeside residential community located by Yanming Lake in northern Changchun City's New Town District, with convenient transportation access. It is eight kilometers away from the provincial government office and six kilometers away from the railway station. The project occupies a total site area of 215,377 square meters with an aggregate total GFA of 1,638,400 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including a large indoor sports center, an upscale clubhouse, a commercial street and a kindergarten.

We plan to develop this project in four phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 1,638,400 square meters held for future development. We expect to commence pre-sale of phase 1 in July 2011.

We are developing this project through our PRC subsidiary, Changchun Zhuoyue Real Estate Development Co., Ltd. (長春卓越房地產開發有限公司).

***(106) Evergrande Center Changchun (長春恒大中心)***

Evergrande Centre Changchun is positioned as an upscale office tower located at the future city center, adjacent to Changchun City government and surrounded by numerous high-tech enterprises. It is near the Changchun City government buildings. It occupies a total site area of 26,239 square meters with an aggregate total GFA of 305,641 square meters. This project consists of an upscale office tower and ancillary facilities.

We have not yet set a commencement date for development of this project. As of December 31, 2010, we had a total GFA of 305,641 square meters held for future development.

We are developing this project through our PRC subsidiary, Changchun Taiji Real Estate Development Co., Ltd. (長春泰基房地產開發有限公司).

(107) *Evergrande Royal Scenic Changchun* (長春恒大御景)

Evergrande Royal Scenic Changchun is positioned as a high-class urban residential community located at the future city center, adjacent to Changchun City government and surrounded by numerous high-tech enterprises. This project occupies a total site area of 170,324 square meters with an aggregate total GFA of 432,830 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including a luxury clubhouse, a commercial street and a kindergarten.

We plan to develop this project in multiple phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 432,830 square meters held for future development. We expect to commence pre-sale of phase 1 in August 2011.

We are developing this project through our PRC subsidiary, Changchun Taiji Real Estate Development Co., Ltd. (長春泰基房地產開發有限公司)

(108) *Evergrande Palace Jilin* (吉林恒大華府)

Evergrande Palace Jilin is positioned as a luxurious ecological residential project located in Changyi District of Jilin City. It is located north of Xuantianling Park and only 2.6 kilometers away from city center of Jilin, and is surrounded by a comprehensive range of amenities. It occupies a total site area of 127,455 square meters with an aggregate total GFA of 281,095 square meters. It consists of condominiums as well as ancillary facilities including an upscale clubhouse, a cinema, a commercial street and a kindergarten.

We plan to develop this project in multiple phases. We commenced development of this project in December 2010. As of December 31, 2010, we had a total GFA of 281,095 square meters under development. We expect to commence pre-sale of phase 1 in June 2011.

We are developing this project through our PRC subsidiary, Jilin Hengda Yongsheng Real Estate Co., Ltd. (吉林市恒大永盛房地產開發有限公司).

***Project Description — Gansu Province***

(109) *Evergrande City Lanzhou* (蘭州恒大城)

Evergrande City Lanzhou is positioned as an ecological residential project located in Xinxing Residential District of eastern Lanzhou City. It is only a 10-minute drive away from the eco-tourism area and is surrounded by mountains. It is also connected with well-established transportation networks. It occupies a total site area of 412,052 square meters with an aggregate total GFA of 707,839 square meters. This project consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a cinema, a commercial street and a kindergarten.

We plan to develop this project in multiple phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 707,839 square meters held for future development. We expect to commence pre-sale of phase 1 in July 2011.

We are developing this project through our PRC subsidiary, Yuzhong Junxing Real Estate Development Co., Ltd. (榆中俊興房地產開發有限公司).



(110) *Evergrande Oasis Lanzhou (蘭州恒大綠洲)*

Evergrande Oasis Lanzhou is positioned as a large-scale complex for both commercial and residential use located in the Jiuzhou Development Zone of Lanzhou City, connected with well-established transportation networks. This project occupies a total site area of 686,641 square meters with an aggregate total GFA of 1,611,869 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a cinema, a commercial street and a kindergarten.

We plan to develop this project in multiple phases. We expect to commence development of this project in May 2011. As of December 31, 2010, we had a total GFA of 1,611,869 square meters held for future development. We expect to commence pre-sale of phase 1 in October 2011.

We are developing this project through our PRC subsidiary Hengda Real Estate Group Lan Zhou Property Co., Ltd. (恒大地產集團蘭州置業有限公司).

***Project Description — Ningxia Hui Autonomous Region***

(111) *Evergrande Metropolis Yinchuan (銀川恒大名都)*

Evergrande Metropolis Yinchuan is positioned as an urban mixed-used complex located in Yinchuan Jinfeng Industrial Zone, and is connected with well-established transportation networks. This project occupies a total site area of 218,580 square meters with an aggregate total GFA of 437,624 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a cinema, a commercial street and a kindergarten.

We plan to develop this project in multiple phases. We expect to commence development of this project in March 2011. As of December 31, 2010, we had a total GFA of 437,624 square meters held for future development. We expect to commence pre-sale of phase 1 in October 2011.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Yinchuan Co., Ltd. (恒大地產集團銀川有限公司).

(112) *Evergrande Oasis Shizuishan (石嘴山恒大綠洲)*

Evergrande Oasis Shizuishan is positioned as a large upscale ecological residential complex located in Dawukou District of Shizuishan City, adjacent to urban ecological parks and scenic rivers. The project is three kilometers away from the commercial center of Shizuishan City. This project occupies a total site area of 172,502 square meters with an aggregate total GFA of 620,391 square meters. It consists of high-rise residential buildings, as well as ancillary facilities including an upscale clubhouse, a cinema, a commercial street and a kindergarten.

We plan to develop this project in multiple phases. We expect to commence development of this project in January 2011. As of December 31, 2010, we had a total GFA of 620,391 square meters held for future development. We expect to commence pre-sale of phase 1 in October 2011.

We are developing this project through our PRC subsidiary, Hengda Real Estate Group Shizuishan Co., Ltd. (恒大地產集團石嘴山有限公司).

***Other Development Project***

In January 2008, we won the land use right to a piece of land through our successful bidding of RMB 4.1 billion at the auction conducted by the PRC government. This Guangzhou Juanmachang project is located in Tianhe district in Guangzhou, next to the Pearl River New City central business district. It occupies a total site area of 98,156 square meters. We entered into a land grant contract on January 8, 2008 with Guangzhou City government. We have paid an auction deposit of RMB 130.0



million but have not paid the remaining land premium. The land was originally designated by the Guangzhou City government for residential use, but has since been re-zoned by the Guangzhou City government as part of a newly established financial district of Guangzhou City. We are in negotiation with the government on this project although the Guangzhou City government has announced its unilateral termination of this land grant contract. We may be subject to forfeiture of the auction deposit of RMB 130 million (US\$19.2 million), and as a result, we have made a full provision for this amount in our condensed consolidated interim financial information for the six months ended June 30, 2010.

**Property Development**

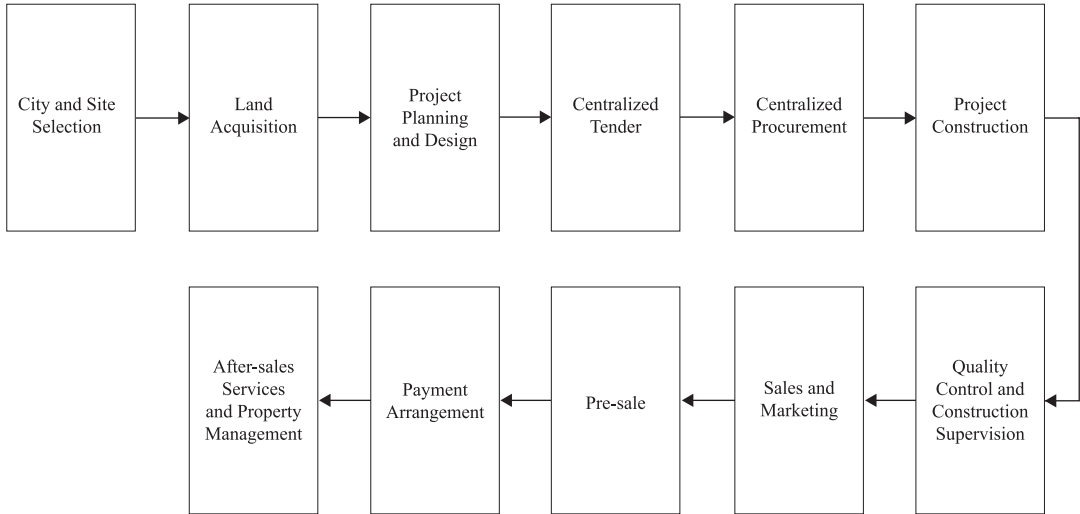
Our business operations are based on our industry-leading standardized operational model for quality real estate development. Our standard operational procedures cover all aspect of our project development process.

We believe our standardized approach to property development has enabled us to rapidly replicate our success in our home base in Guangzhou to other key provincial capitals and surrounding areas in China, to ensure consistent product quality at the same time.

The residential properties we develop are primarily comprised of four major standard product series. We have also developed a standard for high-end ancillary facilities, a standard for gardening and landscaping, and a construction standard according to different product series. We develop a diversified portfolio of properties, including low-density residential buildings, multi-storey residential buildings, mid-rise and high-rise residential buildings, to cater to individual needs of different buyers. We generally favor large-scale and extra-large scale projects because our standardized operational model tends to work more effectively and efficiently with them, as they allow the appropriate economies of scale to maximize the upside potential of property development.

**Project Development and Management Procedures**

We maintain a systematic development approach although each project is designed to cater to the specific target market. Our property development and management procedures are summarized as below:



### ***City and Site Selection***

We screen cities and sites in China following a standardized process in order to identify opportunities suitable for our development. The primary criteria in our project site evaluation include the following:

- location in provincial capitals and other selected cities that we believe have high-growth potential;
- size between 0.5 million square meters and 2.0 million square meters, appropriate for multi-phase development on a rolling basis;
- beautiful surrounding environment, with established supporting infrastructure, convenient transportation system, and appropriate value appreciation potential;
- minimal or no demolition and resettlement costs, allowing commencement of development soon after the acquisition of the land; and
- appropriate cost and attractive financial return.

### ***Land Acquisition***

According to current PRC laws and regulations, state-owned land use rights for property development must be granted by the relevant governmental authorities via public tender, auction and listing-for-sale. Land reserves may also be acquired in the secondary market through acquisition of the equity interests of companies that possess the land use rights. You should refer to the section entitled “Regulation” for more information about PRC land grant regulation. We acquire land use rights either by bidding directly at auctions organized by the relevant government authorities or through acquiring companies that hold land use rights.

As a property developer targeting middle to upper-middle income customers, we believe that acquiring land at competitive prices is critical to our overall development strategy. The ability to identify potentially undervalued land reserves and the effective execution of our land acquisition strategy are our important strengths. Based on our current development and growth targets, we expect to maintain sufficient land reserves to fulfill our development requirements for the next three to five years on a rolling basis. As of December 31, 2010, we had approximately 55.8 million square meters of GFA under development and approximately 40.2 million square meters of GFA held for future development. We continually search for land sites that meet our selection criteria.

As of the date of this offering memorandum, we have not commenced the construction work as required by the relevant original land grant contracts with respect to a number of projects that we have acquired. However, we do not expect such land parcels to be subject to idle land fees or forfeiture primarily for the following reasons:

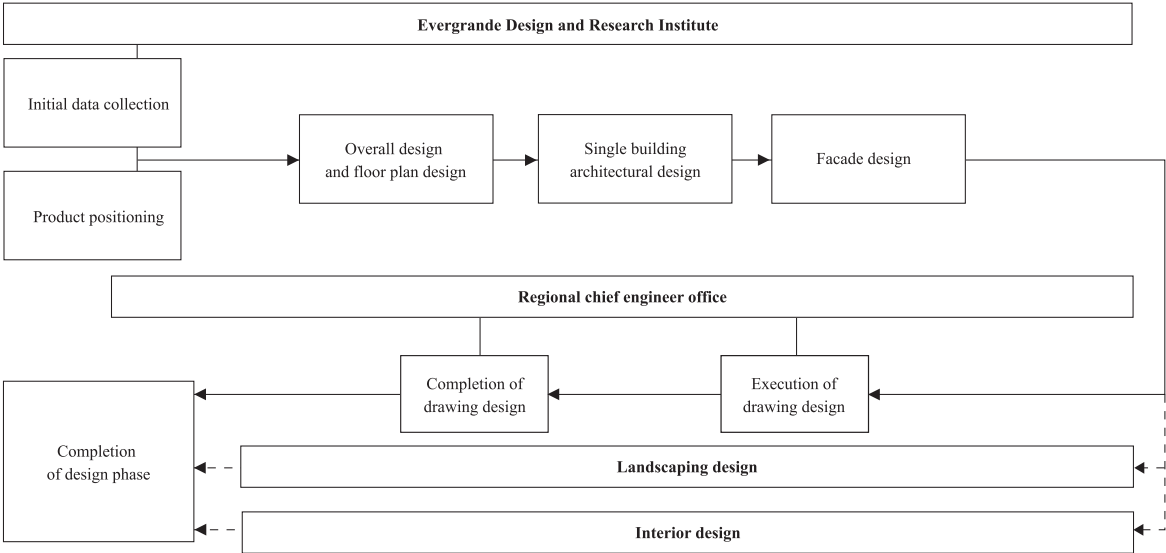
- the relevant local authorities’ failure to deliver certain land to us due to their on-going re-zoning plans;
- our entry into supplementary agreements with the relevant local authorities to extend the commencement of the construction; and/or
- demolition of certain land has not been completed on the part of the government preventing the construction from commencing on such land.

As of the date of this offering memorandum, we have not been required to pay any idle land fee or forfeit any land as a result of noncompliance with the relevant PRC laws and regulations. Although we cannot assure you that circumstances leading to forfeiture or significant delays in our development schedules will not arise in the future, we do not expect that any of our current land reserves will be subject to forfeiture based on our current development plans.

To ensure timely payment of land premiums and efficient execution of our property development, we have adopted internal control procedures to monitor and manage our land acquisitions and related financing. Our legal department has authority to perform due diligence investigations into our land acquisitions and our finance department is responsible for the feasibility analysis and funding sufficiency. Both departments report their findings and issues to our senior management. We also require our regional offices to strictly adhere to the schedules with respect to application for land use right certificates, construction land planning permits, construction work planning permits and construction permits in compliance with the PRC laws and regulations. We closely monitor the land acquisition and project development process. In the event that we experience delays in payment of land premiums or construction schedule, we will seek immediate rectification, including application for an extension from the relevant government authorities as well as negotiation and entry into supplementary agreements. In addition, as part of our standardized operational model, we endeavor to train our staff of, and coordinate the proceedings at, our bidding and tendering department, development department and engineering department to ensure a timely property development in compliance with the PRC laws and regulations.

***Project Planning and Design***

We have strong in-house design capabilities. Evergrande Design and Research Institute, our in-house design subsidiary, is a nationally accredited architectural design firm comprised of over 150 professionals as of December 31, 2010. Our design team works closely with our project managers and marketing team in master-planning and in detailed two-dimensional and three-dimensional architectural designs. Our design team also collaborates with reputable domestic and international design houses in formulating, developing and finalizing the landscape and interior design for our projects. Our senior management is actively involved in the whole planning and design process, especially in the master-planning and architectural design of our projects. Our design process is summarized as below:



Based on our previous successful experiences, our professional R&D team has designed eight standard series of products, including the Evergrande Palace series, Evergrande Royal Scenic Peninsula series, the Evergrande Oasis series, the Evergrande City series, the Evergrande Metropolis series, Evergrande Atrium series, the Evergrande Splendor series and Evergrande Scenic Garden series. We also conduct detailed market research and analysis on the products placed by other major developers into the market. We endeavor to tailor-make and ensure highest construction, gardening, landscaping, and decoration quality of our different product series. Through creative architectural planning and innovative design, we have successfully developed 150 standard floor plans and six standard plans for clubhouses and other ancillary facilities, with a view to making our products distinctive from the offerings in the market.

In our efforts to integrate quality with distinctive designs for our properties, we have also retained renowned design houses, such as Wimberly Allison Tong & Goo, Inc., Atkins Shenzhen, Shenzhen General Institute of Architectural Design and Research, China Construction Design International (Beijing) and the Architectural Design and Research Institute of Guangdong Province, to optimize our architectural design in various aspects. As we seek to standardize the designs of our product series and customize our mature series, we will continue to introduce new series in accordance with market demands and preferences. As an important part of our project planning and design process, we work closely with external landscape and interior designers to maximize the aesthetic appeal and eco-value of our properties. In addition to distinctive design features, we also seek to distinguish our property developments by offering additional value-added functions.

We have received numerous awards in recognition of our achievement in various areas of our project designs and floor plans.

### ***Centralized Tender***

We organize tenders, and invite primarily first-rate construction companies in China to participate in the bidding, for interior decoration, gardening and landscaping and other construction work to ensure that we get high-quality construction service at competitive prices. We have centralized and standardized our tender process as a part of our standard operational procedures. We outsource substantially all of our project construction work to independent contractors. We have also acquired a nationally accredited construction company to undertake some of our project construction. We also maintain strict quality control measures throughout our development chain and partner with renowned international and national service and product providers to ensure the quality of our products. Vendors and suppliers we generally partner with in our projects include:

<u>Services or products</u>	<u>Suppliers or vendors</u>
Overall project planning/design .	Shenzhen General Institute of Architectural Design and Research  China Construction Design International (Beijing)  The Architectural Design and Research Institute of Guangdong Province
Project construction . . . . .	China State Construction Engineering Corporation  Zhong-Tie Construction Group Corporation Limited
Interior design and decoration . .	Suzhou Gold Mantis Construction & Decoration Co., Ltd.  Shenzhen Grandland Decoration & Construction Co., Ltd.  Shenzhen Decoration & Construction Industrial Co., Ltd.
Elevators . . . . .	OTIS
Power switches . . . . .	SIEMENS
Kitchen electric appliances . . . .	Oppein Rinnai
Bathroom fixtures . . . . .	TOTO, KOHLER and American Standard
Switch boards . . . . .	Panasonic
Air conditioners and cabinets . .	Haier

### ***Centralized Procurement***

We have signed long-term procurement agreements with reputable service and product suppliers in China and overseas and we have also established a unified national distribution system. The procurement departments in our regional offices are managed directly by our headquarters. Our regional procurement departments submit their procurement plans of material and equipment to our headquarters on a monthly basis. We require that the difference between the actual monthly purchased quantities and the procurement plans should not exceed 10% under normal circumstances. Through such requirements, we endeavor to minimize our overall purchasing costs without compromising our quality requirement.

Our centralized procurement system plays an essential role in helping us achieve economies of scale and favorable commercial terms, and in promoting our long-term partnership with quality suppliers. We have established a rigorous screening and bidding process to select our suppliers. We mainly consider first-rate national suppliers during our screening process, from which we select three to five suppliers in each category to form our pre-qualified vendor pool. Pre-qualified suppliers are invited

to submit bids based on our product specifications and requirements. All submitted bids are reviewed and evaluated by our bidding and tendering committee, which consists of members from our senior management, procurement departments and design team. The bidding and tendering committee determines the winner based on a set of standards described in our bid-solicitation documents, such as product quality, price, supply lead time, financial strength, reputation and after-sales services. Our objective in this centralized procurement system is to obtain our required quality products and services at the best prices. Certain key construction materials and services, such as aluminum alloy materials, hardwood floor panels and site preparation, are partly provided by our subsidiaries.

Since 2006, all our construction material procurement contracts are tri-partite arrangements among us, suppliers and construction contractors. Such arrangements require suppliers to deliver their supplies directly to our regional procurement departments, which then distribute them to our construction contractors. We will effect payments to suppliers on a monthly basis by deducting such payments directly from our fees payable to the construction contractors. These arrangements not only ensure the quality of materials and equipment used in our projects but also relieve the concerns of our suppliers over potential late payment or lack of accountability on the part of construction contractors. Through our large-volume and centralized procurement arrangements, we are able to form long-term strategic partnerships with top suppliers in China and overseas to provide us, and indirectly our customers, with premium products at competitive costs. For example, we source our elevators primarily from OTIS, power switches from SIEMENS, kitchen electric appliances from Rinnai, bathroom fixtures from TOTO, KOHLER and American Standard, switch boards from Panasonic, air conditioners and cabinets from Haier, a renowned domestic brand.

### ***Project Construction***

Our headquarters, in collaboration with all our specialized departments, formulate the standard of construction requirements and we require each of our regional offices to follow and implement the standard consistently. Our headquarters have a dedicated team of more than 300 professional staff who collect and analyze information on project progress and construction quality from all of our regional offices on a weekly basis through our in-house information management system. This team not only sends out professionals to conduct on-site inspection, but also dispatches qualified professionals and engineers to supervise the overall construction of each individual project from time to time.

Under the supervision of our headquarters, each of our regional offices is responsible for the day-to-day management of specific project construction in accordance with our centralized standard. The construction contracts we enter into with construction companies typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with the relevant PRC laws and regulations as well as our own standards and specifications. Our construction management department is charged with the responsibility of closely monitoring quality and construction progress as well as controlling cost during construction. In the event of unsatisfactory quality of work, we will reject such work pursuant to our contractual arrangements until it is redone to our satisfaction. Our construction contracts typically require payments based on construction progress until a specified maximum percentage of the total contract sum is paid. Except for approximately 5% of the contract sum, which we generally withhold for two years from the time of completion to cover any contingent expenses incurred as a result of any construction defects, the remaining balance is payable upon the issue of a certificate by the relevant governmental authorities approving construction quality. You should refer to the section entitled “— Quality Control and Construction Supervision” below for additional information on our quality control system.

### ***Quality Control and Construction Supervision***

We control the overall project quality directly from our headquarters by the following means:

- provision of professional guidance and technical support to our regional offices for the purpose of overseeing and supervising the construction of all our projects;

- compilation of various standardized technical guidelines and assessment systems, including our property construction management system, to manage the various aspects of project developments;
- results evaluation conducted through the monthly plans and weekly progress reports submitted by our regional offices with respect to all of our projects under development from time to time; and
- dispatch of qualified personnel to conduct on-site quality inspections on a random basis.

We emphasize on and enforce our quality control at every stage of a project development from its initial planning and design through its final completion. In addition to our stringent and intensive selection process in choosing our suppliers and service providers as disclosed in the sections entitled “— Centralized Tender” and “— Centralized Procurement” above, we employ strict procedures to select, inspect and test equipment and materials we purchase. Our project management teams inspect equipment and materials to ensure their compliance with the contractual specifications before accepting them and approving payment. We reject and return any supplies that are below our standards or that do not comply with our specifications.

To ensure quality and to monitor the progress and workmanship of a construction project, our wholly owned construction supervision company, Evergrande Engineering and Supervision Co., Ltd., monitors our projects developments on a nationwide basis. Evergrande Engineering and Supervision Co., Ltd. has earned the highest qualification recognized by the PRC government and currently employs over 800 qualified construction supervisor-engineers. In compliance with PRC laws and regulations, we also engage certified construction supervision companies to monitor certain aspects of our project construction as specified by the relevant rules and regulations. We also require the construction contractors to implement our quality control procedures, including the appointment of their internal on-site quality control engineers, examination of materials and supplies, and their on-site inspection. We rely on our own qualified construction supervisor-engineers to effectively monitor the construction process to ensure quality control. Our qualified construction supervisor-engineers not only conduct on-site quality inspection of the construction work on a daily and continuous basis, but also are authorized to tear down sub-standard work if they deem necessary. We have formulated a series of internal quality assurance standards and systems to regulate all major processes and procedures in our project development, including construction works, water and electricity systems, pipe networks, landscaping, fitting-out works, interior design and decoration, controls over raw materials and equipment supply. To control product quality, we have also developed an information management system to enable our headquarters to access information, on a real-time basis, on the construction progress relating to each individual building across our projects anywhere in the country.

We also make great efforts to promote safety and environmental awareness at our construction sites. Many of our construction sites in Guangzhou have received “Double Excellence Construction Sites” awards by Guangzhou municipal government. In addition, prior to handing over our property to a purchaser, our sales and customer service departments, together with our engineers and the property management company, inspect the property to ensure it is fit for delivery.

### ***Sales and Marketing***

We combine a centralized sales and marketing management team with the employment of first-rate professional property sales agencies for our sales and marketing in China. Our internal sales and marketing management team is responsible for formulating our nationwide sales and marketing strategies and supervising their execution, while the retained sales agencies are responsible for implementing such strategies and actual sales. This approach assures consistency in our promotion and sales strategy on a nationwide basis and improves efficiency in our sales.



We have approximately 200 personnel to manage and coordinate our marketing and sales. Their principal responsibilities include the following:

- market research;
- brand promotion;
- sales planning;
- property pricing; and
- sales management.

Our centralized sales and marketing management team coordinates with our regional offices in selecting qualified sales agencies and promoting our brands across different regional markets in China. Our marketing and sales management team works closely with other internal teams and external agencies in order to determine the appropriate advertising and selling plans for any particular project. They also monitor sale and pre-sale procedures conducted by sales agencies. In addition, senior members of our sales and marketing management team are also actively involved in such matters as site selection, project planning and project design.

Our promotion channels primarily include advertising through newspapers, television, radio, internet, billboards, magazines and mobile phone text messages. We generally engage first-rate property sales agencies and advertising design houses in China, including E-House, Hopefluent Group Holdings Limited and Guangdong Advertising Company Limited, to assist us in our sales campaigns. As part of our marketing strategy, we organize potential customers to visit our property projects via our free shuttle buses. These showcase visits facilitate sales of our properties under development and help promote our brand.

Our principal customers are individual purchasers of residential properties in China. For 2007, 2008, 2009 and the six months ended June 30, 2010, revenues attributable to our five largest customers were less than 30% of our total revenues in each period.

#### *Pre-sale*

Like other developers, we pre-sell properties prior to the completion of their construction. Under the PRC pre-sale laws and regulations, property developers must satisfy specific conditions before they may pre-sell their properties under construction. These mandatory conditions include:

- The land premium has been paid in full;
- The land use right certificates, the construction land planning permits, construction works planning permits and the construction permits have been obtained;
- At least 25% of the total project development investments has been made;
- The progress and the expected completion and delivery date of the construction are certain; and
- The pre-sale permit has been obtained.

These mandatory conditions are designed to impose a timing restriction on developers with respect to the commencement of pre-sales. They are predicated on substantial progress in project construction and in capital expenditure. To protect the rights and interests of consumers, local governments generally require developers and property purchasers to use standard sales and purchase contracts prepared under

the auspices of such local governments. Developers are required to file all such contracts with local land bureaus and real estate administrative authorities within 30 days of entering into such contracts. Local governments may impose additional conditions from time to time for commencing pre-sale of properties.

In addition to satisfaction of mandatory conditions required by PRC laws and regulations, we typically impose our own additional requirements before we pre-sell. To demonstrate our superior product quality to our potential buyers and to shorten the duration between pre-sale and delivery, we generally commence our pre-sale only after we have completed the landscaping, gardening, and the construction of the on-site show units and the lobby.

### ***Payment Arrangement***

Purchasers of our residential properties, including those purchasing our pre-sale properties, may pay us through mortgage loans with banks. We typically require our purchasers to pay a non-refundable deposit upon entering into provisional purchase contracts. If the purchasers later decide not to enter into formal purchase contracts, they will forfeit such deposits to us. Upon executing the formal purchase contracts, the purchasers are typically required to pay at least 30% of the total purchase price of the property within five days, and the remaining balance within 20 days. If the purchasers choose to fund their purchases by mortgage loans provided by banks, it is their own responsibility to apply for and obtain the mortgage approvals. Upon request, we also assist mortgage applicants by providing the relevant property information to expedite their application process. The payment terms of our sales and pre-sales are substantially identical. Our contracted sales amounted to approximately RMB 50.4 billion for the year ended December 31, 2010.

Most of our customers purchase our properties through mortgage financing. In accordance with industry practice in China, we provide guarantees to mortgagee banks in respect of the mortgage loans provided to the purchasers of our pre-sold properties. These guarantees are released upon the earlier of (i) the relevant property ownership certificates being delivered to the purchasers; and (ii) the full repayment of mortgage loans by the purchasers of our properties. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2007, 2008, 2009 and the six months ended June 30, 2010, our outstanding guarantees on the mortgage loans of the purchasers of our pre-sold properties were approximately RMB 1,464.2 million, RMB 2,087.0 million, RMB 12,531.5 million and RMB 18,869.1 million (US\$2,782.4 million), respectively. During 2007, 2008, 2009 and the six months ended June 30, 2010, we encountered defaulted mortgage loans in an aggregate amount less than RMB 10 million. We were able to recoup all our guaranteed amount through foreclosure sales. As a result, we did not suffer any economic losses. You should refer to the section entitled “Risk Factors — Risks Relating to Our Business — We guarantee mortgage loans of our customers and may become liable to the mortgagee banks if our customers default on their mortgage loans” for additional risk disclosure.

### ***After-sales Services and Property Management***

We have a dedicated customer service department to manage our after-sales services. We have also set up an ownership certificate department to assist our purchasers in obtaining their property ownership certificates. We offer various communication channels, such as designated mailboxes and emails, for our customers to conveniently express their feedback and complaints about our products or services. Our customer service staff is committed to finding the best solutions to the reported problems. We also provide free publications to our existing customers to cultivate a sense of belonging and community.

Prior to delivery of properties to customers, we usually engage Jinbi Property Management, our subsidiary and a nationally accredited property management company, to manage our properties until the property owners have established a homeowner’s association pursuant to the PRC laws and regulations to choose their own property management company. We also engage well-known external professional property management or consultancy companies to manage some of our high-end projects. As of December 31, 2010, most owners of our developments who had become statutorily entitled to elect their

property management companies continued to engage Jinbi Property Management to manage their properties. The property management services we provide in relation to our projects include maintenance of common facilities, cleaning, security, gardening, landscaping and other services.

## **Hotels**

We are currently in various stages of development of 26 hotels in certain of our property projects and operate two completed hotels. We plan to operate some of these hotels ourselves and engage hotel and resort management companies to manage the others upon the completion of their construction. Our two completed hotels, Hotel Evergrande within Evergrande Royal Scenic Peninsula in Guangzhou and our Hotel Evergrande in Evergrande Splendor Chongqing, are managed by us through our own hotel management teams.

## **Investment Properties**

Along with our residential property projects, we also develop office buildings, commercial properties, retail shop units and carpark spaces as part of our residential complexes for leasing. As we intend to hold these properties for long-term investment purposes, they are treated as investment properties. As of December 31, 2010, these investment properties included 1.1 million square meters of total GFA for commercial spaces and 42,525 carparks. Some of our retail shop units and carpark spaces are, or may be, located in large, multiple-use complexes. We may choose to sell the retail shop units when we believe that sales would generate a better return on our investment than through rental and capital appreciation. As of December 31, 2010, we leased commercial spaces with an aggregate GFA of approximately 51,813 square meters and 5,544 carparks and underground utility spaces.

## **Properties Used by Us**

As of December 31, 2010, we leased our office premises from independent third parties with a total GFA of 74,170 square meters in different regions of China.

## **Competition**

We compete with other real estate developers in terms of a number of factors, including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. The property market in China highly competitive. Our existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers, such as leading developers from Hong Kong. You should refer to the section entitled “Risk Factors — Risks Relating to Our Business — Intensified competition might adversely affect our business and our financial position” for additional disclosure.

## **Intellectual Property Rights**

We have registered “恒大地產集團” with the State Administration for Industry and Commerce in China and “Evergrande” and “Evergrande Real Estate Group” in Hong Kong as our trademarks. We have also applied for trademark registration with the PRC intellectual property administrative authorities with respect to our logo, company name in Chinese and English, and certain other names and logos of our product series.

## **Insurance**

Property developers are not required under PRC national and local laws and regulations to maintain insurance coverage in respect of their property development operations. We do not maintain insurance coverage on our properties developed for sale other than with respect to those developments over which our lending banks have security interests, or for which we are required to maintain insurance coverage under the relevant loan agreements. In addition, we do not require the construction companies

we engage to maintain insurance coverage on properties under construction. We generally do not carry insurance against personal injuries that may occur during the construction of our properties. The construction companies, however, are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. To help ensure construction quality and safety, we have formulated a set of standards and specifications for the construction workers to comply with during the construction process. We deploy our own qualified construction supervisor-engineers and also engage qualified external supervision companies to oversee the construction process. Under PRC laws and regulations, the owner or manager of a property under construction bears the civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. We have taken these and other steps in an effort to prevent construction accidents and personal injuries. We believe that we should be in a position to demonstrate that we were not at fault as the property owner if a personal injury claim should be brought against us. In addition, according to our construction contracts, any liability that may arise from tortious acts committed on work sites should be borne by the construction companies. To date, we have not experienced any destruction of or material damage to our property developments nor have any material personal injury-related claims be brought against us.

We believe that our policies with respect to insurance are in line with the industry practice in China. However, there are risks that we do not have sufficient insurance coverage for losses, damages and liabilities that may arise in our business operations. You should refer to the section entitled “Risk Factors — Risks Relating to Our Business — We have limited insurance to cover our potential losses and claims” for additional risk disclosure.

### **Environmental and Safety Matters**

We believe that our operations are in compliance with currently applicable national and local environmental and safety laws and regulations in all material respects. You should refer to the section entitled “Risk Factors — Risks Relating to Our Business — Potential liability for environmental damages could result in substantial outflow of our resources” for additional risk disclosure.

### **Legal Proceedings**

From time to time we are involved in legal proceedings or disputes in the ordinary course of business, including claims relating to our guarantees for mortgage loans provided to our purchasers and contract disputes with our purchasers and suppliers. We are not aware of any material legal proceedings, claims or disputes currently existing or pending against us. You should refer to the section entitled “Risk Factors — Risks Relating to Our Business — We may be involved from time to time in material disputes, legal and other proceedings arising out of our operations and may face significant liabilities as a result” for additional risk disclosure.

## REGULATION

The following discussion summarizes the principal laws, regulations, policies and administrative directives to which we are subject.

### **The PRC Legal System**

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC, or 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 enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes. After gaining sufficient experience with experimental measures, 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 PRC Constitution vests the power to interpret laws 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 in June 1981, the Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

### **The PRC Judicial System**

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organized into civil, criminal, economic and administrative divisions. The intermediate courts are organized into divisions similar to those of the basic courts, and are further organized into other special divisions, such as the intellectual property division. The higher level court supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise

legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in China. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the same level and at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given in any court at a lower level, or the presiding judge of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC adopted in April 1991 sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection can not violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement. If at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other institutions, the time limit is six months. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

### **Establishment of a Real Estate Development Enterprise**

According to the PRC Law on Administration of Urban Real Estate 《城市房地產管理法》 promulgated by the National People's Congress, effective in January 1995, amended in August 2007, a real estate developer is defined as an enterprise that engages in the development and operation of real estate for the purpose of making profits. Under the Regulations on Administration of Development of



Urban Real Estate 《城市房地產開發經營管理條例》 promulgated by the State Council in July 1998, an enterprise that is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB 1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

The local government of a province, autonomous region or municipality directly under the PRC 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 must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals relating to foreign investments in China.

Under the Catalog of Guidance on Industries for Foreign Investment 《外商投資企業指導目錄》 promulgated by MOFCOM and NDRC in October 2007,

- the development of a whole land lot, namely primary preparation of a land site including infrastructure construction and utility installation, solely by foreign investors, falls within the category of industries in which foreign investment is prohibited,
- the joint development of a whole land lot with the PRC partners, as well as the construction and operation of high-end hotels, villas, premium office buildings and international conference centers fall within the category of industries in which foreign investment is subject to restrictions, and
- other real estate development falls within the category of industries in which foreign investment is permitted.

A foreign investor intending to engage in the development and sale of real estate in China may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise by the foreign investor in accordance with the PRC laws and administrative regulations governing foreign-invested enterprises.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries 《關於調整部分行業固定資產投資項目資本金比例的通知》 issued by the State Council in April 2004, the portion of capital-account funding for real estate projects (excluding affordable housing projects) has been increased from 20% or above to 35% or above. However, pursuant to the Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets 《關於調整固定資產投資項目資本金比例的通知》 issued by the State Council in May 2009, the minimum portion of the capital funding for ordinary commodity housing projects and affordable housing projects has been reduced to 20%, while that for other real estate projects has been decreased to 30%.

In July 2006, MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued an Opinion on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market 《關於規範房地產市場外資准入和管理的意見》, which provides, among other things, that an overseas entity or individual investing in real estate in China other than for self-use must apply for the establishment of a FIREE in accordance with applicable PRC laws and may only conduct operations within the authorized



business scope. The joint opinion attempts to impose additional restrictions on the establishment and operation of FIREE by regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of approval certificates and business licenses to one year, restricting the ability to transfer equity interests of a FIREE or its projects and prohibiting the borrowing of money from domestic and foreign lenders where its registered capital is not paid up or the land use rights not obtained. In addition, the joint opinion also limits the ability of foreign individuals to purchase commodity residential properties in China.

In May 2007, MOFCOM and SAFE issued the Circular on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector 《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》, or Circular 50. Under Circular 50, prior to applying for establishment of real estate companies, foreign investors must first obtain land use rights and building ownership, or must have entered into pre-sale or pre-grant agreements with respect to the land use rights or building ownership. If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the relevant PRC governmental authorities to expand their scope of business or scale of operations in accordance with the PRC laws and regulations related to foreign investments. In addition, the local PRC governmental authorities must file with MOFCOM for record their approvals of establishment of FIREEs, and must exercise due control over foreign investments in high-end properties. Foreign exchange authorities may not allow capital-account foreign exchange sales and settlements by FIREEs that have been established in contravention of these requirements.

In July 2007, SAFE issued a Notice on the Distribution of the List of the First Group of Foreign Invested Real Estate Projects Filed with MOFCOM 《關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》, or Notice 130, together with a list of FIREEs that had effected their filings with MOFCOM. According to Notice 130, SAFE will no longer process foreign debt registrations or applications by FIREEs for permission to purchase foreign exchange to service their foreign debt if such FIREEs have not obtained their approval certificates from the government before June 1, 2007. As a result of Notice 130, unless the approval certificate of an FIREE as of May 31, 2007 contained an aggregate investment amount, which includes its registered capital and foreign debt amount, sufficient to permit foreign currency to be injected into its operations in China, such FIREE effectively will no longer be able to borrow foreign debt including shareholder loans and overseas commercial loans to finance their operations in China. It can only use its capital contributions instead. SAFE further provided in its Notice 130 that it will not process any foreign exchange registration (or change of such registration) or application for settlement of foreign currency under capital account by any FIREE if it has obtained the relevant approval certificates from local government authorities on or after June 1, 2007 but has not completed its filing with MOFCOM.

In connection with the filing requirement, MOFCOM issued the Notice on the Proper Filings of Foreign Investment in the Real Estate Sector 《關於做好外商投資房地產業備案工作的通知》 in June 2008 to authorize the competent MOFCOM at the provincial level to verify and check the filing documents.

Moreover, in December 2010, MOFCOM promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry 《關於加強外商投資房地產業審批備案管理的通知》, which provides that, among other things, in the case that a real estate enterprise is established within the PRC with oversea capital, it is prohibited to purchase and/or sell real estate properties completed or under construction within the PRC for arbitrage purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in the real estate development and management.

According to the Several Opinions of the State Council on Further Strengthening the Utilization of Foreign Investment 《國務院關於進一步做好利用外資工作的若干意見》, promulgated by the State Council in April 2010, and the Notice on Delegation of Power of Approval for Foreign Investment Projects 《關於做好外商投資項目下放核准權限工作的通知》, promulgated by NDRC in May 2010,

except where approval by the relevant departments under the State Council is required by the Investment Project Catalogue, foreign investment in encouraged and permitted industries with a total investment of less than US\$300 million will be examined and approved by NDRC's branches at the provincial level. Pursuant to the Notice on Issues Related to Delegation of Powers of Examination and Approval of Foreign Investment to Authorities at Lower Levels 《關於下放外商投資審批權限有關問題的通知》, promulgated by MOFCOM in June 2010, MOFCOM's branch at the provincial level is responsible for the examination and approval of establishments and changes of foreign-invested enterprises in encouraged or permitted industries with a total investment of less than US\$300 million and with a total investment of less than US\$50 million in restricted industries.

### **Qualifications of a Real Estate Developer**

Under the Provisions on Administration of Qualifications of Real Estate Developers 《房地產開發企業資質管理規定》, or the Provisions on Administration of Qualifications, promulgated by MOHURD in March 2000, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. MOHURD oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level 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.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of MOHURD. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.
- Class 2 or lower qualifications are regulated by the construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 square meters subject to confirmation by the construction authorities at the provincial level.

Under the relevant PRC laws and regulations, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. 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.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issue and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply for qualification classification to the real estate development authority within one month before expiration of the provisional qualification certificate.

### **Development of a Real Estate Project**

Under the Catalog for Guidance on Industries for Foreign Investment promulgated by MOFCOM and NDRC in October 2007, foreign investments are restricted in the development of a whole land lot and the construction and operation of high-end hotels, villas, premium office buildings and international conference centers in China; and foreign investments are permitted in other real estate developments.

According to the Interim Provisions on Approving Foreign Investment Project 《外商投資項目核准暫行管理辦法》 promulgated by NDRC in October 2004, approval of NDRC is required for foreign investment projects with total investment of US\$100 million or more within the category of encouraged or permitted foreign investments and those with total investment of US\$50 million or more within the category of foreign investments subject to restrictions. Other foreign investments in China will require only local approval. Specifically, the local authorities may examine and approve foreign investment projects with total investment less than US\$100 million within the category of encouraged or permitted foreign investments and those with total investment less than US\$50 million within the category of foreign investments subject to restrictions. Furthermore, after examination by NDRC, approval of State Council is required for foreign investment projects with total investment of US\$500 million or more within the category of encouraged or permitted foreign investments and those with total investment of US\$100 million or more within the category of foreign investments subject to restrictions. In addition, the projects subject to restrictions should be approved by the development and reform authority at provincial level. In July 2008, NDRC issued the Notice on Further Reinforcing and Regulating the Administration of Foreign Investment Projects 《關於進一步加強和規範外商投資項目管理的通知》, which further requires that the capital-increase and reinvest projects of the foreign-invested enterprises shall get the approval from NDRC or its local counterpart.

Under the Interim Regulations of the People's Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land 《城鎮國有土地使用權出讓和轉讓暫行條例》 promulgated by the State Council in May 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the relevant PRC laws and regulations, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land use rights grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The relevant PRC laws and regulations provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

When carrying out the feasibility study for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Sites 《建設用地審查報批管理辦法》 promulgated by the Ministry of Land and Resources in March 1999 and the Measures for Administration of Preliminary Examination of Construction Project Sites 《建設項目用地預審管理辦法》 promulgated by the Ministry of Land and Resources in July 2001, as amended in October 2004 and November 2008. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land use rights grant contract with the land user and issue an approval for the construction site to the construction entity or the developer.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land 《城市國有土地使用權出讓轉讓規劃管理辦法》 promulgated by MOHURD in December 1992, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to

relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning 《中華人民共和國城鄉規劃法》 promulgated by the National People's Congress in October 2007 and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority.

In accordance with the Regulations for the Administration of Demolishment and Removal of Urban Housing 《城市房屋拆遷管理條例》 promulgated by the State Council in June 2001, if demolition of existing structures and removal of existing residents on the construction site need to be conducted before commencement of construction of the real estate project contemplated, the developer may apply to the local municipal, district or county level government in the place where the real estate is located for a permit for demolition and removal. Upon approval, the local government will issue a demolition and removal permit and post a demolition and removal notice to inform the inhabitants of the area subject to demolition. The designated demolition and removal party, either a local government entity or a developer, must implement the demolition and removal within the area and period specified in the demolition and removal permit. If the demolition and removal party fails to complete the demolition and removal works within the permitted period, it may, within 15 days prior to the expiration 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 will enter into a written agreement for compensation and resettlement in respect of the demolition and removal. If the demolition and removal party and the parties subject to demolition and removal cannot reach an agreement, any such party may apply to the original approval department in charge of the demolition and removal for a ruling. Such a ruling must be rendered within 30 days of the application. If any such party disagrees with the ruling, it may initiate proceedings in a People's Court in China. Pursuant to current PRC laws, if the demolition and removal party has provided proper monetary compensation or proper replacement housing to the parties subject to demolition and removal, the demolition and removal may not be stopped.

Compensation for demolition and removal may be effected by way of monetary compensation or exchange of property rights. If the monetary compensation method is used, the amount of compensation is assessed on the basis of the real property market price determined by the location, uses and the gross floor area of the housing to be demolished. If property exchange or replacement is used, the demolition and removal party and the parties subject to demolition and removal will, on the basis of the location, usage and the gross floor area of the housing to be demolished and the housing offered for exchange or replacement, calculate the amount of compensation for the housing to be demolished, the price of the housing to be exchanged or replaced 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 will also pay removal allowance to the parties subject to demolition and removal.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works 《建築工程施工許可管理辦法》 promulgated by MOHURD in October 1999, as amended in July 2001. According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects 《國務院辦公廳關於加強和規範新開工項目管理的通知》 issued by the General Office of the State Council on November 17, 2007, before commencement of construction, all kinds of projects shall fulfill certain conditions, including, among other things, compliance with national industrial policy, development plan, land supply policy and market access standard, completion of all approval and filing procedures, compliance with zoning plan in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction permit or report.



The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects 《建設工程質量管理條例》, which sets the respective quality responsibilities and liabilities for developers, construction companies, reconnaissance companies, design companies and construction supervision companies. In August 2008, the State Council issued the Regulations on Energy Efficiency for Civil Buildings 《民用建築節能條例》, which reduces the energy consumption of civil buildings and improves the efficiency of the energy utilization. According to this regulation, the design and construction of new buildings must meet the mandatory criteria on energy efficiency for buildings, and failure to meet such criteria will result in no neither commencement of construction or acceptance upon completion. Among other things, this regulation sets forth additional requirements for property developers in the sale of commodity buildings in this respect. After completion of construction works for a project, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Interim Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure 《房屋建築工程和市政基礎設施竣工驗收暫行規定》 promulgated by MOHURD in June 2000, and file with the construction authority at or above the county level where the project is located within 15 days after the construction is qualified for the acceptance examination according to the Provisional Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure 《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》 promulgated by MOHURD in April 2000, as amended in October 2009. The developer must also report details of the acceptance examination according to the Interim Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure 《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》 promulgated by MOHURD in April 2000, as amended in October 2009. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each phase upon completion.

In China, there are two registers of property interests. Land registration is effected by the issue of land use right certificates by the relevant authorities to the land users. Land use rights may be assigned, mortgaged or leased. The building registration is effected by the issue of property ownership certificates to the property owners. Property or building ownership rights are only related to the building or improvements erected on the land. Under the PRC laws and regulations, all land use rights and property ownership rights that are duly registered are protected by law. Most cities in China maintain separate registries for the registration. However, Shenzhen, Shanghai, Guangzhou and some other major cities have a consolidated registry for both land use rights and the property ownership interests for the building erected on the relevant land.

### **Land for Property Development**

In April 1988, the National People's Congress amended the PRC Constitution to permit the transfer of land use rights in accordance with the laws and regulations. In December 1988, the National People's Congress amended the Land Administration Law 《土地管理法》 to permit the transfer of land use rights in accordance with the laws and regulations.

Pursuant to the Measures on Disposal of Idle Land 《閑置土地處置辦法》 promulgated by the Ministry of Land and Resources on April 28, 1999, idle land fees may be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights may be forfeited to the government without compensation to the developer if the land has not been developed for two years as required by the laws and regulations, and allotted for other purposes. Under current PRC laws and regulations on land administration, land for property development may be obtained only by grant except for land use rights obtained through allocation. Under the Regulations on the Grant of State-owned Land Use Rights Through Public Tender, Auction and Listing-for-Sale promulgated by the Ministry of Land and Resources 《招標拍賣掛牌出讓國有土地使用權規定》 in May 2002, land for commercial use, tourism, entertainment and commodity housing development must be granted by public

tender, auction or listing-for-sale. Under these regulations, the relevant land administration authority at city or county level, or the grantor, is responsible for preparing the public tender or auction documents and must make an announcement 20 days prior to the day of public tender or auction with respect to the particulars of the land parcel and the time and venue of the public tender or auction. The grantor must also verify the qualification of the bidding and auction applicants, accept an open public auction to determine the winning tender or hold an auction to ascertain a winning bidder. The grantor and the winning tender or bidder will then enter into a confirmation followed by the execution of a contract for assignment of state-owned land use rights. Over the years, the Ministry of Land and Resources has promulgated further rules and regulations to define the various circumstances under which the state-owned land use rights may be granted by means of public tender, auction and listing-for-sale or by agreement.

Under the Regulation on Grant of State-owned Land Use Rights by Agreements 《協議出讓國有土地使用權規定》 promulgated by the Ministry of Land and Resources on June 11, 2003, except for the project that must be granted through tender, auction and listing as required by the relevant laws and regulations, land use right may be granted through transfer by agreement and the land premium for the transfer by agreement of the state-owned land use right shall not be lower than the benchmark land price.

The Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land 《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》 issued by the General Office of the State Council on April 29, 2004 restated the principle of strict administration of the approval process for the construction land and protection of the basic farmlands.

The Notice on Issues Relating to Strengthening the Land Control 《關於加強土地調控有關問題的通知》 promulgated by the State Council on August 31, 2006 sets forth the administration of the receipt and disbursement of the land premium, modifies the tax policies relating to the construction land, and builds up the system of publicity for the standards of the lowest price with respect to the granted state-owned land use right.

In March 2007, the National People's Congress adopted the PRC Property Rights Law 《中華人民共和國物權法》, which became effective on October 1, 2007. According to the Property Rights Law, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise prescribed by any law, the owner of construction land use rights has the right to transfer, exchange, and use such land use rights as equity contributions or collateral for financing. If the state takes the premises owned by entities or individuals, it must compensate the property owners in accordance with law and protect the lawful rights and interests of the property owners.

In September 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights Through Public Tender, Auction and Listing-for-sale 《招標拍賣掛牌出讓國有建設用地使用權規定》 to require that land for industrial use, except land for mining, must also be granted by public tender, auction and listing-for-sale. Only after the grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

In October 2007, the Standing Committee of National People's Congress promulgated the PRC City and Countryside Planning Law 《中華人民共和國城鄉規劃法》, pursuant to which, a construction planning permit must be obtained from the relevant urban and rural planning government authorities for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

In November 2007, the Ministry of Land and Resources, the Ministry of Finance and PBOC jointly promulgated the Administration Measures on Land Reserve 《土地儲備管理辦法》, pursuant to which, local authorities should reasonably decide the scale of land reserve in accordance with the macro-control of the land market. Those idle, unoccupied, and low-efficient state-owned construction land inventory shall be used as land reserve in priority.

In December 2007, the Ministry of Land and Resources promulgated the Rules on Land Registration 《土地登記辦法》, which further stresses payment in full of the land premium prior to the application for the registration of state-owned construction land use rights.

In November 2009, the Ministry of Land and Resources issued a Circular on the Distribution of the Catalog for Restricted Land Use Projects (2006 Version Supplement) and the Catalog for Prohibited Land Use Projects (2006 Version Supplement) 《關於印發〈限制用地項目目錄（2006年本增補本）〉和〈禁止用地項目目錄（2006年本增補本）〉的通知》, as a supplement to its 2006 version. In this Circular, the Ministry of Land and Resources has set forth a ceiling for the land granted by local governments for development of commodity housing as follows: seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant 《關於進一步加強土地出讓收支管理的通知》. The notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

In March 2010, the Ministry of Land and Resources promulgated the Notice on Issues Regarding Strengthening Control and Monitor of Real Estate Land Supply 《關於加強房地產用地供應和監管有關問題的通知》. According to the notice, at least 70% of total land supply must be provisioned for affordable housing, redevelopment of shanty towns and small/medium residential units for self-use and the land supply for large residential units will be strictly controlled and while land supply for villa projects will be banned. The notice also requires that the lowest land grant price must be at least 70% of the basic land price in which the granted land is located and the real estate developers' bid deposit should be at least 20% of the lowest land grant price. The land grant contract must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium will be 50% and must be paid within one month after the execution of the land grant contract. The remainder of the land grant payment must be paid in accordance with the agreement within one year. If the land grant contract is not executed in accordance with the requirement above, the land cannot be handed over and the deposit will not be returned. If no land grant premium is paid after the execution of the land grant contract, the land must be withdrawn.

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development 《關於進一步加強房地產用地和建設管理調控的通知》, which stipulated, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased. (ii) developers and their controlling shareholders are prohibited from participating in land biddings before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (3) non-compliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) development



and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets 《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》, which provides, among other things, that: (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of this year; (ii) land and resource authorities in local cities and counties will report to Ministry of Land and Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; (iii) land designated for affordable housing which is used for property development against relevant policies or involved illegal income will be confiscated and the relevant land use rights will be withdrawn. Moreover, changing the plot ratio without approval is strictly prohibited.

### **Sale of Commodity Houses**

Under the Measures for Administration of Sale of Commodity Houses 《商品房銷售管理辦法》 promulgated by MOHURD in April 2001, sale of commodity houses can include both sales before the completion of the properties, or pre-sale, and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Buildings in Urban Area promulgated by MOHURD in November 1994 《城市商品房預售管理辦法》, as amended in August 2001 and July 2004, and other related regulations. The pre-sale regulations provide that any pre-sale of commodity properties is subject to specified procedures. According to the current PRC laws and regulations, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;
- a construction planning permit and a construction permit have been properly obtained;
- funds invested in the development of the commodity buildings for pre-sale represent 25% or more of the total investment in the project and the construction progress as well as the completion and delivery dates have been properly ascertained; and
- a pre-sale permit has been obtained.

The pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold.

Commodity buildings may be put to post-completion sale and delivery after they have passed the acceptance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit a real estate development project manual and other documents relating to the project evidencing the satisfaction of the preconditions for post-completion sale to the real estate development authority for its record.

In April 2010, MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses 《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》. Pursuant to the notice, without pre-sale approval, the

commodity houses are not permitted to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit, pre-payment or payment of a similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of local conditions and encourages property developers to engage in the practice of selling completed commodity properties.

### **Transfer of Real Estate**

According to the PRC laws and the Provisions on Administration of Transfer of Urban Real Estate 《城市房地產轉讓管理規定》 promulgated by MOHURD in August 1995, as amended in August 2001, a real estate owner may sell, gift or otherwise legally transfer the property to another natural 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 together. The parties to a transfer must enter into a written real estate transfer contract 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 are originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the granted land use rights as required by the land grant contract and a land use rights certificate has been properly obtained; 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 have 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 leveled and made ready for industrial or other construction purposes.

If the land use rights are originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term in the land grant contract. In the event that the assignee intends to change the use of the land provided in the land grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, *inter alia*, change the use of the land and adjust the land premium accordingly.

If the land use rights are originally obtained by allocation, such allocated land use right may be changed to granted land use rights upon approval by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant statutes. Assignment of Land for commercial use, tourism, entertainment and commodity housing development must be conducted through public tender, auction or listing-for-sale under the current PRC laws and regulations.

### **Leases of Buildings**

Under the PRC laws and the Measures for Administration of Leases of Buildings in Urban Areas 《城市房屋租賃管理辦法》 promulgated by MOHURD in May 1995, parties to a lease of a building must enter into a lease contract in writing. China has adopted a system to register the leases of real properties. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority at the city or county in which the building is situated.

## Mortgages of Real Estate

Under the PRC Urban Real Estate Administration Law 《中華人民共和國城市房地產管理法》 promulgated by the Standing Committee of the National People's Congress in July 1994, the PRC Security Law 《中華人民共和國擔保法》 promulgated by the National People's Congress in June 1995, and the Measures for Administration of Mortgages of Urban Real Estate 《城市房地產抵押管理辦法》 promulgated by MOHURD in May 1997, as amended in August 2001, when mortgage is created on the ownership of a building legally obtained, such mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. After a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under "third party rights" on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issue of the certificates evidencing the rights and ownership to the real estate.

The PRC Property Rights Law promulgated in March 2007 that became effective in October 2007 further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies.

According to the PBOC Notice on Regulating Home Financing Business 《關於規範住房金融業務的通知》 promulgated in June 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial property mortgage loans:

- Property development loans from banks may only be granted to real estate developers with development qualification and credit ratings in the higher categories. Such loans may be offered to residential projects with good market potential. While the borrowing enterprise's internal capital may not be less than 30% of the total investment required for the project, the project must have obtained the land use rights certificate, construction land planning permit, construction works planning permit and construction permit.
- In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the collateral may never exceed 80%. Where an individual applies for a home purchase loan to buy a pre-sale property, the property must have achieved the stage of "topping-out of the main structure completed" for multi-storey buildings and "two-thirds of the total investment completed" for high-rise apartment buildings.
- In respect of the grant of individual commercial use building mortgage loans, the mortgage ratio for commercial use building mortgage loans may not exceed 60% with a maximum loan period of 10 years and the subject commercial use building already completed.

The down-payment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area of 90 square meters or more in May 2006. You may refer to "—Measures on Stabilizing Housing Price" below. The initial capital outlay requirement was subsequently increased to 35% by CBRC in August 2004 pursuant to its Guidance on Risk Management of Property Loans Granted by Commercial Banks 《商業銀行房地產貸款風險管理指引》.

In a Circular on Facilitating the Continuously Healthy Development of Property Market 《關於促進房地產市場持續健康發展的通知》 issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable 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 on the lending for residential development, including, among others, improving the loan evaluation and lending process, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

In September 2007, PBOC and CBRC promulgated a Circular on Strengthening the Management of Commercial Real Estate Credit Loans 《關於加強商業性房地產信貸管理的通知》, with a supplement issued in December 2007. The circular aims to tighten the control over real-estate loans from commercial banks to prevent granting excessive credit. The measures include:

- for a first-time home owner, increasing the minimum amount of down payment to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square meters or more and the purchaser is buying the property as its own residence;
- for a second-time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) has financed the purchase of a residential unit, any member of the family that buys another residential unit with bank loans will be regarded as a second-time home buyer;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate, (iv) limiting the terms of such bank loans to no more than 10 years, although the commercial banks are given certain flexibility based on its risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms to be decided by reference to commercial properties; and
- prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties.

In addition, commercial banks are also banned from providing loans to the projects that have less than 35% of capital funds (proprietary interests), or fail to obtain land use right certificates, construction land planning permits, construction works planning permits or construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, real-estate development loans provided by commercial banks should only be used for the projects where the commercial banks are located. Commercial banks may not provide loans to property developers to finance the payment of land premium.

According to the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes 《擴大商業性個人住房貸款利率下浮幅度支持居民首次購買普通住房的通知》 issued by PBOC on October 22, 2008, the minimum amount of down payment has been adjusted to 20% since October 27, 2008.

In September 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies 《關於完善差別化住房信貸政策有關問題的通知》, which raised the minimum down payment to 30% for all first home purchases, and required commercial banks in China to suspend mortgage loans to customers for their third residential property purchases and beyond.

In September 2010, PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies 《關於完善差別化住房信貸政策有關問題的通知》, which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers for their third residential property and beyond or to non-local residents who can not provide documentation certifying payment of local tax or social security for longer than a one-year period (iii) all property companies with records of being involved in abuse of land, changing the use of land, postponing the construction commencement or completion date, hoarding properties or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities.

In November 2010, MOHURD, the Ministry of Finance and PBOC jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve Loan 《關於規範住房公積金個人住房貸款政策有關問題的通知》, which provided that, among other things: (i) where a first-time house purchaser (including the borrower, spouse and minor children) uses housing reserve loans to buy an ordinary house for self-use with a unit floor area: (a) equal to or less than 90 square meters, the minimum down payment shall be at least 20%, (b) more than 90 square meters, the minimum down payment shall be at least 30%; (ii) for a second-time house purchaser that use housing reserve loans, the minimum down payment shall be at least 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing reserve loan will only be available to families whose per capita housing area is below the average in locality and such loan must only be used to purchase an ordinary house for self-use to improve residence conditions; and (iv) housing reserve loans to families for their third residential property and beyond will be suspended.

## **Real Estate Management**

Under the Measures for the Administration of Qualifications of Property Service Enterprises 《物業管理企業資質管理辦法》 promulgated by MOHURD in March 2004, as amended in November 2007, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate. No enterprise may engage in property management without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate.

## **Insurance**

There is no mandatory provision under the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments. According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

## **Measures on Stabilizing Housing Price**

The General Office of the State Council promulgated a Circular on Stabilizing Housing Price 《關於切實穩定住房價格的通知》 in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. In April



2005, MOHURD, NDRC, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the State Administration of Taxation and CBRC jointly issued an Opinions on Stabilizing Housing Prices 《關於做好穩定住房價格工作的意見》 containing the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density, high-end houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as the building height, plot ratio and green space and to impose such requirements as the selling price, type and gross floor area as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.
- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end housing property construction should be strictly restricted.
- Idle land fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be forfeited without compensation.
- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the entire sales proceeds from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.
- Ordinary residential houses with medium or small gross floor areas and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the gross floor area of one single unit is less than 120 square meters, and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.
- Transfer of unfinished commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

The Notice on Adjustment of the Housing Loan Policy and Deposit Rate of Excess Reserve for Commercial Banks 《關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》, promulgated by PBOC in March 2005, has made adjustment to individual housing loan policies of commercial banks as well as individual housing fund loan rate. Pursuant to this notice, the preferential mortgage loan interest rate was replaced by the commercial loan interest rate subject to certain restrictions on the lower limit on such interest rates. In the urban areas or cities with rapidly increased real estate prices, minimum down payment ratio for individual housing loans was adjusted from 20% to 30%. In May 2006, MOHURD, NDRC, PBOC and other relevant PRC government authorities jointly issued their Opinions

on Housing Supply Structure and Stabilization of Property Prices 《關於調整住房供應結構穩定住房價格意見的通知》. Such opinions reiterated the existing measures and ushered additional measures that aim to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures include:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to medium-cost and small-to medium-size units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area of less than 90 square meters per unit and that projects which have received approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government, such as Beijing, Chongqing and Shanghai, provincial capitals and certain other cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- increasing the minimum amount of down-payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square meters or more, effective from June 1, 2006;
- prohibiting commercial banks from lending to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from accepting commodity properties which have been vacant for more than three years as security for their loans; and
- imposing a business tax levy on the entire sales proceeds from transfer of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years when such levy was initially implemented in June 2005, and allowing such business tax to be levied on the difference between the price for such re-sale and the original purchase price in the event that an individual transfers a property other than an ordinary residential property after five years from his/her date of purchase.

In May 2006, the Ministry of Land and Resources published an Urgent Notice to Tighten Up Land Administration 《當前進一步從嚴土地管理的緊急通知》. In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten up the control on 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. In this notice, the Ministry of Land and Resources also required the local governments to conduct thorough investigations of illegal land use and submit a report on such investigations to the Ministry by the end of October 2006.

In July 2006, MOHURD, NDRC, MOFCOM, PBOC, the State Administration for Industry and Commerce, and SAFE jointly issued an Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market 《關於規範房地產市場外資准入和管理的通知》, or the 171 Opinion. The 171 Opinion aims to tighten access by foreign capital to the PRC real estate market and to restrict property purchases in China by foreign institutions or individuals. It provides, among others, that a foreign institution or individual must establish a foreign-invested enterprise in order to purchase real property in China if the property is not intended for self use. The registered capital of such foreign-invested enterprise must amount to at least 50% of its total investments in PRC real properties if the amounts of such investments exceed US\$10 million. Branches and representative offices of foreign institutions in China and foreign individuals who work or study in China for more than one year may



purchase real property for their own use but not for any other purposes. In addition, foreign institutions which have no branches or representative offices in China or foreign individuals who work or study in China for less than a year are prohibited from purchasing any real property in China. In September 2006, SAFE and MOHURD jointly issued a Notice in Respect of Foreign Exchange Issues in the Real Estate Market 《關於規範房地產市場外匯管理有關問題的通知》, or the 47 Notice, to implement the 171 Opinion. The 47 Notice provides specific procedures for purchasing real properties by foreign institutions and foreign individuals. The 47 Notice also forbids a foreign invested real estate enterprise to apply for overseas loans if it has failed to pay its registered capital in full or failed to obtain the land use rights certificates, or its own capital funds do not reach 35% of the total investment for the project.

In July 2006, MOHURD, NDRC and the State Administration of Industry and Commerce jointly issued a Notice on Reorganizing and Regulating Orderly Real Estate Transactions 《關於進一步整頓規範房地產交易秩序的通知》 with the following requirements:

- The developer is required to commence the pre-sale of the commodity properties within 10 days after receiving pre-sale permits. Without pre-sale permits, the pre-sale of commodity properties as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments are forbidden.
- The real estate administration authority is required to establish an immediate network system for pre-sales contracts of commodity properties and a system for the publication of real estate transaction information. The transaction information, including the basic information of the commodity building, the schedule of the sale and the rights status, should be duly, truly and fully published in the network system and on the locale of sale. Transfer of a commodity building which is pre-sold and still under construction is prohibited.
- Without the pre-sale permit, no advertisement of the pre-sale of commodity properties may be published.
- Real estate development enterprises with a record of serious irregularity or enterprises which do not satisfy the requirements of pre-sale of commodity properties are not allowed to take part in the sales activities.
- The real estate administration authority is required to strictly carry out the pre-sale contract registration and require purchasers to use their real names for property purchases.

In July 2006, CBRC promulgated a Notice on Further Strengthening the Administration of Real Estate Credit 《關於進一步加強房地產信貸管理的通知》. The notice (i) prohibits providing loans to disqualified real estate developers including those whose own capital is less than 35% of the total capital required for the projects (not including affordable housing projects), or who have not obtained the relevant land use right certificates, construction land planning permits, construction work planning permits or construction work commencement permits; and (ii) prevents real estate developers from obtaining loans by project split-up or rolling-ahead development strategies.

In September 2007, the Ministry of Land and Resources issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties and Further Strengthening Macro-control of Land Supply 《關於認真貫徹國務院〈關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知》, pursuant to which, at least 70% of the land supply arranged by the relevant land administration authority at city or county level for residential property development for any given year must be used for developing low- to medium-cost and small-to medium-size units, low-cost rental properties and affordable housing.

In November 2007, the PRC government revised its Catalog of Guidance on Industries for Foreign Investment by, among other things, removing the development of ordinary residences from the foreign-investment-encouraged category and adding the secondary market residential property trading and brokering into the foreign-investment-restricted category.

In July 2008, PBOC and CBRC jointly issued the Notice on Financially Promoting the Saving and Intensification of Use of Land 《關於金融促進節約集約用地的通知》, requiring that relevant financial institutions to strengthen the administration of construction land project loans, including the administration of commercial real estate credit loan.

In October 2008, PBOC issued the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes 《擴大商業性個人住房貸款利率下浮幅度支持居民首次購買普通住房的通知》, pursuant to which, since October 27, 2008, the bottom limit of the interest rate applicable to the commercial personal home loans has been extended, the minimum amount of down payment has been adjusted to 20% and the interest rate applicable to personal home loans financed by provident fund has been also reduced.

In October 2008, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Adjustments to Taxation on Real Property Transactions 《關於調整房地產交易環節稅收政策的通知》, pursuant to which, since November 1, 2008, the rate of deed tax has been reduced to 1% for a first-time home buyer of an ordinary residence with a unit floor area under 90 square meters, individuals who sell or purchase residential properties are temporarily exempted from stamp duty and who sell residential properties are temporarily exempted from land value-added tax. However, the aforesaid preferential policy regarding deed tax has been replaced by the Notice on Adjustment of Preferential Policies Regarding Deed Tax and Individual Income Tax Incurred in Transfer of Real Property 《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》 jointly promulgated by the Ministry of Finance, State Administration of Taxation and MOHURD in September 2010, pursuant to which, in the case that an individual purchases an ordinary house which is the only house for the family (taking into account the purchaser, the spouse and minor children), the deed tax is reduced by half; in the case that an individual purchases an ordinary house with an GFA of 90 sq.m or less, which is the only house for the family (taking into account the purchaser, the spouse and minor children), the deed tax is levied at a rate of 1%.

In December 2008, the General Office of the State Council issued the Several Opinions on Facilitating the Healthy Development of the Real Estate Market 《關於促進房地產市場健康發展的若干意見》, which aims to, among other things, encourage the consumption of the ordinary residence and support the real estate developer to handle the market change. Pursuant to this opinion, in order to encourage the consumption of the ordinary residence, from January 1, 2009 to December 31, 2009, business tax is imposed on the full amount of the sale income upon the transfer a non-ordinary residence by an individual within two years from the purchase date. For the transfer of non-ordinary residence which is more than two years from the purchase date and ordinary residence which is within two years from the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residence that is smaller than the average size for their locality may buy a second ordinary residence under favorable loan terms similar to first-time buyers. In addition, support for real estate developers to deal with the changing market is to be provided by increasing credit financing services to “low-to-medium-level price” or “small-to-medium-sized” ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

In December 2008, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Policy of Business Tax on Re-sale of Personal Residential Properties 《關於個人住房轉讓營業稅政策的通知》, which reiterates the measures set forth in the above Several Opinions on Facilitating the Healthy Development of the Real Estate Market regarding the business tax.

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown, and the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties 《關於調整個人住房轉讓營業稅政策的通知》 to curtail speculations in the property market in response to the property price rises across the country. Pursuant to the Notice, effective from January 1, 2010, business tax will be imposed on the full amount of the sale income upon the transfer of non-ordinary residence by an individual within five years, instead of two years, from the purchase date. For the transfer of non-ordinary residence which is more than five years from the purchase date and ordinary residence which is within five years of the purchase date, the business tax is to be levied on the difference between the sale income and the purchase prices. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of Property Market 《關於促進房地產市場平穩健康發展的通知》, which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a family (including a borrower, his or her spouse and children under 18), who have already purchased a residence through mortgage financing and have applied to purchase a second or more residences through mortgage financing, to pay a minimum down-payment of 40% of the purchase price.

On February 1, 2010, CBRC issued a Notice on Relevant Issues on Strengthening Administration of Real Estate Trust Business of Trust Companies 《關於加強信託公司房地產信託業務監管有關問題的通知》, which provides that, among other things, real estate projects must meet the following conditions to be eligible for loan financing from trust companies: (1) real estate projects must have obtained the land use rights certificates, construction land planning permits, construction works planning permits and construction permits; (2) developers or their controlling shareholders must be qualified as class 2 developers or higher; (3) the capital ratio of the project must satisfy the minimum requirements set by relevant authorities; and (4) trust companies may not provide trust funds to finance the land reserves.

In April 2010, the State Council issued the Notice on Resolutely Containing the Excessive Hike of Property Prices in Some Cities 《堅決遏制部分城市房價過快上漲的通知》, or the April 2010 Notice, which provides that: (i) if a first-time home buyer (including a borrower, his or her spouse and children under 18) buys a residence with a unit floor area of more than 90 square meters for self use, the minimum down payment shall be at least 30%; (ii) if a second-time home buyer uses mortgage financing, the minimum down payment shall be at least 50% of the purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate; (iii) if a third-time or more homebuyer uses mortgage financing, the minimum down payment and interest rate thereof will be further raised. The April 2010 Notice further requires that in cities where property prices are overly high with excessive price hike and strained housing supply, commercial banks may suspend extending bank loans for third-time or more home buyers in light of risk exposure. The provision of mortgage loans to non-local residents who cannot present the local tax clearance certificates or social insurances certification of more than one year will also be suspended.

In May 2010, MOHURD, PBOC and CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Housing Unit in Connection with Commercial Mortgage Loans 《關於規範商業性個人住房貸款中第二套住房認定標準的通知》, which provides, among other things, that the number of housing units owned by an individual purchaser who is applying for mortgage loans shall be determined by taking into account all housing units owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18), and that second-time or more purchasers of housing units will be subject to different credit policies when applying for mortgage loans.

In November 2010, MOHURD and SAFE jointly promulgated the Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals 《關於進一步規範境外機構和個人購房管理的通知》, pursuant to which, an overseas individual can only purchase one house for self-use within the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential houses for business use in the city where it is registered within the PRC.

### **Environmental Protection**

The laws and regulations governing the environmental protection requirements for real estate development in China include the PRC Environmental Protection Law 《中華人民共和國環境保護法》, the PRC Prevention and Control of Noise Pollution Law 《中華人民共和國環境噪聲污染防治法》, the PRC Environmental Impact Assessment Law 《中華人民共和國環境影響評價法》 and the PRC Administrative Regulations on Environmental Protection for Development Projects 《中華人民共和國建設項目環境保護管理條例》. Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental protection standards and regulations before the property can be delivered to the purchasers.

### **Foreign Exchange Controls**

Under the PRC Foreign Currency Administration Rules 《中華人民共和國外匯管理條例》 promulgated in 1996 and revised in 1997 and as amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise approved, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the rules and regulations of the State.

In October 2005, SAFE issued a Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies 《關於境內居民通過境外特殊目的公司境外融資及返程投資外匯管理有關問題的通知》. According to the notice, a special purpose company refers to an offshore company established or indirectly controlled by PRC residents for the special purpose of carrying out

financing of their assets or equity interest in PRC domestic enterprises. Prior to establishing or assuming control of a special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retroactively. These PRC residents must also amend the registration with the relevant SAFE branch in the following circumstances: (1) the PRC residents have completed the injection of equity investment or assets of a domestic company into the special purpose company; (2) the overseas funding of the special purpose company has been completed; (3) there is a material change in the capital of the special purpose company. Under the rules, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of the violator, including restrictions on the payment of dividends and other distributions to its offshore parent company, and may also subject the violators to penalties under the PRC foreign exchange administration regulations.

In August 29, 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises 《關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知》, or Circular No. 142. Pursuant to Circular No. 142, a foreign-invested enterprise's Renminbi fund received from the settlement of its foreign currency capital must be used within the business scope as approved by the government authority that approved the establishment of such foreign-invested enterprise, and such Renminbi fund cannot be used for domestic equity investment unless it is otherwise provided for.

## **Mainland China Taxation**

Because we are not incorporated in mainland China, your investment in our Notes is largely exempt from PRC tax laws, except as disclosed in the section entitled “Risk Factors — Risks Relating to Our Business — We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law, which may subject us to PRC taxation on our worldwide income, require us to withhold taxes on interest we pay on the Notes and require holders of the Notes to pay taxes on gains realized from the sale of the Notes.” But because virtually all of our business operations are in mainland China and we carry out these business operations through operating subsidiaries and joint ventures organized under the PRC law, our PRC operations and our operating subsidiaries and joint ventures in mainland China are subject to PRC tax laws and regulations, which indirectly affect your investment in our shares.

### ***Dividends from Our PRC Operations***

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries or joint ventures to us were exempt from PRC income tax. However, pursuant to the PRC Enterprise Income Tax Law and its implementation rules that became effective on January 1, 2008, dividends payable by foreign invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable.

Under the PRC Enterprise Income Tax Law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose “de facto management body” is located in China are treated as “resident enterprises” for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. For such PRC tax purposes, dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. Under the implementation rules of the PRC Enterprise Income Tax Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Because this tax law is new and its implementation rules are newly issued, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.



### *Our Operations in Mainland China*

Our subsidiaries and joint ventures through which we conduct our business operations in mainland China are subject to PRC tax laws and regulations.

*Deed Tax.* Under the PRC Interim Regulation on Deed Tax 《中華人民共和國契稅暫行條例》, a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. These taxable transfers include:

- grant of use right of state-owned land;
- sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and
- sale, gift and exchange of real properties.

Deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions. In October 2008, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Adjustments to Taxation on Real Property Transactions 《關於調整房地產交易環節稅收政策的通知》, pursuant to which, since November 1, 2008, the rate of deed tax has been reduced to 1% for a first-time home buyer of an ordinary residence with a unit floor area less than 90 square meters; individuals who sell or purchase residential properties are temporarily exempted from stamp duty and who sell residential properties are temporarily exempted from land value-added tax. However, the aforesaid preferential policy regarding deed tax has been replaced by the Notice on Adjustment of Preferential Policies Regarding Deed Tax and Individual Income Tax Incurred in Transfer of Real Property 《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》 jointly promulgated by Ministry of Finance, the State Administration of Taxation and MOHURD on September 29, 2010, pursuant to which, in the case that an individual purchases an ordinary house which is the only house for the family (including the purchaser, the spouse and minor children), deed tax is reduced by half; in the case that an individual purchases an ordinary house with an GFA of 90 square meters or below which is the only house for the family, deed tax is levied at a rate of 1%.

*Enterprise Income Tax.* Prior to the PRC Enterprise Income Tax Law and its implementation rules that became effective on January 1, 2008, our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the PRC Enterprise Income Tax Law, effective from January 1, 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises. The PRC Enterprise Income Tax Law and its implementation rules provide certain relief to enterprises that were established prior to March 16, 2007, including (1) continuously enjoying the preferential income tax rate during a five-year transition period if such enterprises are entitled to preferential income tax rate before the effectiveness of the PRC Enterprise Income Tax Law; (2) continuously enjoying the preferential income tax rate until its expiry if such enterprises are entitled to tax holidays for a fixed period under the relevant laws and regulations. However, where the preferential tax treatment has not commenced due to losses or accumulated loss not being fully offset, such preferential tax treatment shall be deemed to commence from January 1, 2008 and expire on December 31, 2013. In addition, dividends from PRC subsidiaries to their foreign shareholders will be subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable. However, under the PRC Enterprise Income Tax Law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose “de facto management body” is located in China are treated as “resident enterprises” for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. Under the implementation rules of the PRC Enterprise Income Tax Law, “de facto management bodies” is defined as the bodies that have material and overall management control over



the business, personnel, accounts and properties of an enterprise. Because this tax law is new and its implementation rules are newly issued, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

*Business Tax.* Under the PRC Interim Regulation on Business Tax 《中華人民共和國營業稅暫行條例》 of 1994, as amended in 2008, services in mainland China are subject to business tax. Taxable services include sale of real property in mainland China. Business tax rate is between 3% to 20% depending on the type of services provided. Sale of real properties and other improvements on the land attract a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant local tax authorities.

On May 30, 2006, the State Administration of Taxation issued the Notice on Relevant Issues of Strengthening Administration of Collection of Real Estate Business Tax 《關於加強住房營業稅徵收 管理有關問題的通知》. According to the notice, from June 1, 2006, business tax will be imposed on the full amount of the sale income, upon the transfer of a residential house by an individual within five years from the purchase date. In the case of a residence other than an ordinary residence, business tax will be imposed on the difference between the sale income and the purchase price, provided that the transfer occurs after five years from the purchase date.

On December 29, 2008, the Ministry of Finance and the State Administration of Taxation issued a Notice on the Policy of Business Tax on Re-sale of Individual Residential Properties 《關於個人住房轉讓營業稅政策的通知》, from January 1, 2009 to December 31, 2009, business tax will be imposed on the full amount of the sale income, upon the transfer a non-ordinary residence by an individual within two years from the purchase date; for the transfer of non-ordinary residence which is more than two years from the purchase date and ordinary residence which is within two years from the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price; and in the case of a ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date.

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown, and the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties 《關於調整個人住房轉讓營業稅政策的通知》 to curtail speculations in the property market in response to the property price rises across the country. Pursuant to the Notice, effective from January 1, 2010, business tax will be imposed on the full amount of the sale income upon the transfer of non-ordinary residence by an individual within five years, instead of two years, from the purchase date. For the transfer of non-ordinary residence which is more than five years from the purchase date and ordinary residence which is within five years of the purchase date, the business tax is to be levied on the difference between the sale income and the purchase prices. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date.

*Land Appreciation Tax.* Under the PRC Interim Regulation on Land Appreciation Tax 《中華人民共和國土地增值稅暫行條例》 of 1994 and its implementation rules of 1995, LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the “deductible items” that include the following:

- payments made to acquire land use rights;
- costs and charges incurred in connection with the land development;
- construction costs and charges in the case of newly constructed buildings and facilities;

- assessed value in the case of old buildings and facilities;
- taxes paid or payable in connection with the transfer of the land use rights, buildings or other facilities on such land; and
- other items allowed by the Ministry of Finance.

The tax rate is progressive and ranges from 30% to 60% of the appreciation value as compared to the “deductible items” as follows:

<u>Appreciation value</u>	<u>LAT rate</u>
Portion not exceeding 50% of deductible items . . . . .	30%
Portion over 50% but not more than 100% of deductible items . . . . .	40%
Portion over 100% but not more than 200% of deductible items. . . . .	50%
Portion over 200% of deductible items . . . . .	60%

Exemption from LAT is available to the following cases:

- Taxpayers constructing ordinary residential properties for sale (i.e. the residences built in accordance with the local standard for residential properties used by the general population, excluding deluxe apartments, villas, resorts and other high-end premises), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estate taken over and repossessed according to laws due to the construction requirements of the state; and
- Due to redeployment of work or improvement of living standard, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities’ approval.

According to a notice issued by the Ministry of Finance in January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- real estate transfer contracts executed before January 1, 1994; and
- first time transfers of land use rights and/or premises and buildings during the five years commencing on January 1, 1994 if the land grant contracts were executed or the development projects were approved before January 1, 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the LAT regulations and the implementation rules in 1994 and 1995, respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the time period 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 will not process the relevant title change procedures, and will not issue the property ownership certificates.

The State Administration of Taxation issued a further notice in July 2002 to require local tax authorities to require prepayment of LAT on basis of proceeds from pre-sale of real estate.

In December 2006, the State Administration of Taxation issued a Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises 《關於房地產開發企業土地增值稅清算管理有關問題通知》, which came into effect on February 1, 2007. The notice required settlement of LAT liabilities by real estate developers. Provincial tax authorities are given authority to formulate their implementation rules according to the notice and their local situation.

To further strengthen LAT collection, in May 2009, the State Administration of Taxation released the Rules on the Administration of the Settlement of Land Appreciation Tax 《土地增值稅清算管理規程》, which come into force in June 1, 2009.

In May 2010, the State Administration of Taxation issued the Circular on Settlement of Land Appreciation Tax 《關於土地增值稅清算有關問題的通知》 to strengthen the settlement of LAT. The circular clarifies certain issues with respect to the calculation and settlement of LAT, such as (i) the recognition of the revenue upon the settlement of LAT; and (ii) the deduction of fees incurred in connection with the property development.

In May 2010, the State Administration of Taxation issued the Notice on Strengthening the Collection of Land Appreciation Tax 《關於加強土地增值稅徵管工作的通知》, which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region of China, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the property type.

*Urban Land Use Tax.* Pursuant to the PRC Interim Regulations on Land Use Tax in respect of Urban Land 《中華人民共和國城鎮土地使用稅暫行條例》 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 on urban land was between RMB 0.2 and RMB 10 per square meter. An amendment by the State Council in December 2006 changed the annual tax rate to between RMB 0.6 and RMB 30 per square meter of urban land.

*Buildings Tax.* Under the PRC Interim Regulations on Buildings Tax 《中華人民共和國房產稅暫行條例》 promulgated by the State Council in September 1986, buildings tax applicable to domestic enterprises is 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.

And according to the Notice on Issues Relating to Assessment of Buildings Tax against Foreign-invested Enterprises and Foreign Individuals 《關於對外資企業及外籍個人徵收房產稅有關問題的通知》, the foreign-invested enterprises, foreign enterprises and foreign individuals are to be levied the same as domestic enterprise.

*Stamp Duty.* Under the PRC Interim Regulations on Stamp Duty 《中華人民共和國印花稅暫行條例》 promulgated by the State Council in August 1988, for property transfer instruments, including those in respect of property ownership transfers, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of RMB 5 per item.

*Municipal Maintenance Tax.* Under the PRC Interim Regulations on Municipal Maintenance Tax 《中華人民共和國城市維護建設稅暫行條例》 promulgated by the State Council in 1985, taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax are required to pay municipal maintenance tax calculated on the basis of product tax, value-added tax and business tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or 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 Enterprises with Foreign Investment and Foreign Enterprises issued by the State Administration of Taxation in February 1994, the municipal maintenance tax is not applicable to foreign invested enterprises for the time being, until further explicit stipulations are issued by the State Council.

In October 2010, the State Council issued the Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals 《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》, pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals.

Pursuant to the Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises 《關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知》 promulgated by the Ministry of Finance and the State Administration of Taxation in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

*Education Surcharge.* Under the Interim Provisions on Imposition of Education Surcharge 《徵收教育費附加的暫行稅條例》 promulgated by the State Council in April 1986 and amended in 1990 and in August 2005, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is 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. The Education Surcharge rate is 3% calculated on the basis of consumption tax, value-added tax and business tax. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises issued by the State Administration of Taxation in February 1994 and the Supplementary Circular Concerning Imposition of Education Surcharge issued by the State Council in October 1994, the education surcharge is not applicable to foreign invested enterprises the time being.

Pursuant to the aforesaid Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals 《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》, from December 1, 2010 an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals.

Pursuant to the aforesaid Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises 《關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知》, foreign-invested enterprises must pay an education surcharge on any value-added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from paying an education surcharge on any value-added tax, consumption tax and business tax incurred before December 1, 2010.

## **Cayman Islands Taxation**

Prospective investors should consult their professional advisors on the possible tax consequences of buying, holding or selling any Note under the laws of their country of citizenship, residence or domicile.

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with Evergrande Real Estate Group Limited:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).
- These concessions shall be for a period of 20 years from July 4, 2006.

## MANAGEMENT

The following table sets forth certain information with respect to our directors and senior management as of December 31, 2010.

Name	Age	Title
Hui Ka Yan . . . . .	52	Chairman of the board and executive director
Xia Haijun . . . . .	46	Vice chairman, executive director and chief executive officer
Li Gang . . . . .	46	Vice chairman, executive director and executive vice president
Tse Wai Wah . . . . .	44	Executive director and chief financial officer
Xu Xiangwu . . . . .	46	Executive director
Xu Wen . . . . .	47	Executive director
Lai Lixin . . . . .	38	Executive director
He Miaoling . . . . .	45	Executive director
Yu Kam Kee, Lawrence . . . . .	65	Independent non-executive director
Chau Shing Yim, David . . . . .	47	Independent non-executive director
He Qi . . . . .	55	Independent non-executive director
Fong Kar Chun, Jimmy . . . . .	35	Company secretary and vice president
Sun Yunchi . . . . .	37	Vice president
Li Guodong . . . . .	47	Vice president
Shi Shouming . . . . .	36	Vice president
Wei Keliang . . . . .	53	Vice president
Peng Jianjun . . . . .	40	Vice president
Lin Manjun . . . . .	40	Vice president
Wang Chuan . . . . .	44	Vice president
Wu Liquan . . . . .	47	Vice president
Liu Yongzhuo . . . . .	30	Vice president
Yu Weiqiao . . . . .	54	Vice president
Hong Changlong . . . . .	44	Vice president
Xu Jianhua . . . . .	48	Assistant president

### Directors

Our board of directors consists of 11 directors, three of whom are independent non-executive directors. The powers and duties of our board include:

- convening shareholders' meetings and reporting the board's work at the shareholders' meetings;
- implementing the resolutions passed at the shareholders' meetings;
- determining our business plans and investment plans;
- formulating our annual budget and final accounts;
- formulating our proposals for profit distributions and for the increase or reduction of our share capital; and
- exercising other powers, functions and duties as conferred by our memorandum and articles of association.

We have entered into service contracts with each of our executive directors and independent non-executive directors.



We operate our business in a centralized manner. Our corporate headquarters maintain overall control in management and operations of all our subsidiaries. The directors of our various project companies are appointed by our corporate headquarters primarily on the basis of their business expertise, management skills and local knowledge and for the purpose of complying with the various local PRC administrative requirements. These project company directors have limited powers and are required to report to and seek approvals from our headquarters on matters of significance. Our centralized corporate structure frees our senior executives up from the day-to-day administrative functions of our subsidiaries and allow them to focus on our overall business development and operations.

A description of the business experience and present employment of each of our directors is provided below.

### **Executive directors**

**Hui Ka Yan** (許家印), age 52, has served as chairman of our group since 1996. Dr. Hui was elected an executive director of our company on June 26, 2006. Dr. Hui is responsible for formulating the overall development strategies of our group. Dr. Hui is also the sole director of our Original Shareholder. Dr. Hui has over 27 years of experience in real estate investment, property development and corporate management. Prior to founding our company, he held management positions with a number of entities including Wuyang Iron and Steel Co., Ltd. and Guangzhou Pengda Group Company Limited. Currently Dr. Hui is a member of the 11th National Committee of the Chinese People's Political Consultative Conference. In addition, Dr. Hui also serves as a vice-chairman of the China Enterprise Confederation, China Enterprise Directors Association and China Real Estate Association. He was accredited as a "National Model Worker" (one of the highest civilian honors in China) by the State Council. He graduated from Wuhan University of Science and Technology with a bachelor's degree in metallurgy in 1982, and was awarded an honorary doctorate degree in commerce by the University of West Alabama in 2008. Dr. Hui has also been an adjunct professor at Wuhan University of Science and Technology since 2003 and was recently engaged to be the supervisor of PhD candidates. Dr. Hui was a director of Lujing Real Estate Limited, which was formerly known as Hengda Real Estate Corporation Limited (恒大地產股份有限公司), a company listed on the Shenzhen Stock Exchange, from November 2002 to November 2005 and has not otherwise been a director of any listed companies other than our company in the three years immediately preceding the date of this offering memorandum.

**Xia Haijun** (夏海鈞), age 46, is our vice chairman of the board, chief executive officer and executive director. Dr. Xia has 17 years of experience in property development and property management, and is accredited as a senior economist in China. Dr. Xia is mainly in charge of the daily management of our nationwide business operations including business expansion, procurement, marketing and corporate brand promotion, management information system and hotel management. Dr. Xia joined us in June 2007 as our chief executive officer and was elected an executive director on March 6, 2008. Dr. Xia worked for subsidiaries of CITIC Group between 1990 and 2003 and was an executive vice general manager of CITIC South China (Group) Co., Ltd. between 2000 and 2003. Dr. Xia graduated from Jinan University with a master's degree in business administration in 1998 and a doctor's degree in industrial economy in 2001. Dr. Xia has not been a director of any listed companies other than our company in the three years immediately preceding the date of this offering memorandum.

**Li Gang** (李鋼), age 46, is our vice chairman of the board, executive vice president and executive director. Mr. Li is primarily responsible for our fund and budget management as well as the operation and management of our property projects. Mr. Li has more than 16 years of experience in property development, operation and management. He joined us in April 2003 and was elected an executive director on March 6, 2008. Mr. Li was previously the vice chairman and general manager of Guangzhou Pengda Group Company Limited from May 1999 to February 2003, during which time, he was also the vice president of Shenzhen Zhongda Group Co. Ltd. and chairman of Shanghai Wanbang Enterprises Group Corporation from 1999 to 2003. Mr. Li was a director of Lujing Real Estate Limited, which was formerly known as Hengda Real Estate Corporation Limited (恒大地產股份有限公司), a company listed

on the Shenzhen Stock Exchange, from May 2003 to January 2007 and has not otherwise been a director of any listed companies other than our company in the three years immediately preceding the date of this offering memorandum.

**Tse Wai Wah (謝惠華)**, age 44, is our executive director and chief financial officer. Mr. Tse joined us in December 2008 and was elected an executive director on October 14, 2009. Mr. Tse is primarily responsible for financial management and overseeing the investors relationship department. Mr. Tse has over 17 years of experience in auditing, accounting and finance. Prior to joining us, he worked in Deloitte Touche Tohmatsu, Certified Public Accountants, for more than 13 years and was the chief financial officer of China Aoyuan Property Group Limited, a public company listed on the Main Board of the Hong Kong Stock Exchange. He graduated from the University of North Carolina at Charlotte with a Master of Business Administration degree. He is a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

**Xu Xiangwu (徐湘武)**, age 46, is our executive director and vice president. Mr. Xu is also the general manager of our management center. Mr. Xu was elected an executive director on October 14, 2009. Mr. Xu was graduated from East China Jiaotong University with major in civil engineering in 1985 and obtained master degree in structural engineering from the Central South University in 1989. He is solely responsible for our engineering construction system. Before joining us in 1997, Mr. Xu was working at Lanzhou Railway Bureau from 1988 to 1994 and Guangzhou Waqiao Construction and Design Company (廣州市華僑建築設計所) from 1994 to 1995. He was also the supervisor of the general engineer's office in Guangzhou Pengda Group Company Limited from 1996 to 1997, gaining over 24 years of experience in project management, construction, research and development and design. Mr Xu has not been a director of any listed company other than our company in the three years immediately preceding the date of this offering memorandum.

**Xu Wen (徐文)**, age 47, is our executive director and vice president. Mr. Xu was elected an executive director on October 14, 2009. Mr. Xu has over 17 years of experience in project management, construction research and design, and is the chairman of the board of directors of Guangzhou Evergrande Materials and Equipment Company Limited. Prior to that, he was an executive assistant to our chairman. Before joining us in April 1999, Mr. Xu was an assistant engineer and then engineer in Design Studio of Number 4 Construction Bureau at the Ministry of Railway (鐵道部第四工程局設計事務所) from 1985 to 1994. He graduated from Changsha Railway University with a bachelor's degree in civil construction in 1985 and received a Master of Business Administration from Wuhan University of Science and Technology in 2010. Mr. Xu is a registered structural engineer and a qualified supervising engineer in China. Mr. Xu has not been a director of any listed companies other than our company in the three years immediately preceding the date of this offering memorandum.

**Lai Lixin (賴立新)**, age 38, is our executive director and vice president. Mr. Lai was elected an executive director on December 17, 2008. Mr. Lai has more than 15 years of experience in the operation and management of real estate projects. Mr. Lai is currently responsible for our capital operations, investment strategies and management of development plans. He worked as the general manager of our planning department and our assistant president, responsible for the planning and sales management of our projects. Prior to joining us in October 2000, Mr. Lai worked at Guangzhou Pengda Group Company Ltd. from 1995 to 2000. He graduated with a bachelor's degree in machinery manufacturing and engineering from Nanchang University in 1993 and received a master's degree in project management from Wuhan University of Science and Engineering in 2009.

**He Miaoling (何妙玲)**, age 45, is our executive director and vice president. Ms. He was elected an executive director on October 14, 2009. Ms. He has more than 12 years of experience in marketing and brand promotion in the property industry. Ms. He is currently responsible for our marketing and brand promotion. She acted as our sales manager, the general manager of our sales department and an assistant president. She joined us in August 1997 and had previously worked for Guangdong Petrochemical Construction Group Corporation. She graduated from South China University of Technology with bachelor's degree in applied mathematics in 1989.

## **Independent non-executive directors**

*Yu Kam Kee, Lawrence* (余錦基), B.B.S., M.B.E., J.P., age 65, our independent non-executive director. Mr. Yu was elected an independent non-executive director on October 14, 2009. Mr. Yu underwent training at Bayer AG and Cassella AG in Germany and has accumulated many years of extensive experience in the chemical industry. He is the Honorary Life President of the Hong Kong Dyestuffs Merchants Association Limited. He also serves on many charitable and social organizations. He is now the Co-Chairman of the Campaign Committee of The Community Chest of Hong Kong, Governor of the Hong Kong Automobile Association, Director of the Hong Kong Football Association Limited and Chairman of the Campaign Committee of the Road Safety Council. He is a senior advisor of China Renji Medical Group Ltd. and an independent non-executive director of Great China Holdings Limited, Global Flex Holdings Limited, shares of all these companies are listed on the Hong Kong Stock Exchange. Mr. Yu was the chairman and executive director of China Renji Medical Group Limited, Wing On Travel (Holdings) Limited and See Corporation Limited (shares of all these companies are listed on the Hong Kong Stock Exchange) until April 18, 2007, December 1, 2007 and October 1, 2009, respectively, when his resignations as the chairman and executive director from the three companies took effect. Mr. Yu was also the chairman and non-executive director of Trasy Gold Ex Limited, shares of which are listed on the Hong Kong Stock Exchange, until October 1, 2009 when his resignation took effect.

*Chau Shing Yim, David* (周承炎), age 47, our independent non-executive director. Mr. Chau was elected an independent non-executive director on October 14, 2009. Mr. Chau has over 20 years' experience in corporate finance, working on projects ranging from initial public offerings and restructuring of PRC enterprises for cross-border and domestic takeovers. He was formerly a partner of Deloitte Touche Tohmatsu in Hong Kong, heading the merger and acquisition and corporate advisory services. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants of England and Wales, or ICAEW with the Corporate Finance Qualification granted by ICAEW, and the Hong Kong Institute of Certified Public Accountants, or HKICPA. Mr. Chau was an ex-committee member of the Disciplinary Panel of HKICPA. He is an executive director of Tidetime Sun Holdings Limited and an independent non-executive director of Lee & Man Paper Manufacturing Limited, Shandong Molong Petroleum Machinery Company Limited and Varitronix International Limited, shares of all these companies are listed on the Hong Kong Stock Exchange.

*He Qi* (何琦), age 55, our independent non-executive director. Mr. He was elected an independent non-executive director on October 14, 2009. Mr. He is the Deputy Secretary of China Real Estate Association, as well as the director of the training center and the intermediary professional committee of the China Real Estate Association. He worked in the State Infrastructure Commission of the State City Construction General Bureau from 1981 to 1994. He was an executive of the Development Center of the China Real Estate Association from 1995 to 1999, and an executive deputy mayor of Ji'an City of Jiangxi Province from 1999 to 2001. He has been the Deputy Secretary of the China Real Estate Association from 2006 to now. Mr. He has not been a director of any listed companies other than our company in the three years immediately preceding the date of this offering memorandum.

## **Audit committee**

We have established an audit committee in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee will be to review and supervise our financial reporting process and internal control system and provide advice and comments to our Board. The audit committee consists of three members who are our independent non-executive directors. The chairman of the audit committee is Chau Shing Yim, David.

## **Remuneration committee**

We have established a remuneration committee which consists of Dr. Hui, Yu Kam Kee, Lawrence, and He Qi. Dr. Hui has been appointed as the chairman of the remuneration committee. The remuneration committee considers and recommends to our board the remuneration and other benefits paid by us to our Directors and senior management. The remuneration of all our directors and senior management is subject to regular monitoring by the remuneration committee to ensure that levels of their remuneration and compensation are appropriate.

## **Nomination committee**

We have established a nomination committee which consists of Dr. Hui, He Qi and Chau Shing Yim, David. Dr. Hui has been appointed as the chairman of the nomination committee. The nomination committee considers and recommends to our board suitably qualified persons to become our board members and is responsible for reviewing the structure, size and composition of our board on a regular basis.

## **Company Secretary**

*Fong Kar Chun, Jimmy (方家俊)*, age 35, is our vice president and our company secretary. Mr. Fong is a member of the Law Society of Hong Kong and has been a qualified solicitor in Hong Kong since 2001. Mr. Fong joined us in June 2009 and is responsible for planning and implementing our strategy in international capital raising and is jointly responsible for overseeing the investors relationship department with Mr. Tse. Before joining us, Mr. Fong worked as a director in the investment banking division of the Royal Bank of Scotland (previously known as ABN AMRO Bank N.V.) between 2006 to 2009 specializing in mergers and acquisitions and equity capital market fund raising and Sidley Austin, a global law firm in Hong Kong as a solicitor between 2001 to 2006 and DLA Piper, an international law firm in Hong Kong between 1999 to 2001. Mr. Fong obtained his Bachelor of Laws and a postgraduate certificate in laws from the University of Hong Kong in 1997 and 1998 respectively. Mr. Fong obtained his Master of Laws in Banking and Finance Laws from the London School of Economics and Political Science, University of London in 2000.

## **Other Senior Management**

*Sun Yunchi (孫雲馳)*, age 37, is our vice president. Mr. Sun has more than 15 years of experience in capital operations and management. Mr. Sun is currently responsible for our capital planning and management, capital operational budgets and balances. He has acted as general manager of our treasury department, our credit department and as the assistant of president. Prior to joining us in December 1996, he worked in the financial management department of Guangzhou Pengda Group Company Limited from 1995 to 1996. He graduated from Qingdao Metallurgical Community College with a diploma in finance and accounting in 1995.

*Li Guodong (李國東)*, age 47, is our vice president. Graduated from Henan Radio & Television University with major in accounting, Mr. Li is currently responsible for our financing management of the Group. Before joining us in 1996, Mr. Li was previously working at the equipment department of Wuyang Iron Steel Co. Ltd. (舞陽鋼鐵有限責任公司) from 1982 to 1985. Subsequently, from 1988 to 1995, he was working at the finance department of Wuyang Iron Steel Co. Ltd. From 1995 to 1996, Mr. Li was redesignated as the chief financial officer of an import and export company under Wuyang Iron Steel Co. Ltd.. Mr. Li has more than 14 years of experience in capital operation and management.

*Shi Shouming (時守明)*, age 36, is our vice president. Mr. Shi has more than 12 years of experience in the management of project development and operations. He is also a certified public accountant in China. He is currently responsible for our property development projects and acted as the manager of the development department, executive deputy general manager and general manager of the

development department. Prior to joining us in March 2002, he worked at Chongqing Mingsheng Industrial (Group) Limited responsible for marketing. He graduated from Sichuan University, with a bachelor's degree in management engineering in 1997.

**Wei Keliang (魏克亮)**, age 53, is our vice president. Mr. Wei has more than 22 years of experience in economic management and fund management. He is accredited as a senior economist and is responsible for our financial management. Prior to joining us in January 2005, he was a sub-branch manager and the general manager of the international business department of the Industrial and Commercial Bank of China in Pingdingshan City in Henan Province. He was also the manager of the foreign exchange department of the international business department of the Industrial and Commercial Bank of China of Henan Province between 1998 and 2004. Mr. Wei graduated from Zhengzhou University and obtained a master's degree in economics in 1996.

**Peng Jianjun (彭建軍)**, age 40, is our vice president. Mr. Peng is responsible for the management and operation of our hotel management group. Prior to joining us in December 2007, he held various senior management positions in Guangzhou Dongjiu Group and Guangzhou Mingquanju Resort Hotel Co. Ltd. He was involved in the development and management of the Dongfang Hotel. Mr. Peng obtained a PhD degree in management from Jinan University in 2005 and attended seminars organized by the hotel management school of the Cornell University in 2003. Since 2007, Mr. Peng has acted as a tutor at Zhongshan University. He was also a part-time professor at Guangzhou University from 2005 to 2007. He is a deputy chief executive of the first administrative committee of Guangdong Hotel and Lodging Association, a deputy chief executive of the Federation of Guangzhou Hotel General Managers and a panel member of State Evaluation Committee of China Hotels. Mr. Peng is accredited as a senior economist and has won numerous awards as a distinguished hotel manager.

**Lin Manjun (林漫俊)**, age 40, is our vice president and the general manager of the tender and bidding center. Mr. Lin graduated from the Wuhan Urban Construction Institute majored in construction. He is currently responsible for the management of our project tender and bidding. Before joining us in 2003, he was the designer assistant of Guangdong Building Decoration Group Corporation from 1992 to 1993, the construction designer of Guangzhou Civil Construction and Scientific Research Institute (廣州市民用建築科研設計院) from 1994 to 2000, and the chief designer of a Guangdong-Hong Kong branch under Guangzhou Bonded Area Huihua Engineering Company Limited (廣州保稅區匯華工程有限公司) from 2000 to 2003. Mr. Lin has over 17 years of experience in project design and tender and bidding management.

**Wang Chuan (王川)**, age 44, is our vice president. Ms. Wang has over 21 years of research and development design and management experience. She is currently responsible for our real estate project design, cost quality control and garden design construction. Ms. Wang graduated with a bachelor's degree from Chongqing Institute of Architecture and Engineering.

**Wu Liqun (伍立群)**, age 47, is our vice president. Ms. Wu has over 16 years of experience in real estate development, in particular, with respect to sales and human resources. She is currently responsible for our external affairs outside Guangdong Province. Ms. Wu graduated from Hunan University in 1987.

**Liu Yongzhuo (劉永灼)**, age 30, is our vice president. Mr. Liu is currently responsible for our external affairs of Guangdong Province, administrative and information management and baseball club matters. He graduated with a bachelor's degree from Shanghai's East China Normal University in business administration.

**Yu Weiqiao (余偉橋)**, age 54, is our vice president and chairman for the Guangdong region. Mr. Yu obtained a master's degree in economics from the Guangdong Provincial Party School in 2000 and has over 35 years of banking and asset management experience. He is currently in charge of fundraising and financial management work for some regions and is responsible for the management of our companies in the Guangdong region.



**Hong Changlong** (洪昌龍), age 44, is our vice president. Mr. Hong is currently responsible for the Group's engineering and construction work and has over 20 years of engineering management experience. He graduated from Kunming Institute of Technology in civil engineering in 1990.

**Xu Jianhua** (許建華), age 48, is our assistant president. Mr. Xu has more than 12 years of experience in capital operations and management and is accredited as a senior economist. Mr. Xu is responsible for our capital planning and operations management. Prior to joining us in March 2004, he was a senior manager at various departments of GF Securities Co., Ltd. from 2000 to 2004. He obtained a doctorate degree in business administration (international financial and investment) from Zhongshan University in 2000 and a post-doctoral degree in applied economics and finance from South Western University of Finance and Economics in 2003.

### **Compensation of Directors, Senior Management and Employees**

We reimburse our directors for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. The executive directors are also our employees and receive, in their capacity as our employees, compensation in the form of salaries and other allowances and benefits in kind.

The aggregate amount of salaries and other allowances and benefits in kind paid by us to our five highest paid individuals during the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010 were approximately RMB 6.9 million, RMB 16.7 million, RMB 36.8 million and RMB 17.5 million (US\$2.6 million), respectively. We paid approximately RMB 73,000, RMB 131,000, RMB 153,000 and RMB 34,000 (US\$5,013.6) as our contribution to the pension schemes in respect of such individuals in the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010, respectively.

During the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010, Dr. Hui agreed not to receive, and did not receive, any emoluments from us.

During the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010, the aggregate amount of salaries and other allowances, pension scheme contributions (including Mandatory Provident Fund contributions in Hong Kong) and benefits in kind paid by us to or on behalf of all of our directors was RMB 710,000, RMB 18,963,000, RMB 43,718,000 and RMB 13,138,458, (US\$1,937,397) respectively.

Except as disclosed above, no other payments have been made or are payable in respect of the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010 by us or any of our subsidiaries to or on behalf of any of our directors, and no payments were made during the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010 by us to any of our directors as an inducement to join or upon joining our group.



## Directors' Interests in Securities

As of December 31, 2010, the interests of our directors and their associates in our equity securities were as follows:

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of shares of the Company</u>	<u>Number of share options<sup>(2)</sup></u>	<u>Approximate shareholding percentage %</u>
Hui Ka Yan <sup>(3)</sup> . . . . .	Interest of a controlled corporation	10,144,219,735 <sup>(1)</sup>	—	67.63
Xia Haijun . . . . .	Beneficial owner	—	100,000,000	0.67
Li Gang . . . . .	Beneficial owner	—	70,000,000	0.47
Tse Wai Wah . . . . .	Beneficial owner	—	15,000,000	0.10
Lai Lixin . . . . .	Beneficial owner	—	15,000,000	0.10
Xu Xiangwu . . . . .	Beneficial owner	—	15,000,000	0.10
Xu Wen . . . . .	Beneficial owner	—	17,000,000	0.11
He Miaoling . . . . .	Beneficial owner	—	17,000,000	0.11

(1) All interests in these shares are long positions.

(2) These are the share options we granted under the pre-IPO Share Option Scheme on October 14, 2009, and the share option scheme on 18, May 2010.

(3) Of the 10,144,219,735 shares held, 9,352,971,497 shares were held by Xin Xin (BVI) Limited, a company wholly owned by Hui Ka Yan and 791,248,238 shares were held by Even Honour Holdings Limited, a company wholly owned by Mrs. Hui, spouse of Hui Ka Yan.

## SUBSTANTIAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding shares as of December 31, 2010 by those persons who beneficially own more than 5% of our outstanding shares and underlying shares, as recorded in the register maintained by us pursuant to Part XV of the Hong Kong Securities and Futures Ordinance (Chapter 571), or the SFO.

<u>Name of Shareholder</u>	<u>Capacity</u>	<u>Number of shares of the Company</u>	<u>Total</u>	<u>Approximate shareholding percentage %</u>
Hui Ka Yan . . . . .	Interest of controlled company	10,144,219,735 <sup>(1)</sup>	10,144,219,735 <sup>(1)</sup>	67.63
Mrs. Hui . . . . .	Interest of controlled company	10,144,219,735 <sup>(2)</sup>	10,144,219,735 <sup>(2)</sup>	67.63
Xin Xin (BVI) Limited. . .	Beneficial owner	9,352,971,497	9,352,971,497	62.35
Even Honour Holdings Limited . . . . .	Beneficial owner	791,248,238 <sup>(3)</sup>	791,248,238 <sup>(3)</sup>	5.27

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- (1) Of the 10,144,219,735 shares held, 9,352,971,497 shares were held by Xin Xin (BVI) Limited, a company wholly owned by Hui Ka Yan, and 791,248,238 shares were held by Even Honour Holdings Limited, a company wholly owned by Mrs. Hui, spouse of Hui Ka Yan. The interest of Even Honour Holdings Limited in our company is also deemed to be held by Hui pursuant to the SFO.
- (2) Of the 10,144,219,735 shares held, 791,248,238 shares were held by Even Honour Holdings Limited, a company wholly owned by Mrs. Hui, and 9,352,971,497 shares were held by Xin Xin (BVI) Limited, a company wholly owned by Hui Ka Yan, spouse of Mrs. Hui. The interest of Xin Xin (BVI) Limited in our company is also deemed to be held by Mrs. Hui pursuant to the SFO.
- (3) Even Honour Holdings Limited is wholly owned by Mrs. Hui.

## RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and substantial shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on the Hong Kong Stock Exchange, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain “connected transactions” with “connected persons” be approved by a company’s independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2007	2008	2009		2009	2010	
	(RMB)	(RMB)	(RMB)	(US\$)	(RMB)	(RMB)	(US\$)
	(in thousands)						
Rental income from:							
Guangzhou Jinbi Dashijie Catering and Entertainment Company Limited . . . . .	8,606	2,617	3,062	452	1,309	9,159	1,350
Directors’ emoluments: . . . . .	710	18,963	44,451	6,555	5,619	15,259	2,249
Key management compensation:							
— Salaries and other short-term employee benefit . . . . .	8,652	28,832	73,583	10,850	17,126	33,316	4,911
— Retirement scheme contributions	118	317	507	75	245	206	30
	8,770	29,149	74,090	10,925	17,371	33,522	4,940

The following is a brief description of the lease agreement as our major ongoing related party transaction:

On June 1, 2009, Guangzhou Jinbi Dashijie Catering and Entertainment Company Limited, or Jinbi Dashijie, entered into a property lease agreement with Hengda Real Estate Group, formerly known as Guangzhou Hengda Real Estate Development Company Limited (廣州恒大房地產開發有限公司), our wholly owned subsidiary in China. Jinbi Dashijie is 90% indirectly owned by Mrs. Hui. Pursuant to this agreement, Jinbi Dashijie agreed to lease from Hengda Real Estate Group premises of a total GFA of 14,902 square meters situated at 701 Industrial South Road, Haizhu District, Guangzhou for use as a catering and recreational service outlet for a term of three years from January 1, 2009 to December 31, 2011 at an annual rental (exclusive of rates and utilities charges) of not exceeding RMB 16.8 million, RMB 17.4 million and RMB 18.1 million for the three years ending December 31, 2009, 2010 and 2011. Rental income for the years ended December 31, 2007, 2008, 2009 and the six months ended June 30, 2010 were RMB 8.6 million, RMB 2.6 million, RMB 3.1 million and RMB 9.2 million (US\$1.4 million), respectively. The decrease in the rental income in 2008 and 2009 was primarily due to the discount offered to the lessee during renovation of the property in 2008 and 2009, pursuant to a supplemental commercial rental agreement. The significant increase in the rental income for the six months ended June 30, 2010 was primarily due to the revaluation of the premises and the increase in market rent in commercial properties in the Guangzhou market.

## DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing agreements with various financial institutions. As of December 28, 2010, our total external borrowings amounted to RMB 30,970.1 million. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

### **Project Loan Agreements**

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including Bank of China, The Agricultural Bank of China, China Construction Bank and Industrial and Commercial Bank of China, or ICBC. These loans are project loans to finance the construction of our projects and have terms ranging from 24 months to 60 months, which generally correspond to the construction periods of the particular projects. As of December 28, 2010, the aggregate outstanding amount under these project loans totaled approximately RMB 22,219.9 million, RMB 2,565.4 million of which was due within one year and RMB 19,654.5 million of which was due between one and five years. Our project loans are typically secured by land use rights and properties as well guaranteed by certain of our other PRC subsidiaries. The Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees (if any) will be structurally subordinated to these loans and any other indebtedness incurred by our PRC Subsidiaries.

### *Interest*

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the lending banks annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 28, 2010, the weighted average interest rate on the aggregate outstanding amount of our project loans was 5.85% per annum.

### *Covenants*

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the relevant lenders' prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations; and
- alter the nature or scope of their business operations in any material respect.

### *Events of Default*

The project loans contain certain customary events of default, including insolvency and breaches of the terms of the loan agreements. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

## ***Guarantee and Security***

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these project loans. Further, as of December 28, 2010, RMB 22,219.9 million of the project loans were secured by land use rights, properties and/or equity interests held by the subsidiary borrowers and/or our other PRC subsidiaries.

### **Success Will Group Limited**

In 2007, we incorporated Success Will Group Limited in Hong Kong as a wholly owned subsidiary of ANJI (BVI) Limited and as the indirect 100% owner of our Evergrande Royal Scenic Peninsula project. On September 28, 2007, Success Will Group Limited redesignated its issued share capital of 1,000 ordinary shares of HK\$1.00 each into 600 A ordinary shares of HK\$1.00 each and 400 B ordinary shares of HK\$1.00 each. ANJI (BVI) Limited and Pearl River Investment Limited, an affiliate of Merrill Lynch, entered into a share purchase agreement on the same date pursuant to which Pearl River Investment Limited acquired the 400 B ordinary shares of Success Will Group Limited from ANJI (BVI) Limited.

The A ordinary shares and B ordinary shares of Success Will Group Limited rank *pari passu* to each other, with the rights to dividends actually declared and distributed by Success Will Group Limited initially distributable on a 60%-40% basis between its A ordinary shares and B ordinary shares until the total amount of dividends distributed to the holders of the B ordinary shares is equivalent to a 25% compounded annual return on the purchase price of the B ordinary shares, after which the A ordinary shares will be entitled to 80% of any dividend declared and distributed and the B ordinary shares will be entitled to 20% of such dividend.

### **Co-Development Projects**

Evergrande Metropolis Foshan (佛山恒大名都). On April 30, 2008, we and a subsidiary of Chow Tai Fook Group, or NWS, entered into a co-development agreement pursuant to which we and NWS agreed to co-develop this project. Under the co-development arrangement, we have provided the land use rights to the project whereas NWS will contribute to the development costs of the project and manage its development. NWS has also extended a 10-year term loan in the amount of approximately RMB 483 million to us. Under the co-development arrangement, the sales proceeds from the sale and/or pre-sale of the properties in the development, after deducting costs, expenses and management fee, will be shared between NWS and us in the proportion of 60% and 40%. If the aggregate amount of the loan provided by NWS and the sales proceeds received by us from the development is less than RMB 600 million, NWS will pay an amount equivalent to the difference between RMB 600 million and the then outstanding amount of the loan to us at the time of our receipt of the distribution of the sales proceeds, at which time our obligation to repay the loan will be waived and forgiven. You may find additional information on this project in the section entitled “Business — Project Overview — (8) Evergrande Metropolis Foshan.”

Evergrande Palace Wuhan (武漢恒大華府). On April 30, 2008, we and a subsidiary of Chow Tai Fook Group, or NWS 2, entered into a co-development agreement pursuant to which we and NWS 2 agreed to co-develop Area B2 of the project. As of the date of the agreement, we were developing Areas A and B1 of the project, which occupy a site area of approximately 150,176 square meters with a total GFA of approximately 241,649 square meters. Area B2 occupies a total site area of 132,401 square meters with a GFA of approximately 345,225 square meters. Under the co-development arrangement, we have provided the land use rights to Area B2 whereas NWS 2 will contribute to the development costs of Area B2 and manage its development. NWS 2 has also extended a 6-year term loan in the amount of approximately RMB 272 million to us. Under the co-development arrangement, the sales proceeds from the sale and/or pre-sale of the properties in Area B2, after deducting costs, expenses and management fee, will be shared between NWS 2 and us in the proportion of 60% and 40%. If the aggregate amount

of the loan provided by NWS 2 and the sales proceeds received by us from the development of Area B2 is less than RMB 500 million, NWS 2 will pay an amount equivalent to the difference between RMB 500 million and the then outstanding amount of the loan to us at the time of our receipt of the distribution of the sales proceeds, at which time our obligation to repay the loan will be waived and forgiven. You may find additional information on this project in the section entitled “Business — Project Overview — (23) Evergrande Palace Wuhan.”

## **2015 Notes**

On January 27, 2010, we entered into an indenture, as amended and supplemented, or the 2015 Indenture, pursuant to which we issued an aggregate principal amount of US\$750,000,000 13% Senior Notes due 2015, or the Initial 2015 Notes. On April 16, 2010, we entered into subscription agreements with each of Harbour Trade Limited, a wholly owned subsidiary of Chinese Estates Holdings Limited, and Mr. Joseph Luen Hung Lau, pursuant to which they agreed to subscribe for Additional 2015 Notes of the Company in the principal amounts of US\$350,000,000 and US\$250,000,000, respectively, on the terms and conditions of the Initial 2015 Notes, save for the issue date and the subscription price. The Initial Notes and the Additional 2015 Notes are hereinafter referred to as the “2015 Notes.” The 2015 Notes are listed on the SGX-ST.

As of December 31, 2010, we had a total amount of US\$1,350,000,000 principal amount of 2015 Notes outstanding.

### ***Guarantee***

The obligations pursuant to the 2015 Notes are guaranteed by our existing subsidiaries, or the 2015 Subsidiary Guarantors, other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2015 Indenture. We refer to these guarantees as the 2015 Subsidiary Guarantees. Under certain circumstances and subject to certain conditions, a 2015 Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited-recourse guarantee, or 2015 JV Subsidiary Guarantee. We refer to the subsidiaries providing a 2015 JV Subsidiary Guarantee as 2015 JV Subsidiary Guarantors.

Each of the 2015 Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2015 Notes.

### ***Collateral***

In order to secure the obligations under the 2015 Notes, we and the initial 2015 Subsidiary Guarantors under the 2015 Indenture pledged the share or capital stock of substantially all of such initial 2015 Subsidiary Guarantors for the benefit of the holders of the 2015 Notes, or the 2015 Collateral. The 2015 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each 2015 Subsidiary Guarantor which pledged share or capital stock under the 2015 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2015 Notes and the related subsidiary guarantees.

### ***Interest***

The 2015 Notes bear an interest rate of 13% per annum. Interest is payable semi-annually in arrears.



### ***Covenants***

Subject to certain conditions and exceptions, the 2015 Indenture and each of the related 2015 Subsidiary Guarantees contain certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred shares;
- declaring dividends on shares or purchasing or redeeming shares;
- making investments or other specified restricted payments;
- issuing or selling shares of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

On April 16, 2010, we entered into a second supplemental indenture, or the 2015 Second Supplemental Indenture to add the issuance of the Additional 2015 Notes to the 2015 Indenture. The Additional 2015 Notes have the same terms and conditions as the Initial 2015 Notes, save for the issue date and issue price.

### ***Events of default***

The 2015 Indenture contains certain customary events of default, including default in the payment of principal or of any premium on the 2015 Notes when such payments become due and payable, default in payment of interest which continues for 30 consecutive days, and other events of default substantially similar to the Events of Default under the Indenture. If an event of default occurs and is continuing, the trustee under the 2015 Indenture or the holders of at least 25% of the outstanding 2015 Notes may declare the principal of the 2015 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable. Upon the occurrence of certain specified events of default, the principal of, premium (if any), and accrued and unpaid interest on the outstanding 2015 Notes will automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

### ***Change of control***

Upon the occurrence of certain events of change of control and a rating decline, we will make an offer to repurchase all outstanding 2015 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest, if any, to the date of repurchase.

### ***Maturity and redemption***

The maturity of the 2015 Notes is January 27, 2015. At any time and from time to time, we may, with the proceeds from sales of certain types of the Company's shares, redeem up to 35% of the aggregate principal amount of the 2015 Notes at a redemption price equal to 113% of the principal amount of the 2015 Notes, plus any accrued and unpaid interest, if any, to the redemption date, provided that at least 65% of the aggregate principal amount of the 2015 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days of the closing of the related sale of the Company's shares and subject to certain conditions.

Additionally, if we or an initial 2015 Subsidiary Guarantor under the 2015 Indenture would become obligated to pay certain additional amounts as a result of certain changes in, or amendment to, specified tax law, we may redeem the 2015 Notes at a redemption price equal to 100% of the principal amount of the 2015 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

### **Trust Financing Agreements**

From time to time, we may enter into financing arrangements with trust companies pursuant to which we receive financing from trust companies in the PRC. Upon the receipt of the financed amount from a trust company, we may transfer the title to less than 50% of the shares in one of our PRC subsidiaries and pledge the remaining shares of such subsidiary. Alternatively, we may pledge 100% of the shares of such subsidiary without transferring title to any such shares. These trust financing arrangements are typically guaranteed by us and have a term of 1–2 years, at the end of which, we will repay the financed amount. Upon such repayment, the trust company will transfer back to us the title to all of the shares of the relevant subsidiary. We typically have an option for early repayment of the financed amount after a specified period of time. These financing agreements contain customary events of default, including non-payment of principal or interest and breaches of the terms of the agreement. If an event of default has occurred, the trust company may, with prior notice, exercise its rights to realize the security held under the share pledge and demand payment from our Company as guarantor of the financed amount. As of December 28, 2010, the aggregate outstanding amount (excluding interest) under these financing arrangements totaled approximately RMB 1.2 billion.

### **Intercreditor Agreement**

See the sections entitled “Description of the 2014 Notes — Intercreditor Agreement” and “Description of the 2016 Notes — Intercreditor Agreement.”

### **Customer Guarantees**

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank. As of June 30, 2010, the aggregate outstanding amount guaranteed was RMB 18,869.1 million (US\$2,782.4 million).

### **Equity Acquisition Payment Obligations**

As of the date of this offering memorandum, we have substantial payment obligations in connection with our current yet-to-complete acquisitions of companies that own land use rights in China. We are under contract to acquire 100% of the equity interests in these land-owning companies. For some, we have already acquired a majority stake, with a minority interest still outstanding and subject to the completion of our purchase upon payment by us of the remaining consideration pursuant to the sale and purchase agreement. The total consideration for such minority stakes is approximately RMB 1,761.7 million as of the date of this offering memorandum. We have disclosed each such case under the section entitled “Corporate History and Structure — Our Current Corporate Structure” in this offering

memorandum. For others, we have signed the relevant sale and purchase agreements and paid a small portion of the purchase price, but have not completed the various other conditions in order to effect the transfer of any equity interest to us as of the date of this offering memorandum. The total yet-to-be-paid consideration for such land-owning companies is approximately RMB 1,761.7 million as of the date of this offering memorandum.

## DESCRIPTION OF THE 2014 NOTES

For purposes of this “Description of the 2014 Notes,” the term “Company” refers only to Evergrande Real Estate Group Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each subsidiary of the Company that in the future provides a “JV Subsidiary Guarantee” (as defined herein) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of January 19, 2011 (the “Original Issue Date”), among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “Trustee”).

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at 50th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with the 2016 Notes, the 2015 Notes and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the section entitled “— The Subsidiary Guarantees” and in the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;”
- effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

In addition, on the Original Issue Date, subject to the limitations described in the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the section entitled “— Security” and will:

- be entitled to a lien on the Collateral, to be shared on a *pari passu* basis with holders of the 2016 Notes, the 2015 Notes and any other creditors with respect to the Permitted *Pari Passu* Secured Indebtedness, subject to any other Permitted Liens and the Intercreditor Agreement; and

- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on January 19, 2014 unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under the section entitled “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued. The Notes will bear interest at 7.50% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears in the applicable U.S. Dollar Settlement Amount on January 19 and July 19 of each year (each an “Interest Payment Date”), commencing July 19, 2011.

Interest on the Notes will be paid to Holders of record at the close of business on January 4 or July 4 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Trustee then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of RMB 1,000,000 and integral multiples of RMB 10,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company and the Company will maintain in Dublin, Republic of Ireland or in London, England an office or agency (which initially will be the office of the Paying Agent currently located at Ground Floor, DUB-01-11, 1 North Wall Quay, Dublin 1, Republic of Ireland) where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment or repurchase. Notwithstanding the immediately preceding sentence, at the option of the Company with the consent of the Paying Agent (such consent not to be unreasonably withheld) payment of interest may instead be made by check mailed to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof. Notices and demands to or upon the Company in respect of the Notes and the Indenture may be served at the office or agency of the Company maintained for that purpose (which initially will be the corporate trust administration office of the Trustee, currently located at 39th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong).

### **The Subsidiary Guarantees**

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company’s Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). The Subsidiary Guarantors are holding companies that do not have significant operations.

The initial Subsidiary Guarantors are:

- ANJI (BVI) Limited;

- Shengjian (BVI) Limited;
- Shengyu (BVI) Limited;
- Jijian (BVI) Limited;
- Minsin International (Holdings) Limited;
- Fortune Luck Corporation Limited;
- Fengyu (BVI) Limited;
- Full Hill Limited;
- Billion Mark Limited;
- Goldbridge Limited;
- Wisdom Gain Group Limited;
- Grow Rising Investment Limited;
- Shui Wah Investment Limited;
- Yitong (BVI) Limited;
- Jiading Holdings Limited;
- Jiarun Holdings Limited;
- Jiazhi Holdings Limited;
- Jiaying Holdings Limited;
- Jiayu Holdings Limited;
- China Agriculture Technology Limited; and
- Bai Chang Limited.

None of Success Will Group Limited, any Subsidiaries of Success Will Group Limited, Ever Grace Group Limited, Tianding Holding Limited, Tianji Holding Limited, Lanbowan (BVI) Limited, Chuangfeng (BVI) Limited, Luckyman Group Limited, Luckyup Group Limited, Shengtong Holding Limited, Mass Joy Holdings Limited, Will Glory Holdings Limited, Shengtong (BVI) Limited, Evergrande International Hotels Group Limited, Sure Fast Group Limited, Grandday Group Limited and Lucky Grow Holdings Limited (the “Other Non-Guarantor Subsidiaries”) will be an initial Subsidiary Guarantor on the Original Issue Date. In addition, none of the Restricted Subsidiaries existing on the Original Issue Date that are Subsidiaries organized under the laws of the PRC and the future Restricted Subsidiaries that are organized under the laws of the PRC (together, the “PRC Restricted Subsidiaries” and together with the Other Non-Guarantor Subsidiaries, the “Non-Guarantor Subsidiaries”) will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial.



The Company will procure (x) Tianji Holding Limited to become a Subsidiary Guarantor; *provided* that Tianji Holding Limited will not be required to be a Subsidiary Guarantor at any time when it would be required to register as an investment company under the Investment Company Act of 1940, as amended and (y) each of the Other Non-Guarantor Subsidiaries (other than Success Will Group Limited and its Subsidiaries) to become a Subsidiary Guarantor or a JV Subsidiary Guarantors promptly after such Other Non-Guarantor Subsidiary commences investment for the purposes of commencing business activities, *provided* that such Restricted Subsidiary would not be required to register as an investment company under the Investment Company Act of 1940, as amended.

In the case of a Restricted Subsidiary (i) that is established or commences investment for the purposes of commencing business activities after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Company or any of its Restricted Subsidiaries is proposing to divest, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, no less than 20% and no more than 49% of the Capital Stock of such Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or issuance, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions are satisfied or complied with:

- concurrently with providing the JV Subsidiary Guarantee (as defined below), the Company and such JV Subsidiary Guarantor have delivered to the Trustee and, in the case of the Security Documents, also to the Collateral Agent:
  - (i) a duly executed Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) an Officers’ Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantors providing the JV Subsidiary Guarantees (subject to customary qualifications and assumptions).
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and
- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee.

In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

As of June 30, 2010,

- the Company and its consolidated subsidiaries had total consolidated borrowings of approximately RMB 25,273.2 million (US\$3,726.8 million), all of which were secured; and
- the Non-Guarantor Subsidiaries had total liabilities of approximately RMB 16,323.3 million (US\$2,407.0 million).

In addition, as of June 30, 2010, the Non-Guarantor Subsidiaries had capital commitments and contingent liabilities of approximately RMB 52,136.4 million (US\$7,688.0 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with the Indebtedness of such Subsidiary Guarantor under its subsidiary guarantee with respect to the 2015 Notes and the 2016 Notes and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with the Indebtedness of such JV Subsidiary Guarantor under its JV subsidiary guarantee with respect to the 2015 Notes and the 2016 Notes and all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC), immediately upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

In addition, subject to the limitations described in the sections entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to a security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor, as described below under the section entitled “— Security” , to be shared on a *pari passu* basis with holders of the 2015 Notes, the 2016 Notes and any other secured parties with respect to the Permitted Pari Passu Secured Indebtedness, subject to any other Permitted Liens and the Intercreditor Agreement; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes in the applicable U.S. Dollar Settlement Amount; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero. The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See the section entitled "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

#### ***Release of the Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under the section entitled "— Defeasance — Defeasance and Discharge;"
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the sections entitled "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture; or

- upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee.

#### ***Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance is for no less than 20% and no more than 49% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- concurrently with the release of such Subsidiary Guarantee, the Company and such JV Subsidiary Guarantor have delivered to the Trustee and, in the case of the Security Documents, also to the Collateral Agent:
  - (i) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantors providing the JV Subsidiary Guarantees (subject to customary qualifications and assumptions).
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee.

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the “Limitation on Asset Sales” and “Limitation on Restricted Payments” covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the “Limitation on Asset Sales” covenant.

As of the date of the Indenture, all of the Company’s Subsidiaries will be “Restricted Subsidiaries” other than Ever Grace Group Limited, Foshan Nanhai Juncheng Property Development Co., Ltd. (佛山市南海俊誠房地產開發有限公司) and Wuhan Donghu Hengda Real Estate Development Co., Ltd. (武漢東湖恒大房地產開發有限公司) and any Subsidiary of an Unrestricted Subsidiary. However, under the circumstances described below under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” The Company’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company’s Unrestricted Subsidiaries will not guarantee the Notes.

## **Security**

The Company has agreed, for the benefit of the Holders, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, all of the Capital Stock of each initial Subsidiary Guarantor (the “Collateral”), subject to any Permitted Lien and the Intercreditor Agreement, on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

The Company has agreed, for the benefit of the holders of the 2016 Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Collateral, subject to any Permitted Lien and the Intercreditor Agreement, on the Original Issue Date in order to secure the obligations of the Company under the 2016 Notes and the indenture for the 2016 Notes and of such initial Subsidiary Guarantor Pledgors under their respective subsidiary guarantees for the 2016 Notes.

The Company and the initial Subsidiary Guarantor Pledgors, for the benefit of the holders of the 2015 Notes, have pledged the Collateral (subject to Permitted Liens and the Intercreditor Agreement) in order to secure the obligations of the Company under the 2015 Notes and the indenture for the 2015 Notes and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of the 2015 Notes on terms of that are substantially similar to the terms of the share pledges over the Collateral securing the Notes, the Indenture and the Subsidiary Guarantees (the “Share Charges”). The Trustee, the trustee for the 2015 Notes, the trustee for the 2016 Notes and the Collateral Agent will, on or prior to the Original Issue Date, enter into the Intercreditor Agreement. See “— Intercreditor Agreement.”

The initial Subsidiary Guarantor Pledgors are:

- ANJI (BVI) Limited;



- Shengyu (BVI) Limited;
- Fengyu (BVI) Limited;
- Wisdom Gain Group Limited; and
- Yitong (BVI) Limited.

None of the Capital Stock of (i) the Non-Guarantor Subsidiaries or (ii) any Restricted Subsidiary owned directly by a PRC Restricted Subsidiary will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future PRC Restricted Subsidiary or any Restricted Subsidiary that is owned directly by a PRC Restricted Subsidiary will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Collateral Agent (as defined below).

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than a PRC Restricted Subsidiary or a Restricted Subsidiary owned directly by a PRC Restricted Subsidiary) after the Original Issue Date, as soon as reasonably practicable after (but in any event within 30 days after) such Person has become a Restricted Subsidiary, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The value of the Collateral securing the Notes, the 2015 Notes, the 2016 Notes and the Subsidiary Guarantees and the subsidiary guarantees for the 2015 Notes and the 2016 Notes of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the Notes, the 2015 Notes, the 2016 Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors and the subsidiary guarantees for the 2015 Notes and the 2016 Notes of the subsidiary guarantor pledgors, and the Collateral securing these obligations may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See the sections entitled “— Release of Security” and “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes and other pari passu secured indebtedness.”

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default would be sufficient to satisfy amounts due on the Notes, the 2015 Notes, the 2016 Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, or the subsidiary guarantees for the 2015 Notes and the 2016 Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

#### ***Permitted Pari Passu Secured Indebtedness***

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any such Pari Passu Subsidiary Guarantee, “Permitted Pari Passu Secured Indebtedness”); *provided* that (1) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the section entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock,” (2) the holders of such Indebtedness (or their representative or agent) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Subsidiary Guarantee is substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent an Opinion of Counsel and Officers’ Certificate with respect to corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee and the Collateral Agent will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness (the “Collateral Agent”).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

#### ***Intercreditor Agreement***

On or prior to the Original Issue Date, the Trustee will enter into an intercreditor agreement (as amended, waived, restated, replaced and/or supplemented from time to time, the “Intercreditor Agreement”) with the Company, the Subsidiary Guarantor Pledgors, the Collateral Agent, the trustee for the 2015 Notes and the trustee for the 2016 Notes, to the effect that the Holders of the Notes will share equal priority and pro rata entitlement in and to the Collateral with the holders of any 2015 Notes and any 2016 Notes remaining outstanding after the Original Issue Date and any other creditors with respect to Permitted Pari Passu Secured Indebtedness.

Prior to the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes) after the Original Issue Date, the Intercreditor Agreement shall be amended, without requiring instruction from the Holders, to include the holders of such Permitted Pari Passu Secured Indebtedness (or their representative or agent) as additional secured parties to the agreement.

### *Enforcement of Security*

The Lien securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Collateral Agent (for the benefit of the Holders), subject to any Permitted Lien and the Intercreditor Agreement. Subject to the Intercreditor Agreement, the Collateral Agent (for the benefit the Holders), will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Holders (through the Trustee) to exercise remedies under the Security Documents. The Collateral Agent has agreed to act as secured party on behalf of the Holders under the applicable Security Documents, to follow the instructions provided to it under the Indenture, the Security Documents and to carry out certain other duties.

The Trustee, the trustee for the 2015 Notes, the trustee for the 2016 Notes and the Collateral Agent will, on or prior to the Original Issue Date, enter into the Intercreditor Agreement. See “— Intercreditor Agreement.”

The Indenture and/or the Security Documents principally provide that, at any time while the Notes are outstanding, subject to the Intercreditor Agreement, the Collateral Agent has the exclusive right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to the direction of the secured parties thereto, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture. However, although the Trustee may instruct the Collateral Agent to foreclose the Collateral upon the occurrence of an Event of Default that is continuing, such instruction may be overruled by a contrary instruction to the Collateral Agent from holders of more than 50% of the indebtedness that is subject to the Intercreditor Agreement. See “Risk Factors — The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes, the 2015 Notes and other pari passu secured indebtedness.”

The Intercreditor Agreement principally provides that, at any time while the Intercreditor Agreement is in force, the Collateral Agent has the exclusive right to manage, perform and enforce the terms of the Security Documents, the 2015 Notes Security Documents, the 2016 Notes Security Documents and the security documents for any Permitted Pari Passu Secured Indebtedness relating to the Collateral. See “— Intercreditor Agreement.”

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, in the following order of priority:

*first*, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any unpaid fees, costs and expenses (including expenses of any receiver appointed under any Security Document and reasonable expenses of its counsel) properly incurred in connection with its duties under the Intercreditor Agreement including without limitation, the collection, distribution or enforcement of such amounts held or realized or in connection with expenses properly incurred under the Intercreditor Agreement in enforcing all available remedies under the Security Documents, the indenture for the 2015 Notes, the indenture for the 2016 Notes, the indenture for the Notes and the agreements governing any Permitted Pari Passu Secured Indebtedness that is subject to the Intercreditor Agreement and preserving the Collateral and all indemnification payments for which the Collateral Agent is entitled to under the Security Documents;

*second*, to the extent not reimbursed under the above paragraph, to the trustee for the 2015 Notes, the trustee for the 2016 Notes, the Trustee and, to the extent applicable, the holder of any Permitted Pari Passu Secured Indebtedness (in the case of a sole creditor of any series of Permitted Pari Passu Secured Indebtedness only) or the representative or agent of any holders of any series of Permitted Pari Passu Secured Indebtedness, to the extent necessary to reimburse the foregoing

persons ratably for any unpaid fees, costs and expenses expenses (including expenses of any paying agents, transfer agents, registrars or other agents in connection therewith appointed in connection with the foregoing and reasonable expenses of counsel) reasonably incurred under the Security Documents, the indenture for the 2015 Notes, the indenture for the 2016 Notes, the indenture for the Notes and the agreements governing any Permitted Pari Passu Secured Indebtedness (or any other document in connection with the foregoing that such paying agents, transfer agents, registrars or other agents are party to) in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Security Documents, the indenture for the 2015 Notes, the indenture for the 2016 Notes, the indenture for the Notes and the agreements governing any Permitted Pari Passu Secured Indebtedness that is subject to the Intercreditor Agreement and preserving the Collateral and all indemnification payments for which the foregoing persons are entitled to under the Security Documents;

*third*, ratably to each of the trustee for the 2015 Notes for the benefit of the holders of the 2015 Notes, the trustee for the 2016 Notes for the benefit of the holders of the 2016 Notes, the Trustee for the benefit of the Holders and, to the extent applicable, to holders (or their representative or agent) of Permitted Pari Passu Secured Indebtedness, inclusive of any reasonable fees and expenses of each of the trustee for the 2015 Notes, the trustee for the 2016 Notes, the Trustee and the holders (or their representative or agent) of Permitted Pari Passu Secured Indebtedness (to the extent not paid pursuant to the above second paragraph), and the principal, interest and premium thereon and for the benefit of the holders of each thereof in accordance with the terms of the relevant document governing the foregoing indebtedness; and

*lastly*, any surplus remaining after such payments will be paid to the Company (for itself and any Subsidiary Guarantor Pledgors) or to whomever may be lawfully entitled thereto.

The Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Collateral Agent nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency or protection of any of the Liens, for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agent. This section, "— Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with the section entitled "— Permitted Pari Passu Secured Indebtedness" above.

### ***Release of Security***

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon defeasance and discharge of the Notes as provided below under the section entitled “— Defeasance — Defeasance and Discharge;”
- upon certain dispositions of the Collateral in compliance with the covenants under the sections entitled “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries” or “— Certain Covenants — Limitation on Asset Sales” or in accordance with the provisions under the section entitled “— Consolidation, Merger and Sale of Assets;”
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture; and
- in connection with and upon execution of a JV Subsidiary Guarantee, all pledges of Capital Stock granted by the JV Subsidiary Guarantor and its direct and indirect Subsidiaries shall be released.

## **Payments**

All payments due under, and all claims arising out of or pursuant to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee and/or the Indenture from or against the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor shall be payable and settled in U.S. dollars only, in the applicable U.S. Dollar Settlement Amount.

“U.S. Dollar Settlement Amount” means, in respect of a Renminbi-denominated amount that, but for this section “— Payments”, would be due under the Notes (including any Subsidiary Guarantee or JV Subsidiary Guarantee) or the Indenture in Renminbi, the Renminbi amount converted into U.S. dollars using the Spot Rate for the applicable Rate Calculation Date.

For the above purposes:

“Forex Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Beijing and in New York City.

“Independent Investment Bank” means an independent investment bank of international repute (acting as an expert) selected by the Company before the occurrence of an Event of Default that is continuing or by the Trustee after the occurrence of an Event of Default that is continuing.

“Rate Calculation Date” means the day which is two Forex Business Days before the due date of the relevant amount pursuant to the provisions of the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee or the Indenture.

“Reference Dealers” means four leading dealers engaged in the foreign exchange market of Renminbi selected by the Company.

“Spot Rate”, for each Rate Calculation Date in respect of the U.S. Dollar Settlement Amount of a Renminbi-denominated amount, means a rate determined by the Company in good faith as follows (a) the RMB/US dollar official fixing rate, expressed as the amount of Renminbi per one U.S. dollar, reported by the People’s Bank of China which appears on the Reuters Screen “SAEC” Page opposite the symbol “USDCNY” page at or about 9:15 a.m. (Beijing time) on the Rate Calculation Date, (b) if no such rate is available under sub-paragraph (a), the spot rate determined by the Company in good faith on the basis of quotations provided by the Reference Dealers of the specified exchange rate for the Rate Calculation Date as obtained in accordance with the

provisions in the immediately following paragraph, and (c) if fewer than two quotations are provided under sub-paragraph (b), the exchange rate for the Rate Calculation Date as shall be determined by an Independent Investment Bank in good faith.

In determining the spot rate under sub-paragraph (b), the Company will request the Beijing office of each of the Reference Dealers to provide a quotation of what the specified screen rate would have been had it been published, reported or available for the Rate Calculation Date, based upon each Reference Dealer's experience in the foreign exchange market for Renminbi and general activity in such market on the Rate Calculation Date. The quotations used to determine the Spot Rate for a Rate Calculation Date will be determined in each case for such Rate Calculation Date, and will be requested at 9:15 a.m. (Beijing time) on such Rate Calculation Date or as soon as practicable after it is determined that the specified screen rate was not available.

If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates, without regard to the rates having the highest and lowest value. For this purpose, if more than one quotation has the same highest value or lowest value, then the rate of only one of such quotations shall be disregarded. If two or three quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates provided.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this section "— Payment", whether by the Reference Dealers (or any of them), the Company or the Independent Investment Bank, will (in the absence of willful default, bad faith or manifest error) be binding on the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents and all Holders.

### **Further Issues**

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the first paragraph of the "Limitation on Indebtedness and Preferred Stock" covenant described below.

### **Optional Redemption**

At any time prior to January 19, 2014, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to the U.S. Dollar Settlement Amount of 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date.

At any time and from time to time, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of the U.S. Dollar Settlement Amount of 107.50% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.



The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or
- (2) if the Notes are not listed on any national securities exchange, on a *pro rata* basis, by lot or by such method as the Trustee deems fair and appropriate.

A Note of RMB 1,000,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

### **Repurchase of Notes Upon a Change of Control Triggering Event**

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to the U.S. Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See the section entitled "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes and the 2015 Notes upon a change of control triggering event." The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

## **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the Notes.

## **Additional Amounts**

All payments of principal of, and premium (if any) and interest on, the Notes and any payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) and under the Security Documents will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the section entitled “— Consolidation, Merger and Sale of Assets”) or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person, the applicable Subsidiary Guarantor, JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note, the Subsidiary Guarantees, the JV Subsidiary Guarantees or the Security Documents, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
  - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
    - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note, Subsidiary Guarantee, JV Subsidiary Guarantee or Security Document, as the case may be, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, JV Subsidiary Guarantee or Security Document, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
    - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
    - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor, JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

- (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
  - (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
  - (c) any withholding or deduction that is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives; or
  - (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, JV Subsidiary Guarantee or Security Document, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

### **Redemption for Taxation Reasons**

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee, Paying Agent and Transfer Agent (which notice shall be irrevocable), at a redemption price equal to the U.S. Dollar Settlement Amount of 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such

notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

- (1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

### **Certain Covenants**

Set forth below are summaries of certain covenants contained in the Indenture.

#### ***Limitation on Indebtedness and Preferred Stock***

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 3.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):
  - (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee and indebtedness under the 2016 Notes and each subsidiary guarantee and JV subsidiary guarantee thereof;
  - (b) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;
  - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;

- (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, in the case of the Company, the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor, or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, in the case of a JV Subsidiary Guarantor;
- (e) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h) or (o) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes, such Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes, such Subsidiary Guarantee or such JV Subsidiary Guarantee; (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded; (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor; and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced or refunded pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;
- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to (A) Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation or (B) other derivative contracts entered into for non-speculative purposes in connection with the Permitted Business;
- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become

a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate amount of all Indebtedness permitted and then outstanding under clause (p) below does not exceed an amount equal to 15% of Total Assets;

- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clause (f) or (h) above or clause (n) below, or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;



- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$50.0 million (or the Dollar Equivalent thereof);
  - (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;
  - (p) Indebtedness of the Company or a PRC Restricted Subsidiary arising from a Guarantee or grant of a Lien in favor of an Insurance Company Investor with respect to the obligation of a Subsidiary of such PRC Restricted Subsidiary in which such Insurance Company Investor holds or acquires a minority equity interest that will pay a guaranteed or preferred return to such Insurance Company Investor or any Preferred Stock issued by such Subsidiary of the PRC Restricted Subsidiary in connection therewith, *provided* that on the date of such Incurrence of Indebtedness and after giving effect thereto, the sum of (1) the aggregate amount of all Indebtedness permitted and then outstanding under this clause (p) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clause (h) above (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under such clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 15% of Total Assets; and
  - (q) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$15.0 million (or the Dollar Equivalent thereof).
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness.

#### ***Limitation on Restricted Payments***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable solely in shares of the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such Capital Stock) or any direct or indirect parent of the Company held by any Person other than the Company or any Wholly Owned Restricted Subsidiary, other than the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;

- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes, any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;” or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:
  - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the 2015 Notes were first issued and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
  - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
  - (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company’s consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
  - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of

Consolidated Net Income), (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus

(v) US\$25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) the payment of any dividend or distribution declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;
- (6) the payment by Success Will Group Limited to Pearl River Investment Limited of unpaid dividends declared prior to the date of the Indenture in an amount not to exceed US\$50.0 million (or the Dollar Equivalent thereof);
- (7) the payment by the Company of a dividend in respect of its Capital Stock, which dividend is declared on or prior to June 30, 2010, in an amount not to exceed the lesser of (x) US\$16.0 million (or the Dollar Equivalent thereof) and (y) 10% of the profit of the Company for the calendar year ending December 31, 2009, as shown on the audited consolidated financial statements of the Company;

- (8) any of the Existing Staged Acquisition Payments; and
- (9) the purchase by a Restricted Subsidiary of Capital Stock in any PRC Restricted Subsidiary (not exceeding 20% of the total Capital Stock in such PRC Restricted Subsidiary) pursuant to an agreement entered into by such Restricted Subsidiary with an Independent Third Party solely for the purpose of acquiring real property or land use rights, *provided* that (x) such purchase occurs within 12 months after such PRC Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the fair market value of such Capital Stock (determined by multiplying the fair market value of such PRC Restricted Subsidiary by the percentage that such Capital Stock represents in the total Capital Stock of such PRC Restricted Subsidiary).

*provided* that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clauses (1) and (5) (but only to the extent that dividends are paid to persons other than the Company or a Restricted Subsidiary) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payment.

The amount of any Restricted Payment (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this covenant entitled "— Limitation on Restricted Payments" were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
  - (a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
  - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
  - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
  - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

- (2) The provisions of clause (1) do not apply to any encumbrances or restrictions:
- (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, the 2016 Notes and the subsidiary guarantees and JV subsidiary guarantees thereof, the indenture for the 2016 Notes, the 2016 Notes Security Documents or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
  - (b) existing under or by reason of applicable law, rule, regulation or order;
  - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
  - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
  - (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the covenants entitled “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales;” or
  - (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clause (2)(h), (2)(n) or (2)(o) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock” if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to 2(h) and 2(o), any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

### ***Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries***

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) for the sale of all the Capital Stock of a Restricted Subsidiary if permitted under, and made in accordance with, the covenant entitled "— Limitation on Asset Sales;" and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the covenant entitled "— Limitation on Asset Sales."

### ***Limitation on Issuances of Guarantees by Restricted Subsidiaries***

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any other Restricted Subsidiary, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives, and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(c), (d) or (m)(ii) (other than, in the case of clause (m)(ii), a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary that is not a Subsidiary of such PRC Subsidiary), under the covenant entitled "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.



### *Limitation on Transactions with Shareholders and Affiliates*

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or such Restricted Subsidiary; and
- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
  - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1) or (2) of the first paragraph of the covenant entitled “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval for any such scheme; and
- (6) any purchase of Capital Stock of the type specified in clause (9) of the covenant entitled “— Limitation on Restricted Payments.”

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the “— Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and

its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary; *provided* that, in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary).

#### ***Limitation on Liens***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

#### ***Limitation on Sale and Leaseback Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company may enter into a Sale and Leaseback Transaction if:

- (1) the Company could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the first paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock” and (b) Incurred a Lien to secure such Indebtedness pursuant to the covenant entitled “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed Incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant entitled “— Limitation on Asset Sales.”

#### ***Limitation on Asset Sales***

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;
- (3) in the case of an Asset Sale that constitutes an Asset Disposition, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock” after giving *pro forma* effect to such Asset Disposition; and

- (4) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$15.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
- (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
  - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets that will be used in the Permitted Businesses ("Replacement Assets").

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, *multiplied by*
- (2) a fraction (x) the numerator of which is equal to the Dollar Equivalent of the outstanding principal amount of the Notes and (y) the denominator of which is equal to the Dollar Equivalent of the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the related Asset Sales,

rounded down to the nearest RMB 10,000.

The offer price in any Offer to Purchase will be equal to the U.S. Dollar Settlement Amount of 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, Notes (and such other *pari passu* Indebtedness) will be purchased by the Company on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

#### ***Limitation on the Company's Business Activities***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant entitled “— Limitation on Restricted Payments.”

#### ***Use of Proceeds***

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption “Use of Proceeds” in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

#### ***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred or be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary Guarantor provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant entitled “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant entitled “— Limitation on Liens;” (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant entitled “— Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred or be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant entitled “— Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant entitled “— Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture

by which such Restricted Subsidiary shall become a Subsidiary Guarantor; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged as required under the section entitled “— Security.”

#### ***Government Approvals and Licenses; Compliance with Law***

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

#### ***Anti-Layering***

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

#### ***Suspension of Certain Covenants***

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following sections will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (2) “— Certain Covenants — Limitation on Restricted Payments;”
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries;”
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries;”
- (6) “— Certain Covenants — Limitation on the Company’s Business Activities;”
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions;” and
- (8) “— Certain Covenants — Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under the section entitled “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

### ***Provision of Financial Statements and Reports***

- (1) So long as any of the Notes remains outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s shares of Common Stock are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
  - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognized firm of independent accountants;
  - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognized firm of independent accountants; and
  - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remains outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers’ Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semiannual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company’s external auditors verifying the accuracy of the calculation and arithmetic computation; and (b) as soon as possible and in any event within 30 days after the Company



becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

## Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenant entitled "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the section entitled "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Certain Covenants — Limitation on Asset Sales," or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a lien on the Collateral (subject to any Permitted Lien and the Intercreditor Agreement) in accordance with the covenant entitled "— Security;"
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$7.5 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$7.5 million (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

- (8) the Company or any Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;
- (10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; and
- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Collateral Agent ceases to have a security interest in the Collateral, subject to any Permitted Lien and the Intercreditor Agreement.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of the Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, or the Trustee may, in accordance with and subject to the Intercreditor Agreement, instruct the Collateral Agent to, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to

collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, direct the Collateral Agent to foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See the section entitled “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or the Collateral Agent or exercising any trust or power conferred on the Trustee or the Collateral Agent. However, the Trustee or the Collateral Agent may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee or the Collateral Agent in personal liability, or that the Trustee or the Collateral Agent determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in such Note, which right shall not be impaired or affected without the consent of the Holder.

Two officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company’s and the Subsidiary Guarantors’ performance under the Indenture and that the Company and the Subsidiary Guarantors have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See the section entitled “— Certain Covenants — Provision of Financial Statements and Reports.”

## Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant entitled "— Limitation on Indebtedness and Preferred Stock;"
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this section, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor);
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) no Rating Decline shall have occurred;

*provided* that this paragraph shall not apply to any sale or other disposition that complies with the “— Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under the section entitled “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees.”

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company, which may adversely affect Holders.

### **No Payments for Consents**

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

## Defeasance

### *Defeasance and Discharge*

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee, in trust, money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

### *Defeasance of Certain Covenants*

The Indenture further will provide that the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under the section entitled “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under the section entitled “— Certain Covenants,” other than as described under the sections entitled “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering.” Clause (3) under “Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and such clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (4) under “— Events of Default” with respect to such other covenants and clauses (5) and (6) under “— Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and the satisfaction of the provisions described in clause (2) of the preceding paragraph.



## **Amendments and Waiver**

### *Amendments Without Consent of Holders*

The Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under the section entitled “— Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Collateral Agent to enter into the Intercreditor Agreement or any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture); or
- (11) make any other change that does not materially and adversely affect the rights of any Holder.

### ***Amendments With Consent of Holders***

Amendments of the Indenture, the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Subsidiary Guarantor Pledgors, the Trustee and the Collateral Agent with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Subsidiary Guarantor Pledgors with any provision of the Indenture or the Notes or any Security Document or the Intercreditor Agreement; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on or change the currency of the U.S. Dollar Settlement Amount payable on, any Note or change the method of calculation of the U.S. Dollar Settlement Amount, that would result in the reduction of the U.S. Dollar Settlement Amount of such principal, premium, if any, or interest;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on any Note;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects Holders;
- (11) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects Holders, except in accordance with the other provisions of the Indenture;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which any Note must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;

- (13) change the redemption date or the redemption price of any Note from that stated under the sections entitled “— Optional Redemption” or “— Redemption for Taxation Reasons;”
- (14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or
- (15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects Holders.

### **Unclaimed Money**

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

### **No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees**

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes or the Subsidiary Guarantees or JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

### **Concerning the Collateral Agent, the Trustee, the Paying Agent, the Transfer Agent and Registrar**

Citicorp International Limited has been appointed as Trustee under the Indenture and as paying agent, transfer agent and registrar (the “Paying Agent”, the “Transfer Agent” and the “Registrar”; collectively, the “Agents”) with regard to the Notes and as Collateral Agent with regard to the Collateral under the Security Documents. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture, or the Intercreditor Agreement. If an Event of Default has occurred and is continuing, the Trustee and the Collateral Agent will use the same degree of care, as applicable, and skill in its exercise of the rights and powers vested in them under the Indenture and the Intercreditor Agreement as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

If the Company maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of ECOFIN Council meeting of November 26–27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

Citicorp International Limited will initially act as the Collateral Agent under the Security Documents in respect of the Lien over the Collateral. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents that are in conflict with the interests of the Holders. The Trustee and the Collateral Agent will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents, as applicable, for the benefit of the Holders unless such Holders have offered to the Trustee or the Collateral Agent, as the case may be, indemnity and/or security satisfactory to it against any loss, liability, cost or expense. Each Holder, by accepting the Notes, will agree, for the benefit of the Collateral Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Collateral Agent in respect of such risks.

### **Book-Entry; Delivery and Form**

The Notes will be represented by a global note in registered form without interest coupons attached (the “Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

### **Global Note**

Ownership of beneficial interests in the Global Note (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee, the Collateral Agent or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

### **Payments on the Global Note**

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and additional amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will make payments of all such amounts

without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “— Additional Amounts.”

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

### **Redemption of Global Note**

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the U.S. dollar amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the U.S. dollar amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of RMB 1,000,000 principal amount, or less, as the case may be, will be redeemed in part.

### **Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

### **Transfers**

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in

jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under “Transfer Restrictions.”

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

### **Global Clearance and Settlement Under the Book-Entry System**

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser’s and seller’s accounts are located to ensure that settlement can be made on the desired value date.

### **Information Concerning Euroclear and Clearstream**

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Collateral Agent, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.



## **Individual Definitive Notes**

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

## **Notices**

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

## **Consent to Jurisdiction; Service of Process**

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Law Debenture Corporate Services Inc., with offices at 400 Madison Avenue, 4th Floor, New York, New York 10017 for receipt of service of process in any such suit, action or proceeding.

## **Governing Law**

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

## **Definitions**

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this section entitled “Description of the Notes” for which no definition is provided.

“2015 Notes” means any and all outstanding notes of the 13% Senior Notes due 2015 of the Company, being in the outstanding aggregate principal amount of US\$1,350,000,000 as of the date of this offering memorandum.

“2015 Notes Security Documents” means “Security Documents” as defined under the indenture governing the 2015 Notes.

“2016 Notes” means any and all outstanding notes of the RMB-denominated US\$ settled 9.25% Senior Notes due 2016 of the Company.

“2016 Notes Security Documents” means “Security Documents” as defined under the indenture governing the 2016 Notes.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2) and the term “Affiliated” shall be construed in accordance with the foregoing sentence. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of the Notes, plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to 2.50%, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an

acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant entitled “— Limitation on Restricted Payments;”
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant entitled “— Consolidation, Merger and Sale of Assets;” and
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, Dublin, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (2) Permitted Holders described in clause (1) of the definition thereof (directly or indirectly) are the beneficial owners of less than 40% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election by the Board of Directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, if, on the Rating Date, the Notes are rated by both Rating Agencies, a Rating Decline.

“Clearstream” means Clearstream Banking, *société anonyme*, Luxembourg.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of all of the Capital Stock of the initial Subsidiary Guarantors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreement or any other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income,

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company or its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) and (7) any capitalized interest, *provided* that interest

expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
  - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
  - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after-tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.



“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the covenants entitled “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the covenants entitled “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event.”

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

“Existing Staged Acquisition Payments” means:

- (1) the payment by the Company or any Restricted Subsidiary of an amount not to exceed RMB 210 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 20% equity in Henan Software Institute Industrial Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the

Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on May 16, 2007 as amended or supplemented;

- (2) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB 100 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 35% equity in Xi'an Qujiang Investment & Construction Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on July 2, 2007 as amended or supplemented;
- (3) the payment by the Company or any Restricted Subsidiary of an amount not to exceed RMB 150 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 19.95% equity in Nanning Yinxiang Real Estate Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on November 1, 2007 as amended or supplemented;
- (4) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB 170 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 30% equity in Anhui Sanlin Property Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Hefei Co., Ltd. (恒大地產集團合肥有限公司) on September 6, 2009 as amended or supplemented;
- (5) the payment by the Company or any Restricted Subsidiary on or before March 31, 2010 of an amount not to exceed RMB 19 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 49% equity in Hunan Xiongzhen Investment Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on October 6, 2007 as amended or supplemented;
- (6) the payment by the Company or any Restricted Subsidiary on or before December 31, 2010 of an amount not to exceed RMB 400 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 49% equity in Changsha Xinlin Property Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Changsha Property Co., Ltd. (恒大地產集團長沙置業有限公司) on July 5, 2009 as amended or supplemented;
- (7) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB 210 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 15% equity in Hebei Dadi Panlong Property Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Shijiazhuang Co., Ltd. (恒大地產集團石家莊有限公司) on September 26, 2009 as amended or supplemented;
- (8) the payment by the Company or any Restricted Subsidiary on or before December 31, 2010 of an amount not to exceed RMB 230 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 12% equity

in Jiangxi Hongji Investment Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on July 5, 2009 as amended or supplemented;

- (9) the payment by the Company or any Restricted Subsidiary on or before June 30, 2011 of an amount not to exceed RMB 203 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 45% equity in Evergrande Metropolis Taiyuan Real Estate Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity cooperation agreement entered into by Hengda Real Estate Group Taiyuan Co., Ltd. (恒大地產集團太原有限公司) on July 11, 2009 as amended or supplemented;
- (10) the payment by the Company or any Restricted Subsidiary on or before December 31, 2011 of an amount not to exceed RMB 600 million (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of the 60% equity in Changsha Baorui Real Estate Development Co., Ltd.) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on November 23, 2009 as amended or supplemented;
- (11) the payment by the Company or any Restricted Subsidiary on or before February 28, 2011 of an amount not to exceed RMB 230 million equivalent in Hong Kong dollars (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of 100% equity in Fortune Luck Corporation Limited) pursuant to the equity purchase agreement entered into by Shengyu (BVI) Limited on December 16, 2009 as amended or supplemented; and
- (12) the payment by the Company or any Restricted Subsidiary on or before June 30, 2011 of an amount not to exceed RMB 273 million (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of the 100% equity in Guizhou Guangjuyuan Real Estate Development Co., Ltd. pursuant to the equity transfer and cooperation agreement entered into by Hengda Real Estate Group Gui Yang Co., Ltd. on December 24, 2009 as amended or supplemented.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, *provided* that in the case of a determination of Fair Market Value of total assets for the purposes of determining any JV Entitlement Amount, such price shall be determined by an accounting firm, appraisal firm or investment banking firm of international standing appointed by the Company.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements (the “Four Quarter Period”)) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) *pro forma* effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness,

Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness;

- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) *pro forma* effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided* that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the two full fiscal semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations and any other obligations in respect of derivatives contracts; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided* that such Indebtedness is not reflected as borrowings on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation and any other obligation in respect of derivatives contracts shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the covenant entitled “— Limitation on Indebtedness and Preferred Stock,” and (ii) equal to the net amount payable by such Person if such Hedging Obligation, or other obligation in respect of derivatives contracts, terminated at that time if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not Affiliated with the Company.

“Insurance Company Investor” means an Independent Third Party that is an insurance company organized under the laws of the PRC or an Affiliate of such an insurance company that acquires a minority interest in the Capital Stock of a Subsidiary of a PRC Restricted Subsidiary.

“Intercreditor Agreement” has the meaning set forth under the section entitled “— Security.”

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the sections entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” and “— Certain Covenants — Limitation on Restricted Payment,” (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.



“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of “Aaa,” “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody’s or both, as the case may be.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct or indirect equity ownership percentage of the Company and its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“JV Subsidiary Guarantee” has the meaning set forth under the section entitled “— The Subsidiary Guarantees.”

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Measurement Date” means January 27, 2010.

“Moody’s” means Moody’s Investors Service, Inc. and its affiliates.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
  - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
  - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
  - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
  - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guaranteed Portion” means, at any time of determination with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries, the aggregate value (without duplication) of the equity interests held by each Independent Third Party in any JV Subsidiary Guarantor as determined by multiplying (x) the total assets as shown on the balance sheet of the relevant JV Subsidiary Guarantor for its most recently ended semi-annual period (or, in the case of the JV Subsidiary Guarantor executing such JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended semi-annual period, as shown on the balance sheet of such JV Subsidiary Guarantor after giving *pro forma* effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties) by (y) the proportionate ownership of all Capital Stock held by such Independent Third Party in such JV Subsidiary Guarantor, *provided* that (A) assets attributable to any Unrestricted Subsidiary of such JV Subsidiary Guarantor and (B) assets which would be eliminated from the calculation of Total Assets of the Company for the relevant semi-annual period shall be excluded from the calculation of total assets in clause (x) above.

“Offer to Purchase” means an offer by the Company to purchase Notes from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”) and the applicable Rate Calculation Date;
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of RMB 1,000,000 or any amount in excess thereof which is an integral multiple of RMB 10,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in the U.S. Dollar Settlement Amount of an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of RMB 1,000,000 and integral multiples of RMB 10,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e 1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor, or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Pari Passu Subsidiary Guarantee" means a Guarantee by any Subsidiary Guarantor or JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided* that (1) the Company and such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, were permitted to Incur such Indebtedness under the covenant entitled "— Limitation on Indebtedness and Preferred Stock" and (2) such Guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Payment Default" means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) any Note when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the section entitled "— Repurchase of Notes upon a Change of Control Triggering

Event,” or an Offer to Purchase in the manner described under the section entitled “— Certain Covenants — Limitation on Asset Sales” or (4) any Event of Default specified in clause (4) of the definition of Events of Default.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date, including without limitation (i) real estate acquisition, development, leasing and management, (ii) hotel acquisition, development, operation and management and (iii) the acquisition, development, management and operation of sports and leisure facilities or infrastructure facilities, in the case of each of clause (i), (ii) and (iii) associated with real estate projects acquired, or intended in good faith to be acquired, developed or managed by the Company or any Restricted Subsidiary.

“Permitted Holders” means any or all of the following:

- (1) Dr. Hui Ka Yan, Ms. Ding Yumei and any of their children;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant entitled “— Limitation on Asset Sales;”

- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant entitled “— Limitation on Liens;”
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of presold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business; and
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted, for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted, for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

- (6) Liens on any property of, or on Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or asset of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;”
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;” *provided* that such Liens do not extend to or cover any property or asset of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing the 2015 Notes, the 2016 Notes, the subsidiary guarantees for the 2015 Notes, the subsidiary guarantees for the 2016 Notes, any other obligations under the indenture governing the 2015 Notes, any other obligations under the indenture governing the 2016 Notes, and any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under the section entitled “— Security — Permitted Pari Passu Secured Indebtedness;” “Permitted Pari Passu Secured Indebtedness” has the meaning set forth under the section entitled “— Security — Permitted Pari Passu Secured Indebtedness;”
- (15) any interest or title of a lessor in the property subject to any operating lease;
- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;”
- (17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (18) Liens (including extensions and renewals thereof) upon real or personal property acquired after the Original Issue Date; *provided* that, (a) any such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant



entitled “— Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or asset other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause 2(n) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;” and
- (23) Liens granted by the Company or a PRC Restricted Subsidiary in favor of an Insurance Company Investor to secure the obligation of a Subsidiary of such PRC Restricted Subsidiary in which such Insurance Company Investor holds or acquires a minority equity interest to pay a guaranteed or preferred return to such Insurance Company Investor.

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Restricted Subsidiaries, taken as a whole (but excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (b), (d), (f) and (g) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock”); *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness does not exceed an amount equal to 15% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a Guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such Guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over Capital Stock of any other class of such Person.

“PRC CJV” means any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as amended from time to time.

“PRC CJV Partner” means with respect to a PRC CJV, any other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Rating Agencies” means (1) S&P, (2) Moody’s and (3) if S&P or Moody’s or both shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody’s or both, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); and (3) the equivalent of any such category of S&P or Moody’s used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1”, “2” and “3” for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “B+” to “B”, will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, the date that is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the section entitled “— Consolidation, Merger and Sale of Assets,” the date that is 90 days prior to the earlier of (x) the occurrence of any such action as set forth therein and (y) a public notice of the occurrence of any such action.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below or (2) in connection with actions contemplated under the section entitled “— Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by both Moody’s and S&P on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

- (b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Renminbi” or “RMB” means yuan, the lawful currency of the PRC.

“Replacement Assets” means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Security Documents” means, collectively, the Share Charges and any other agreements or instruments that may evidence or create, or purport to create, any Lien in favor of the Collateral Agent, in each case for the benefit of secured parties that shall include the Holders, in any or all of the Collateral securing, with respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees (including without limitation the Intercreditor Agreement).

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee, *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Share Charges” has the meaning given under “— Security.”

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any

scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that “Subsidiary Guarantor” will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China or Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China or Hong Kong or any agency of any of the foregoing, in each case maturing within one year;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the U.S. Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country

recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;

- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Agricultural Bank of China, Bank of China, Industrial Commercial Bank of China, Construction Bank of China or any other bank, trust company or other financial institution (x) the majority of the beneficial ownership interests of which are owned by the government of the PRC, the government of any province, autonomous region or municipality (直轄市) of the PRC or the government of any capital city of any province, autonomous region or municipality (直轄市) of the PRC or (y) the Capital Stock of which is listed on a nationally or internationally recognized stock exchange, (ii) Lishui Credit Cooperative, Nanhai Rural Credit Union, Guangzhou Rural Commercial Bank Co., Ltd., Shengjing Bank, Chongqing Three Gorges Bank Co., LTD, Guangdong Development Bank Co., Ltd, and Nanjing Rural Credit Union (南京市區農村信用合作社) or (iii) any other bank, trust company or financial institution licensed to take deposits organized under the laws of the PRC, *provided* that, in the case of clause (iii), such deposits do not exceed at any time with respect to any single bank, trust company or other financial institution, US\$3.0 million (or the Dollar Equivalent thereof).

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semiannual or annual period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to clauses (2)(h) and 2(p) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” the amount of Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of the amount of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness, *provided further* that only with respect to the calculation of “Non-Guaranteed Portion,” in the case of a JV Subsidiary Guarantor executing a JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended semi-annual or annual period, the amount of Total Assets shall be calculated after giving *pro forma* effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Unrestricted Subsidiary” means (1) subject to any redesignation under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” each of Ever Grace Group Limited, Foshan Nanhai Juncheng Property Development Co., Ltd. (佛山市南海俊誠房地產開發有限公司) and Wuhan Donghu Hengda Real Estate Development Co., Ltd. (武漢東湖恒大地產開發有限公司), (2) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture and (3) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the Company thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary. However, for the purposes of the section entitled “— The Subsidiary Guarantees,” “Wholly Owned” means the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person.



## DESCRIPTION OF THE 2016 NOTES

For purposes of this “Description of the 2016 Notes,” the term “Company” refers only to Evergrande Real Estate Group Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each subsidiary of the Company that in the future provides a “JV Subsidiary Guarantee” (as defined herein) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of January 19, 2011 (the “Original Issue Date”), among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the “Trustee”).

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at 50th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with the 2014 Notes, the 2015 Notes and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the section entitled “— The Subsidiary Guarantees” and in the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;”
- effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

In addition, on the Original Issue Date, subject to the limitations described in the section entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Notes will be secured by a pledge of the Collateral as described below under the section entitled “— Security” and will:

- be entitled to a lien on the Collateral, to be shared on a *pari passu* basis with holders of the 2014 Notes, the 2015 Notes and any other creditors with respect to the Permitted *Pari Passu* Secured Indebtedness, subject to any other Permitted Liens and the Intercreditor Agreement; and

- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on January 19, 2016 unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under the section entitled “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued. The Notes will bear interest at 9.25% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears in the applicable U.S. Dollar Settlement Amount on January 19 and July 19 of each year (each an “Interest Payment Date”), commencing July 19, 2011.

Interest on the Notes will be paid to Holders of record at the close of business on January 4 or July 4 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Trustee then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of RMB 1,000,000 and integral multiples of RMB 10,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company and the Company will maintain in Dublin, Republic of Ireland or in London, England an office or agency (which initially will be the office of the Paying Agent currently located at Ground Floor, DUB-01-11, 1 North Wall Quay, Dublin 1, Republic of Ireland) where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment or repurchase. Notwithstanding the immediately preceding sentence, at the option of the Company with the consent of the Paying Agent (such consent not to be unreasonably withheld) payment of interest may instead be made by check mailed to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof. Notices and demands to or upon the Company in respect of the Notes and the Indenture may be served at the office or agency of the Company maintained for that purpose (which initially will be the corporate trust administration office of the Trustee, currently located at 39th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong).

### **The Subsidiary Guarantees**

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company’s Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (defined below). The Subsidiary Guarantors are holding companies that do not have significant operations.

The initial Subsidiary Guarantors are:

- ANJI (BVI) Limited;

- Shengjian (BVI) Limited;
- Shengyu (BVI) Limited;
- Jiajian (BVI) Limited;
- Minsin International (Holdings) Limited;
- Fortune Luck Corporation Limited;
- Fengyu (BVI) Limited;
- Full Hill Limited;
- Billion Mark Limited;
- Goldbridge Limited;
- Wisdom Gain Group Limited;
- Grow Rising Investment Limited;
- Shui Wah Investment Limited;
- Yitong (BVI) Limited;
- Jiading Holdings Limited;
- Jiarun Holdings Limited;
- Jiazhi Holdings Limited;
- Jiaying Holdings Limited;
- Jiayu Holdings Limited;
- China Agriculture Technology Limited; and
- Bai Chang Limited.

None of Success Will Group Limited, any Subsidiaries of Success Will Group Limited, Ever Grace Group Limited, Tianding Holding Limited, Tianji Holding Limited, Lanbowan (BVI) Limited, Chuangfeng (BVI) Limited, Luckyman Group Limited, Luckyup Group Limited, Shengtong Holding Limited, Mass Joy Holdings Limited, Will Glory Holdings Limited, Shengtong (BVI) Limited, Evergrande International Hotels Group Limited, Sure Fast Group Limited, Grandday Group Limited and Lucky Grow Holdings Limited (the “Other Non-Guarantor Subsidiaries”) will be an initial Subsidiary Guarantor on the Original Issue Date. In addition, none of the Restricted Subsidiaries existing on the Original Issue Date that are Subsidiaries organized under the laws of the PRC and the future Restricted Subsidiaries that are organized under the laws of the PRC (together, the “PRC Restricted Subsidiaries” and together with the Other Non-Guarantor Subsidiaries, the “Non-Guarantor Subsidiaries”) will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial.

The Company will procure (x) Tianji Holding Limited to become a Subsidiary Guarantor; *provided* that Tianji Holding Limited will not be required to be a Subsidiary Guarantor at any time when it would be required to register as an investment company under the Investment Company Act of 1940, as amended and (y) each of the Other Non-Guarantor Subsidiaries (other than Success Will Group Limited and its Subsidiaries) to become a Subsidiary Guarantor or a JV Subsidiary Guarantors promptly after such Other Non-Guarantor Subsidiary commences investment for the purposes of commencing business activities, *provided* that such Restricted Subsidiary would not be required to register as an investment company under the Investment Company Act of 1940, as amended.

In the case of a Restricted Subsidiary (i) that is established or commences investment for the purposes of commencing business activities after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Company or any of its Restricted Subsidiaries is proposing to divest, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, no less than 20% and no more than 49% of the Capital Stock of such Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or issuance, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions are satisfied or complied with:

- concurrently with providing the JV Subsidiary Guarantee (as defined below), the Company and such JV Subsidiary Guarantor have delivered to the Trustee and, in the case of the Security Documents, also to the Collateral Agent:
  - (i) a duly executed Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) an Officers’ Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantors providing the JV Subsidiary Guarantees (subject to customary qualifications and assumptions).
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets;

- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and
- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee.

In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

As of June 30, 2010,

- the Company and its consolidated subsidiaries had total consolidated borrowings of approximately RMB 25,273.2 million (US\$3,726.8 million), all of which were secured; and
- the Non-Guarantor Subsidiaries had total liabilities of approximately RMB 16,323.3 million (US\$2,407.0 million).

In addition, as of June 30, 2010, the Non-Guarantor Subsidiaries had capital commitments and contingent liabilities of approximately RMB 52,136.4 million (US\$7,688.0 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and
- ranks at least *pari passu* with the Indebtedness of such Subsidiary Guarantor under its subsidiary guarantee with respect to the 2015 Notes and the 2014 Notes and all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with the Indebtedness of such JV Subsidiary Guarantor under its JV subsidiary guarantee with respect to the 2015 Notes and the 2014 Notes and all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC), immediately upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.”

In addition, subject to the limitations described in the sections entitled “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to a security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor, as described below under the section entitled “— Security” , to be shared on a *pari passu* basis with holders of the 2015 Notes, the 2014 Notes and any other secured parties with respect to the Permitted Pari Passu Secured Indebtedness, subject to any other Permitted Liens and the Intercreditor Agreement; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes in the applicable U.S. Dollar Settlement Amount; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.



Under the Indenture and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero. The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See the section entitled "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

#### ***Release of the Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under the section entitled "— Defeasance — Defeasance and Discharge;"
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the sections entitled "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture; or

- upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee.

***Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance is for no less than 20% and no more than 49% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- concurrently with the release of such Subsidiary Guarantee, the Company and such JV Subsidiary Guarantor have delivered to the Trustee and, in the case of the Security Documents, also to the Collateral Agent:
  - (i) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
  - (ii) a duly executed Security Document that pledges in favor of the Collateral Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
  - (iv) a legal opinion by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantors providing the JV Subsidiary Guarantees (subject to customary qualifications and assumptions).
- such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (b) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee.

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the “Limitation on Asset Sales” and “Limitation on Restricted Payments” covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the “Limitation on Asset Sales” covenant.

As of the date of the Indenture, all of the Company’s Subsidiaries will be “Restricted Subsidiaries” other than Ever Grace Group Limited, Foshan Nanhai Juncheng Property Development Co., Ltd. (佛山市南海俊誠房地產開發有限公司) and Wuhan Donghu Hengda Real Estate Development Co., Ltd. (武漢東湖恒大房地產開發有限公司) and any Subsidiary of an Unrestricted Subsidiary. However, under the circumstances described below under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain of its Subsidiaries as “Unrestricted Subsidiaries.” The Company’s Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company’s Unrestricted Subsidiaries will not guarantee the Notes.

## Security

The Company has agreed, for the benefit of the Holders, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, all of the Capital Stock of each initial Subsidiary Guarantor (the “Collateral”), subject to any Permitted Lien and the Intercreditor Agreement, on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees.

The Company has agreed, for the benefit of the holders of the 2014 Notes, to pledge, or cause the initial Subsidiary Guarantor Pledgors to pledge, as the case may be, the Collateral, subject to any Permitted Lien and the Intercreditor Agreement, on the Original Issue Date in order to secure the obligations of the Company under the 2014 Notes and the indenture for the 2014 Notes and of such initial Subsidiary Guarantor Pledgors under their respective subsidiary guarantees for the 2014 Notes.

The Company and the initial Subsidiary Guarantor Pledgors, for the benefit of the holders of the 2015 Notes, have pledged the Collateral (subject to Permitted Liens and the Intercreditor Agreement) in order to secure the obligations of the Company under the 2015 Notes and the indenture for the 2015 Notes and of such Subsidiary Guarantor Pledgors under their respective subsidiary guarantees of the 2015 Notes on terms of that are substantially similar to the terms of the share pledges over the Collateral securing the Notes, the Indenture and the Subsidiary Guarantees (the “Share Charges”). The Trustee, the trustee for the 2015 Notes, the trustee for the 2014 Notes and the Collateral Agent will, on or prior to the Original Issue Date, enter into the Intercreditor Agreement. See “— Intercreditor Agreement.”

The initial Subsidiary Guarantor Pledgors are:

- ANJI (BVI) Limited;

- Shengyu (BVI) Limited;
- Fengyu (BVI) Limited;
- Wisdom Gain Group Limited; and
- Yitong (BVI) Limited.

None of the Capital Stock of (i) the Non-Guarantor Subsidiaries or (ii) any Restricted Subsidiary owned directly by a PRC Restricted Subsidiary will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future PRC Restricted Subsidiary or any Restricted Subsidiary that is owned directly by a PRC Restricted Subsidiary will be pledged at any time in the future. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, none of the JV Subsidiary Guarantors will provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Collateral Agent (as defined below).

The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor (other than a JV Subsidiary Guarantor, if any) to pledge, the Capital Stock owned directly by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than a PRC Restricted Subsidiary or a Restricted Subsidiary owned directly by a PRC Restricted Subsidiary) after the Original Issue Date, as soon as reasonably practicable after (but in any event within 30 days after) such Person has become a Restricted Subsidiary, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges capital stock of a Restricted Subsidiary after the Original Issue Date is referred to as a “Future Subsidiary Guarantor Pledgor” and, upon giving such pledge, will be a “Subsidiary Guarantor Pledgor.”

The value of the Collateral securing the Notes, the 2015 Notes, the 2014 Notes and the Subsidiary Guarantees and the subsidiary guarantees for the 2015 Notes and the 2014 Notes of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company’s and each of the Subsidiary Guarantor Pledgors’ obligations under the Notes, the 2015 Notes, the 2014 Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors and the subsidiary guarantees for the 2015 Notes and the 2014 Notes of the subsidiary guarantor pledgors, and the Collateral securing these obligations may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture. See the sections entitled “— Release of Security” and “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes and other pari passu secured indebtedness.”

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture and the Security Documents following an Event of Default would be sufficient to satisfy amounts due on the Notes, the 2015 Notes, the 2014 Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, or the subsidiary guarantees for the 2015 Notes and the 2014 Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

#### ***Permitted Pari Passu Secured Indebtedness***

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any such Pari Passu Subsidiary Guarantee, “Permitted Pari Passu Secured Indebtedness”); *provided* that (1) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the section entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock,” (2) the holders of such Indebtedness (or their representative or agent) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Subsidiary Guarantee is substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Collateral Agent an Opinion of Counsel and Officers’ Certificate with respect to corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee and the Collateral Agent will be permitted and authorized, without the consent of any Holder, to enter into any amendment to the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness (the “Collateral Agent”).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

#### ***Intercreditor Agreement***

On or prior to the Original Issue Date, the Trustee will enter into an intercreditor agreement (as amended, waived, restated, replaced and/or supplemented from time to time, the “Intercreditor Agreement”) with the Company, the Subsidiary Guarantor Pledgors, the Collateral Agent, the trustee for the 2015 Notes and the trustee for the 2014 Notes, to the effect that the Holders of the Notes will share equal priority and pro rata entitlement in and to the Collateral with the holders of any 2015 Notes and any 2014 Notes remaining outstanding after the Original Issue Date and any other creditors with respect to Permitted Pari Passu Secured Indebtedness.

Prior to the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes) after the Original Issue Date, the Intercreditor Agreement shall be amended, without requiring instruction from the Holders, to include the holders of such Permitted Pari Passu Secured Indebtedness (or their representative or agent) as additional secured parties to the agreement.

### *Enforcement of Security*

The Lien securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Collateral Agent (for the benefit of the Holders), subject to any Permitted Lien and the Intercreditor Agreement. Subject to the Intercreditor Agreement, the Collateral Agent (for the benefit the Holders), will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Holders (through the Trustee) to exercise remedies under the Security Documents. The Collateral Agent has agreed to act as secured party on behalf of the Holders under the applicable Security Documents, to follow the instructions provided to it under the Indenture, the Security Documents and to carry out certain other duties.

The Trustee, the trustee for the 2015 Notes, the trustee for the 2014 Notes and the Collateral Agent will, on or prior to the Original Issue Date, enter into the Intercreditor Agreement. See “— Intercreditor Agreement.”

The Indenture and/or the Security Documents principally provide that, at any time while the Notes are outstanding, subject to the Intercreditor Agreement, the Collateral Agent has the exclusive right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to the direction of the secured parties thereto, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture. However, although the Trustee may instruct the Collateral Agent to foreclose the Collateral upon the occurrence of an Event of Default that is continuing, such instruction may be overruled by a contrary instruction to the Collateral Agent from holders of more than 50% of the indebtedness that is subject to the Intercreditor Agreement. See “Risk Factors –The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes, the 2015 Notes and other pari passu secured indebtedness.”

The Intercreditor Agreement principally provides that, at any time while the Intercreditor Agreement is in force, the Collateral Agent has the exclusive right to manage, perform and enforce the terms of the Security Documents, the 2015 Notes Security Documents, the 2014 Notes Security Documents and the security documents for any Permitted Pari Passu Secured Indebtedness relating to the Collateral. See “— Intercreditor Agreement.”

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be, subject to the Intercreditor Agreement, in the following order of priority:

*first*, to the Collateral Agent to the extent necessary to reimburse the Collateral Agent for any unpaid fees, costs and expenses (including expenses of any receiver appointed under any Security Document and reasonable expenses of its counsel) properly incurred in connection with its duties under the Intercreditor Agreement including without limitation, the collection, distribution or enforcement of such amounts held or realized or in connection with expenses properly incurred under the Intercreditor Agreement in enforcing all available remedies under the Security Documents, the indenture for the 2015 Notes, the indenture for the 2014 Notes, the indenture for the Notes and the agreements governing any Permitted Pari Passu Secured Indebtedness that is subject to the Intercreditor Agreement and preserving the Collateral and all indemnification payments for which the Collateral Agent is entitled to under the Security Documents;

*second*, to the extent not reimbursed under the above paragraph, to the trustee for the 2015 Notes, the trustee for the 2014 Notes, the Trustee and, to the extent applicable, the holder of any Permitted Pari Passu Secured Indebtedness (in the case of a sole creditor of any series of Permitted Pari Passu Secured Indebtedness only) or the representative or agent of any holders of any series of Permitted Pari Passu Secured Indebtedness, to the extent necessary to reimburse the foregoing



persons ratably for any unpaid fees, costs and expenses expenses (including expenses of any paying agents, transfer agents, registrars or other agents in connection therewith appointed in connection with the foregoing and reasonable expenses of counsel) reasonably incurred under the Security Documents, the indenture for the 2015 Notes, the indenture for the 2014 Notes, the indenture for the Notes and the agreements governing any Permitted Pari Passu Secured Indebtedness (or any other document in connection with the foregoing that such paying agents, transfer agents, registrars or other agents are party to) in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Security Documents, the indenture for the 2015 Notes, the indenture for the 2014 Notes, the indenture for the Notes and the agreements governing any Permitted Pari Passu Secured Indebtedness that is subject to the Intercreditor Agreement and preserving the Collateral and all indemnification payments for which the foregoing persons are entitled to under the Security Documents;

*third*, ratably to each of the trustee for the 2015 Notes for the benefit of the holders of the 2015 Notes, the trustee for the 2014 Notes for the benefit of the holders of the 2014 Notes, the Trustee for the benefit of the Holders and, to the extent applicable, to holders (or their representative or agent) of Permitted Pari Passu Secured Indebtedness, inclusive of any reasonable fees and expenses of each of the trustee for the 2015 Notes, the trustee for the 2014 Notes, the Trustee and the holders (or their representative or agent) of Permitted Pari Passu Secured Indebtedness (to the extent not paid pursuant to the above second paragraph), and the principal, interest and premium thereon and for the benefit of the holders of each thereof in accordance with the terms of the relevant document governing the foregoing indebtedness; and

*lastly*, any surplus remaining after such payments will be paid to the Company (for itself and any Subsidiary Guarantor Pledgors) or to whomever may be lawfully entitled thereto.

The Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Collateral Agent nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency or protection of any of the Liens, for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agent. This section, "— Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with the section entitled "— Permitted Pari Passu Secured Indebtedness" above.

### ***Release of Security***

The security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon defeasance and discharge of the Notes as provided below under the section entitled “— Defeasance — Defeasance and Discharge;”
- upon certain dispositions of the Collateral in compliance with the covenants under the sections entitled “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries” or “— Certain Covenants — Limitation on Asset Sales” or in accordance with the provisions under the section entitled “— Consolidation, Merger and Sale of Assets;”
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture; and
- in connection with and upon execution of a JV Subsidiary Guarantee, all pledges of Capital Stock granted by the JV Subsidiary Guarantor and its direct and indirect Subsidiaries shall be released.

## Payments

All payments due under, and all claims arising out of or pursuant to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee and/or the Indenture from or against the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor shall be payable and settled in U.S. dollars only, in the applicable U.S. Dollar Settlement Amount.

“U.S. Dollar Settlement Amount” means, in respect of a Renminbi-denominated amount that, but for this section “-Payments”, would be due under the Notes (including any Subsidiary Guarantee or JV Subsidiary Guarantee) or the Indenture in Renminbi, the Renminbi amount converted into U.S. dollars using the Spot Rate for the applicable Rate Calculation Date.

For the above purposes:

“Forex Business Day” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Beijing and in New York City.

“Independent Investment Bank” means an independent investment bank of international repute (acting as an expert) selected by the Company before the occurrence of an Event of Default that is continuing or by the Trustee after the occurrence of an Event of Default that is continuing.

“Rate Calculation Date” means the day which is two Forex Business Days before the due date of the relevant amount pursuant to the provisions of the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee or the Indenture.

“Reference Dealers” means four leading dealers engaged in the foreign exchange market of Renminbi selected by the Company.

“Spot Rate”, for each Rate Calculation Date in respect of the U.S. Dollar Settlement Amount of a Renminbi-denominated amount, means a rate determined by the Company in good faith as follows (a) the RMB/US dollar official fixing rate, expressed as the amount of Renminbi per one U.S. dollar, reported by the People’s Bank of China which appears on the Reuters Screen “SAEC” Page opposite the symbol “USDCNY” page at or about 9:15 a.m. (Beijing time) on the Rate Calculation Date, (b) if no such rate is available under sub-paragraph (a), the spot rate determined by the Company in good faith on the basis of quotations provided by the Reference Dealers of the specified exchange rate for the Rate Calculation Date as obtained in accordance with the

provisions in the immediately following paragraph, and (c) if fewer than two quotations are provided under sub-paragraph (b), the exchange rate for the Rate Calculation Date as shall be determined by an Independent Investment Bank in good faith.

In determining the spot rate under sub-paragraph (b), the Company will request the Beijing office of each of the Reference Dealers to provide a quotation of what the specified screen rate would have been had it been published, reported or available for the Rate Calculation Date, based upon each Reference Dealer's experience in the foreign exchange market for Renminbi and general activity in such market on the Rate Calculation Date. The quotations used to determine the Spot Rate for a Rate Calculation Date will be determined in each case for such Rate Calculation Date, and will be requested at 9:15 a.m. (Beijing time) on such Rate Calculation Date or as soon as practicable after it is determined that the specified screen rate was not available.

If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates, without regard to the rates having the highest and lowest value. For this purpose, if more than one quotation has the same highest value or lowest value, then the rate of only one of such quotations shall be disregarded. If two or three quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates provided.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this section “-Payment”, whether by the Reference Dealers (or any of them), the Company or the Independent Investment Bank, will (in the absence of willful default, bad faith or manifest error) be binding on the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents and all Holders.

### **Further Issues**

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the first paragraph of the “Limitation on Indebtedness and Preferred Stock” covenant described below.

### **Optional Redemption**

At any time prior to January 19, 2016, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to the U.S. Dollar Settlement Amount of 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date.

At any time and from time to time, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of the U.S. Dollar Settlement Amount of 109.25% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or
- (2) if the Notes are not listed on any national securities exchange, on a *pro rata* basis, by lot or by such method as the Trustee deems fair and appropriate.

A Note of RMB 1,000,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

### **Repurchase of Notes Upon a Change of Control Triggering Event**

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to the U.S. Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See the section entitled "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes and the 2015 Notes upon a change of control triggering event." The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

## **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the Notes.

## **Additional Amounts**

All payments of principal of, and premium (if any) and interest on, the Notes and any payments under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) and under the Security Documents will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the section entitled “— Consolidation, Merger and Sale of Assets”) or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person, the applicable Subsidiary Guarantor, JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note, the Subsidiary Guarantees, the JV Subsidiary Guarantees or the Security Documents, as the case may be, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
  - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
    - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note, Subsidiary Guarantee, JV Subsidiary Guarantee or Security Document, as the case may be, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, JV Subsidiary Guarantee or Security Document, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
    - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
    - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor, JV Subsidiary Guarantor or Subsidiary Guarantor Pledgor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

- (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
  - (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
  - (c) any withholding or deduction that is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26–27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives; or
  - (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, JV Subsidiary Guarantee or Security Document, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

### **Redemption for Taxation Reasons**

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee, Paying Agent and Transfer Agent (which notice shall be irrevocable), at a redemption price equal to the U.S. Dollar Settlement Amount of 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such



notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

- (1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

### **Certain Covenants**

Set forth below are summaries of certain covenants contained in the Indenture.

#### ***Limitation on Indebtedness and Preferred Stock***

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Company may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 3.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):
  - (a) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee and JV Subsidiary Guarantee and indebtedness under the 2014 Notes and each subsidiary guarantee and JV subsidiary guarantee thereof;
  - (b) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;

- (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;
- (d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes, in the case of the Company, the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor, or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, in the case of a JV Subsidiary Guarantor;
- (e) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h) or (o) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes, a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes, such Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes, such Subsidiary Guarantee or such JV Subsidiary Guarantee; (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded; (iii) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor; and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced or refunded pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;
- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to (A) Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation or (B) other derivative contracts entered into for non-speculative purposes in connection with the Permitted Business;

- (g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided* that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate amount of all Indebtedness permitted and then outstanding under clause (p) below does not exceed an amount equal to 15% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) (i) Guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, (ii) Guarantees by any Restricted Subsidiary of Indebtedness

of another Restricted Subsidiary that was permitted to be Incurred under clause (f) or (h) above or clause (n) below, or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;

- (n) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed US\$50.0 million (or the Dollar Equivalent thereof);
  - (o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;
  - (p) Indebtedness of the Company or a PRC Restricted Subsidiary arising from a Guarantee or grant of a Lien in favor of an Insurance Company Investor with respect to the obligation of a Subsidiary of such PRC Restricted Subsidiary in which such Insurance Company Investor holds or acquires a minority equity interest that will pay a guaranteed or preferred return to such Insurance Company Investor or any Preferred Stock issued by such Subsidiary of the PRC Restricted Subsidiary in connection therewith, *provided* that on the date of such Incurrence of Indebtedness and after giving effect thereto, the sum of (1) the aggregate amount of all Indebtedness permitted and then outstanding under this clause (p) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clause (h) above (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under such clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 15% of Total Assets; and
  - (q) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$15.0 million (or the Dollar Equivalent thereof).
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness.

#### ***Limitation on Restricted Payments***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable solely in shares of the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such Capital Stock) or any direct or indirect parent of the Company held by any Person other than the Company or any Wholly Owned Restricted Subsidiary, other than the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes, any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;” or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:
  - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the 2015 Notes were first issued and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
  - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
  - (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company’s consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any of its Restricted Subsidiaries

convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus
- (v) US\$25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;
- (5) the payment of any dividend or distribution declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;



- (6) the payment by Success Will Group Limited to Pearl River Investment Limited of unpaid dividends declared prior to the date of the Indenture in an amount not to exceed US\$50.0 million (or the Dollar Equivalent thereof);
- (7) the payment by the Company of a dividend in respect of its Capital Stock, which dividend is declared on or prior to June 30, 2010, in an amount not to exceed the lesser of (x) US\$16.0 million (or the Dollar Equivalent thereof) and (y) 10% of the profit of the Company for the calendar year ending December 31, 2009, as shown on the audited consolidated financial statements of the Company;
- (8) any of the Existing Staged Acquisition Payments; and
- (9) the purchase by a Restricted Subsidiary of Capital Stock in any PRC Restricted Subsidiary (not exceeding 20% of the total Capital Stock in such PRC Restricted Subsidiary) pursuant to an agreement entered into by such Restricted Subsidiary with an Independent Third Party solely for the purpose of acquiring real property or land use rights, *provided* that (x) such purchase occurs within 12 months after such PRC Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the fair market value of such Capital Stock (determined by multiplying the fair market value of such PRC Restricted Subsidiary by the percentage that such Capital Stock represents in the total Capital Stock of such PRC Restricted Subsidiary).

*provided* that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clauses (1) and (5) (but only to the extent that dividends are paid to persons other than the Company or a Restricted Subsidiary) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payment.

The amount of any Restricted Payment (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this covenant entitled "— Limitation on Restricted Payments" were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

### ***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

- (1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
  - (a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
  - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
  - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
  - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.
  
- (2) The provisions of clause (1) do not apply to any encumbrances or restrictions:
  - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, the Security Documents, the 2014 Notes and the subsidiary guarantees and JV subsidiary guarantees thereof, the indenture for the 2014 Notes, the 2014 Notes Security Documents or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
  - (b) existing under or by reason of applicable law, rule, regulation or order;
  - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
  - (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the covenants entitled “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales;” or
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clause (2)(h), (2)(n) or (2)(o) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock” if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payment on the Notes and, with respect to 2(h) and 2(o), any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

#### ***Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries***

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary;
- (2) to the extent such Capital Stock represents director’s qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) for the sale of all the Capital Stock of a Restricted Subsidiary if permitted under, and made in accordance with, the covenant entitled “— Limitation on Asset Sales;” and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the covenant entitled “— Limitation on Asset Sales.”

#### ***Limitation on Issuances of Guarantees by Restricted Subsidiaries***

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness (“Guaranteed Indebtedness”) of the Company or any other Restricted Subsidiary, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives, and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee and such Guaranteed Indebtedness are permitted by clauses (2)(c), (d) or (m)(ii) (other than, in the case of clause (m)(ii), a Guarantee by a

PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary that is not a Subsidiary of such PRC Subsidiary), under the covenant entitled “— Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

#### ***Limitation on Transactions with Shareholders and Affiliates***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or such Restricted Subsidiary; and
- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
  - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1) or (2) of the first paragraph of the covenant entitled “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval for any such scheme; and
- (6) any purchase of Capital Stock of the type specified in clause (9) of the covenant entitled “— Limitation on Restricted Payments.”

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the “— Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary; *provided* that, in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary).

#### ***Limitation on Liens***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

#### ***Limitation on Sale and Leaseback Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided* that the Company may enter into a Sale and Leaseback Transaction if:

- (1) the Company could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the first paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock” and (b) Incurred a Lien to secure such Indebtedness pursuant to the covenant entitled “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed Incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant entitled “— Limitation on Asset Sales.”

### ***Limitation on Asset Sales***

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;
- (3) in the case of an Asset Sale that constitutes an Asset Disposition, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock” after giving *pro forma* effect to such Asset Disposition; and
- (4) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$15.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:
  - (a) any liabilities, as shown on the Company’s most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and
  - (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets that will be used in the Permitted Businesses (“Replacement Assets”).

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute “Excess Proceeds.” Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated.



When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, *multiplied by*
- (2) a fraction (x) the numerator of which is equal to the Dollar Equivalent of the outstanding principal amount of the Notes and (y) the denominator of which is equal to the Dollar Equivalent of the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the related Asset Sales,

rounded down to the nearest RMB 10,000.

The offer price in any Offer to Purchase will be equal to the U.S. Dollar Settlement Amount of 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, Notes (and such other *pari passu* Indebtedness) will be purchased by the Company on a *pro rata* basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

#### ***Limitation on the Company's Business Activities***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however* that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant entitled “— Limitation on Restricted Payments.”

#### ***Use of Proceeds***

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption “Use of Proceeds” in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

#### ***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred or be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary Guarantor provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant entitled “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant entitled “— Limitation on Liens;” (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted

Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant entitled “— Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred or be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant entitled “— Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant entitled “— Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (5) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor; and (6) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged as required under the section entitled “— Security.”

#### ***Government Approvals and Licenses; Compliance with Law***

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

#### ***Anti-Layering***

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

### *Suspension of Certain Covenants*

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following sections will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (2) “— Certain Covenants — Limitation on Restricted Payments;”
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries;”
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries;”
- (6) “— Certain Covenants — Limitation on the Company’s Business Activities;”
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions;” and
- (8) “— Certain Covenants — Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under the section entitled “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

### ***Provision of Financial Statements and Reports***

- (1) So long as any of the Notes remains outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's shares of Common Stock are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:
  - (a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognized firm of independent accountants;
  - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognized firm of independent accountants; and
  - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remains outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semiannual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy of the calculation and arithmetic computation; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

### **Events of Default**

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

- (3) default in the performance or breach of the provisions of the covenant entitled “— Consolidation, Merger and Sale of Assets,” the failure by the Company to make or consummate an Offer to Purchase in the manner described under the section entitled “— Repurchase of Notes upon a Change of Control Triggering Event” or “— Certain Covenants — Limitation on Asset Sales,” or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a lien on the Collateral (subject to any Permitted Lien and the Intercreditor Agreement) in accordance with the covenant entitled “— Security;”
- (4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$7.5 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$7.5 million (in excess of amounts which the Company’s insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

- (10) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; and
- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Collateral Agent ceases to have a security interest in the Collateral, subject to any Permitted Lien and the Intercreditor Agreement.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of the Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, or the Trustee may, in accordance with and subject to the Intercreditor Agreement, instruct the Collateral Agent to, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, subject to the Intercreditor Agreement, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, direct the Collateral Agent to foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See the section entitled “— Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or the Collateral Agent or exercising any trust or power conferred on the Trustee or the Collateral Agent. However, the Trustee or the Collateral Agent may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee or the Collateral Agent in personal liability, or



that the Trustee or the Collateral Agent determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in such Note, which right shall not be impaired or affected without the consent of the Holder.

Two officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and the Subsidiary Guarantors' performance under the Indenture and that the Company and the Subsidiary Guarantors have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See the section entitled "— Certain Covenants — Provision of Financial Statements and Reports."

### **Consolidation, Merger and Sale of Assets**

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this section, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and
- (7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor);
- (2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Company could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;”
- (5) the Company delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

- (6) no Rating Decline shall have occurred;

*provided* that this paragraph shall not apply to any sale or other disposition that complies with the “— Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under the section entitled “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees.”

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company, which may adversely affect Holders.

### **No Payments for Consents**

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

### **Defeasance**

#### ***Defeasance and Discharge***

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee, in trust, money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not

result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

### ***Defeasance of Certain Covenants***

The Indenture further will provide that the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under the section entitled “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under the section entitled “— Certain Covenants,” other than as described under the sections entitled “— Certain Covenants — Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants — Anti-Layering.” Clause (3) under “Events of Default” with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and such clauses (3), (4), (5)(x) and (6) under the second paragraph under “— Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (4) under “— Events of Default” with respect to such other covenants and clauses (5) and (6) under “— Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and the satisfaction of the provisions described in clause (2) of the preceding paragraph.

### **Amendments and Waiver**

#### ***Amendments Without Consent of Holders***

The Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;
- (2) comply with the provisions described under the section entitled “— Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor or any Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes or any Subsidiary Guarantee or any JV Subsidiary Guarantee;

- (8) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (9) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;
- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Collateral Agent to enter into the Intercreditor Agreement or any amendment to the Security Documents, the Intercreditor Agreement or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture); or
- (11) make any other change that does not materially and adversely affect the rights of any Holder.

***Amendments With Consent of Holders***

Amendments of the Indenture, the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Subsidiary Guarantor Pledgors, the Trustee and the Collateral Agent with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Subsidiary Guarantor Pledgors with any provision of the Indenture or the Notes or any Security Document or the Intercreditor Agreement; *provided, however* that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency of payment of principal of, or premium, if any, or interest on or change the currency of the U.S. Dollar Settlement Amount payable on, any Note or change the method of calculation of the U.S. Dollar Settlement Amount, that would result in the reduction of the U.S. Dollar Settlement Amount of such principal, premium, if any, or interest;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on any Note;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;
- (9) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (10) amend, change or modify any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects Holders;

- (11) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects Holders, except in accordance with the other provisions of the Indenture;
- (12) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which any Note must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (13) change the redemption date or the redemption price of any Note from that stated under the sections entitled “— Optional Redemption” or “— Redemption for Taxation Reasons;”
- (14) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or
- (15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects Holders.

### **Unclaimed Money**

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

### **No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees**

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes or the Subsidiary Guarantees or JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

### **Concerning the Collateral Agent, the Trustee, the Paying Agent, the Transfer Agent and Registrar**

Citicorp International Limited has been appointed as Trustee under the Indenture and as paying agent, transfer agent and registrar (the “Paying Agent”, the “Transfer Agent” and the “Registrar”; collectively, the “Agents”) with regard to the Notes and as Collateral Agent with regard to the Collateral under the Security Documents. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture, or the Intercreditor Agreement. If an Event of Default has occurred and is continuing, the Trustee and the Collateral Agent will use the same degree of care, as applicable, and skill in its exercise of the rights and powers vested in them under the Indenture and the Intercreditor Agreement as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.



The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; *provided, however* that if it acquires any conflicting interest, it must eliminate such conflict or resign.

If the Company maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of ECOFIN Council meeting of November 26–27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

Citicorp International Limited will initially act as the Collateral Agent under the Security Documents in respect of the Lien over the Collateral. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents that are in conflict with the interests of the Holders. The Trustee and the Collateral Agent will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents, as applicable, for the benefit of the Holders unless such Holders have offered to the Trustee or the Collateral Agent, as the case may be, indemnity and/or security satisfactory to it against any loss, liability, cost or expense. Each Holder, by accepting the Notes, will agree, for the benefit of the Collateral Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Collateral Agent in respect of such risks.

### **Book-Entry; Delivery and Form**

The Notes will be represented by a global note in registered form without interest coupons attached (the “Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream.

### **Global Note**

Ownership of beneficial interests in the Global Note (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee, the Collateral Agent or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

### **Payments on the Global Note**

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and additional amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “— Additional Amounts.”

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor and the Trustee will treat the registered holder of the Global Note (i.e., the common depository or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

### **Redemption of Global Note**

In the event any Global Note, or any portion thereof, is redeemed, the common depository will distribute the U.S. dollar amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the U.S. dollar amount received by the common depository, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however* that no book-entry interest of RMB 1,000,000 principal amount, or less, as the case may be, will be redeemed in part.

### **Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however,

each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

### **Transfers**

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

### **Global Clearance and Settlement Under the Book-Entry System**

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

### **Information Concerning Euroclear and Clearstream**

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Collateral Agent, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

### **Individual Definitive Notes**

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

### **Notices**

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

### **Consent to Jurisdiction; Service of Process**

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Law Debenture Corporate Services Inc., with offices at 400 Madison Avenue, 4th Floor, New York, New York 10017 for receipt of service of process in any such suit, action or proceeding.

## **Governing Law**

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

## **Definitions**

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this section entitled “Description of the Notes” for which no definition is provided.

“2014 Notes” means any and all outstanding notes of the RMB-denominated US\$ settled 7.50% Senior Notes due 2014 of the Company.

“2014 Notes Security Documents” means “Security Documents” as defined under the indenture governing the 2014 Notes.

“2015 Notes” means any and all outstanding notes of the 13% Senior Notes due 2015 of the Company, being in the outstanding aggregate principal amount of US\$1,350,000,000 as of the date of this offering memorandum.

“2015 Notes Security Documents” means “Security Documents” as defined under the indenture governing the 2015 Notes.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Affiliate” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2) and the term “Affiliated” shall be construed in accordance with the foregoing sentence. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of the Notes, plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to 2.50%, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an

acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale or issuance of Capital Stock) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; *provided* that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant entitled “— Limitation on Restricted Payments;”
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant entitled “— Consolidation, Merger and Sale of Assets;” and
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.



“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, Dublin, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (2) Permitted Holders described in clause (1) of the definition thereof (directly or indirectly) are the beneficial owners of less than 40% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election by the Board of Directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, if, on the Rating Date, the Notes are rated by both Rating Agencies, a Rating Decline.

“Clearstream” means Clearstream Banking, *société anonyme*, Luxembourg.

“Collateral” means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of all of the Capital Stock of the initial Subsidiary Guarantors.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreement or any other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income,

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company or its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) and (7) any capitalized interest, *provided* that interest

expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
  - (a) subject to the exclusion contained in clause (5) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
  - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after-tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the covenants entitled “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the covenants entitled “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event.”

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; *provided* that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

“Existing Staged Acquisition Payments” means:

- (1) the payment by the Company or any Restricted Subsidiary of an amount not to exceed RMB 210 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 20% equity in Henan Software Institute Industrial Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the

Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on May 16, 2007 as amended or supplemented;

- (2) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB 100 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 35% equity in Xi'an Qujiang Investment & Construction Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on July 2, 2007 as amended or supplemented;
- (3) the payment by the Company or any Restricted Subsidiary of an amount not to exceed RMB 150 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 19.95% equity in Nanning Yinxiang Real Estate Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on November 1, 2007 as amended or supplemented;
- (4) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB 170 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 30% equity in Anhui Sanlin Property Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Hefei Co., Ltd. (恒大地產集團合肥有限公司) on September 6, 2009 as amended or supplemented;
- (5) the payment by the Company or any Restricted Subsidiary on or before March 31, 2010 of an amount not to exceed RMB 19 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 49% equity in Hunan Xiongzhen Investment Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on October 6, 2007 as amended or supplemented;
- (6) the payment by the Company or any Restricted Subsidiary on or before December 31, 2010 of an amount not to exceed RMB 400 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 49% equity in Changsha Xinlin Property Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Changsha Property Co., Ltd. (恒大地產集團長沙置業有限公司) on July 5, 2009 as amended or supplemented;
- (7) the payment by the Company or any Restricted Subsidiary on or before September 30, 2010 of an amount not to exceed RMB 210 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 15% equity in Hebei Dadi Panlong Property Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Shijiazhuang Co., Ltd. (恒大地產集團石家莊有限公司) on September 26, 2009 as amended or supplemented;
- (8) the payment by the Company or any Restricted Subsidiary on or before December 31, 2010 of an amount not to exceed RMB 230 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 12% equity



in Jiangxi Hongji Investment Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on July 5, 2009 as amended or supplemented;

- (9) the payment by the Company or any Restricted Subsidiary on or before June 30, 2011 of an amount not to exceed RMB 203 million (such amount representing the consideration for the purchase by the Company or its Restricted Subsidiaries of the remaining 45% equity in Evergrande Metropolis Taiyuan Real Estate Development Co., Ltd., which the Company and its Restricted Subsidiaries do not on the Original Issue Date already own) pursuant to the equity cooperation agreement entered into by Hengda Real Estate Group Taiyuan Co., Ltd. (恒大地產集團太原有限公司) on July 11, 2009 as amended or supplemented;
- (10) the payment by the Company or any Restricted Subsidiary on or before December 31, 2011 of an amount not to exceed RMB 600 million (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of the 60% equity in Changsha Baorui Real Estate Development Co., Ltd.) pursuant to the equity purchase agreement entered into by Hengda Real Estate Group Co., Ltd. (恒大地產集團有限公司) on November 23, 2009 as amended or supplemented;
- (11) the payment by the Company or any Restricted Subsidiary on or before February 28, 2011 of an amount not to exceed RMB 230 million equivalent in Hong Kong dollars (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of 100% equity in Fortune Luck Corporation Limited) pursuant to the equity purchase agreement entered into by Shengyu (BVI) Limited on December 16, 2009 as amended or supplemented; and
- (12) the payment by the Company or any Restricted Subsidiary on or before June 30, 2011 of an amount not to exceed RMB 273 million (such amount representing part of the consideration for the purchase by the Company or its Restricted Subsidiaries of the 100% equity in Guizhou Guangjuyuan Real Estate Development Co., Ltd. pursuant to the equity transfer and cooperation agreement entered into by Hengda Real Estate Group Gui Yang Co., Ltd. on December 24, 2009 as amended or supplemented.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, *provided* that in the case of a determination of Fair Market Value of total assets for the purposes of determining any JV Entitlement Amount, such price shall be determined by an accounting firm, appraisal firm or investment banking firm of international standing appointed by the Company.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements (the “Four Quarter Period”)) to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (a) *pro forma* effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness,



Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness;

- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) *pro forma* effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

*provided* that to the extent that clause (d) or (e) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation shall be based upon the two full fiscal semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations and any other obligations in respect of derivatives contracts; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided* that such Indebtedness is not reflected as borrowings on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation and any other obligation in respect of derivatives contracts shall be: (i) zero if Incurred pursuant to paragraph (2)(f) under the covenant entitled “— Limitation on Indebtedness and Preferred Stock,” and (ii) equal to the net amount payable by such Person if such Hedging Obligation, or other obligation in respect of derivatives contracts, terminated at that time if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not Affiliated with the Company.

“Insurance Company Investor” means an Independent Third Party that is an insurance company organized under the laws of the PRC or an Affiliate of such an insurance company that acquires a minority interest in the Capital Stock of a Subsidiary of a PRC Restricted Subsidiary.

“Intercreditor Agreement” has the meaning set forth under the section entitled “— Security.”

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the sections entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” and “— Certain Covenants — Limitation on Restricted Payment,” (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns or a rating of “Aaa,” “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody’s or both, as the case may be.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct or indirect equity ownership percentage of the Company and its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“JV Subsidiary Guarantee” has the meaning set forth under the section entitled “— The Subsidiary Guarantees.”

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Measurement Date” means January 27, 2010.

“Moody’s” means Moody’s Investors Service, Inc. and its affiliates.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
  - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
  - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
  - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
  - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guaranteed Portion” means, at any time of determination with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries, the aggregate value (without duplication) of the equity interests held by each Independent Third Party in any JV Subsidiary Guarantor as determined by multiplying (x) the total assets as shown on the balance sheet of the relevant JV Subsidiary Guarantor for its most recently ended semi-annual period (or, in the case of the JV Subsidiary Guarantor executing such JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended semi-annual period, as shown on the balance sheet of such JV Subsidiary Guarantor after giving *pro forma* effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties) by (y) the proportionate ownership of all Capital Stock held by such Independent Third Party in such JV Subsidiary Guarantor, *provided* that (A) assets attributable to any Unrestricted Subsidiary of such JV Subsidiary Guarantor and (B) assets which would be eliminated from the calculation of Total Assets of the Company for the relevant semi-annual period shall be excluded from the calculation of total assets in clause (x) above.

“Offer to Purchase” means an offer by the Company to purchase Notes from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”) and the applicable Rate Calculation Date;
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of RMB 1,000,000 or any amount in excess thereof which is an integral multiple of RMB 10,000.

On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in the U.S. Dollar Settlement Amount of an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of RMB 1,000,000 and integral multiples of RMB 10,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e 1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor, or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Company.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Pari Passu Subsidiary Guarantee" means a Guarantee by any Subsidiary Guarantor or JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided* that (1) the Company and such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, were permitted to Incur such Indebtedness under the covenant entitled "— Limitation on Indebtedness and Preferred Stock" and (2) such Guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Payment Default" means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) any Note when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the section entitled "— Repurchase of Notes upon a Change of Control Triggering



Event,” or an Offer to Purchase in the manner described under the section entitled “— Certain Covenants — Limitation on Asset Sales” or (4) any Event of Default specified in clause (4) of the definition of Events of Default.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date, including without limitation (i) real estate acquisition, development, leasing and management, (ii) hotel acquisition, development, operation and management and (iii) the acquisition, development, management and operation of sports and leisure facilities or infrastructure facilities, in the case of each of clause (i), (ii) and (iii) associated with real estate projects acquired, or intended in good faith to be acquired, developed or managed by the Company or any Restricted Subsidiary.

“Permitted Holders” means any or all of the following:

- (1) Dr. Hui Ka Yan, Ms. Ding Yumei and any of their children;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant entitled “— Limitation on Asset Sales;”

- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant entitled “— Limitation on Liens;”
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company’s consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of presold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business; and
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted, for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted, for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

- (6) Liens on any property of, or on Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or asset of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;”
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (e) of the second paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;” *provided* that such Liens do not extend to or cover any property or asset of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Security Documents;
- (14) Liens securing the 2015 Notes, the 2014 Notes, the subsidiary guarantees for the 2015 Notes, the subsidiary guarantees for the 2014 Notes, any other obligations under the indenture governing the 2015 Notes, any other obligations under the indenture governing the 2014 Notes, and any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under the section entitled “— Security — Permitted Pari Passu Secured Indebtedness;” “Permitted Pari Passu Secured Indebtedness” has the meaning set forth under the section entitled “— Security — Permitted Pari Passu Secured Indebtedness;”
- (15) any interest or title of a lessor in the property subject to any operating lease;
- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (g) of the second paragraph of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;”
- (17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (18) Liens (including extensions and renewals thereof) upon real or personal property acquired after the Original Issue Date; *provided* that, (a) any such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant

entitled “— Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or asset other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (18) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

- (19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (22) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause 2(n) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock;” and
- (23) Liens granted by the Company or a PRC Restricted Subsidiary in favor of an Insurance Company Investor to secure the obligation of a Subsidiary of such PRC Restricted Subsidiary in which such Insurance Company Investor holds or acquires a minority equity interest to pay a guaranteed or preferred return to such Insurance Company Investor.

“Permitted Subsidiary Indebtedness” means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Restricted Subsidiaries, taken as a whole (but excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (b), (d), (f) and (g) of the covenant entitled “— Limitation on Indebtedness and Preferred Stock”); *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness does not exceed an amount equal to 15% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Pre-Registration Mortgage Guarantee” means any Indebtedness of the Company or any Restricted Subsidiary consisting of a Guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such Guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over Capital Stock of any other class of such Person.

“PRC CJV” means any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as amended from time to time.

“PRC CJV Partner” means with respect to a PRC CJV, any other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC.

“Rating Agencies” means (1) S&P, (2) Moody’s and (3) if S&P or Moody’s or both shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P or Moody’s or both, as the case may be.

“Rating Category” means (1) with respect to S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (2) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); and (3) the equivalent of any such category of S&P or Moody’s used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1”, “2” and “3” for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “B+” to “B”, will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, the date that is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under the section entitled “— Consolidation, Merger and Sale of Assets,” the date that is 90 days prior to the earlier of (x) the occurrence of any such action as set forth therein and (y) a public notice of the occurrence of any such action.

“Rating Decline” means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below or (2) in connection with actions contemplated under the section entitled “— Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by both Moody’s and S&P on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

- (b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Renminbi” or “RMB” means yuan, the lawful currency of the PRC.

“Replacement Assets” means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“Security Documents” means, collectively, the Share Charges and any other agreements or instruments that may evidence or create, or purport to create, any Lien in favor of the Collateral Agent, in each case for the benefit of secured parties that shall include the Holders, in any or all of the Collateral securing, with respect to the Notes, the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under their respective Subsidiary Guarantees (including without limitation the Intercreditor Agreement).

“Senior Indebtedness” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee, *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Share Charges” has the meaning given under “— Security.”

“Staged Acquisition Agreement” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any



scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company or any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that “Subsidiary Guarantor” will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Subsidiary Guarantor Pledgor” means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China or Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China or Hong Kong or any agency of any of the foregoing, in each case maturing within one year;
- (2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the U.S. Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country

recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;

- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Agricultural Bank of China, Bank of China, Industrial Commercial Bank of China, Construction Bank of China or any other bank, trust company or other financial institution (x) the majority of the beneficial ownership interests of which are owned by the government of the PRC, the government of any province, autonomous region or municipality (直轄市) of the PRC or the government of any capital city of any province, autonomous region or municipality (直轄市) of the PRC or (y) the Capital Stock of which is listed on a nationally or internationally recognized stock exchange, (ii) Lishui Credit Cooperative, Nanhai Rural Credit Union, Guangzhou Rural Commercial Bank Co., Ltd., Shengjing Bank, Chongqing Three Gorges Bank Co., LTD, Guangdong Development Bank Co., Ltd, and Nanjing Rural Credit Union (南京市區農村信用合作社) or (iii) any other bank, trust company or financial institution licensed to take deposits organized under the laws of the PRC, *provided* that, in the case of clause (iii), such deposits do not exceed at any time with respect to any single bank, trust company or other financial institution, US\$3.0 million (or the Dollar Equivalent thereof).

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semiannual or annual period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to clauses (2)(h) and 2(p) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” the amount of Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of the amount of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness, *provided further* that only with respect to the calculation of “Non-Guaranteed Portion,” in the case of a JV Subsidiary Guarantor executing a JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended semi-annual or annual period, the amount of Total Assets shall be calculated after giving *pro forma* effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties.

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Unrestricted Subsidiary” means (1) subject to any redesignation under the section entitled “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” each of Ever Grace Group Limited, Foshan Nanhai Juncheng Property Development Co., Ltd. (佛山市南海俊誠房地產開發有限公司) and Wuhan Donghu Hengda Real Estate Development Co., Ltd. (武漢東湖恒大地產開發有限公司), (2) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture and (3) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the Company thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary. However, for the purposes of the section entitled “— The Subsidiary Guarantees,” “Wholly Owned” means the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person.

## TAXATION

*The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong, PRC and EU tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.*

### **Cayman Islands**

Under the laws of the Cayman Islands, payments of interest and principal on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with Evergrande Real Estate Group Limited:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).
- These concessions shall be for a period of 20 years from July 4, 2006.

### **British Virgin Islands**

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

### **Hong Kong**

*Withholding Tax.* No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

*Profits Tax.* Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong

Kong), or the Inland Revenue Ordinance, as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

*Stamp Duty.* No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

## **PRC Taxation**

*Taxation on Interests.* The PRC Enterprise Income Tax Law and its implementation regulations, effective January 1, 2008, impose a tax at the rate of 10% on interests paid to holders of the Notes that are “non-resident enterprises” so long as such “non-resident enterprise” holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interests are sourced within China. Pursuant to these provisions of the PRC tax law, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, the interests payable to the non-resident enterprise holders on the Notes may be treated as income derived from sources within China and be subject to the PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate will apply to qualified investors in the Notes.

*Taxation on Capital Gains.* The PRC Enterprise Income Tax Law and its implementation regulations, effective January 1, 2008, impose a tax at the rate of 10% on capital gains realized by holders of the Notes that are “non-resident enterprises” so long as any such “non-resident enterprise” holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the PRC tax law, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, the capital gains realized by holders of the Notes may be treated as income derived from sources within China and be subject to the PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate will apply to qualified investors in the Notes.

*Stamp duty.* No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Mainland China) of a Note.

## **EU Directive on the Taxation of Savings Income**

The Council of the European Union has adopted a directive regarding the taxation of savings income. Member States are required from January 1, 2005 to provide to the tax authorities of other Member States details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State, except that Belgium, Luxembourg and Austria may instead operate a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period as they elect otherwise.



## PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated January 13, 2011 (the “Purchase Agreement”), each of Merrill Lynch International, Deutsche Bank AG, Singapore Branch, Citigroup Global Markets Limited and BOCI Asia Limited has severally and not jointly agreed to purchase from us, and we have agreed to sell to the initial purchasers, the following aggregate principal amount of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (collectively, the “Securities”).

<u>Name</u>	<u>Principal Amount of 2014 Notes</u>	<u>Principal Amount of 2016 Notes</u>
	<u>(RMB)</u>	<u>(RMB)</u>
Merrill Lynch International . . . . .	1,387,500,000	925,000,000
Deutsche Bank AG, Singapore Branch . . . . .	1,387,500,000	925,000,000
Citigroup Global Markets Limited . . . . .	1,387,500,000	925,000,000
BOCI Asia Limited . . . . .	1,387,500,000	925,000,000
<b>Total</b> . . . . .	<b>5,550,000,000</b>	<b>3,700,000,000</b>

The Purchase Agreement provides that the obligation of the initial purchasers to pay for and accept delivery of the Securities is several and is subject to the approval of certain legal matters by their counsel and certain other conditions. The initial purchasers are committed to take and pay for all of the Securities if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the initial purchasers.

We and the Subsidiary Guarantors have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the initial purchasers may be required to make in respect thereof.

The Securities are a new issue of securities with no established trading market. We have received approval in-principle for listing of the Notes on the SGX-ST. We have been advised by the initial purchasers that, in connection with the offering of the Securities, Merrill Lynch International, as stabilization agent may, on behalf of the initial purchasers, engage in transactions that stabilize, maintain or otherwise affect the price of the Securities. Specifically, the initial purchasers may over allot the offering, creating a syndicate short position. In addition, the initial purchasers may bid for, and purchase, the Securities in the open market to cover syndicate shorts or to stabilize the price of the Securities. Any of these activities may stabilize or maintain the market price of the Securities above independent market levels. The initial purchasers are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Securities. These transactions may be effected in the over-the-counter market or otherwise.

The Securities have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States and may only be offered, sold or delivered outside the United States in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act.

We expect that delivery of the Securities will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be on or about the fourth business day following the pricing date of the Securities (this settlement cycle being referred to as “T+3”). Accordingly, purchasers who wish to trade Securities on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Securities initially will settle in T +3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Securities who wish to trade the Securities on the date of pricing or the next succeeding business day should consult their own legal advisor.

Each of the initial purchasers has represented and agreed that (A) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the “FSMA”) with respect to anything done by it in relation to the Securities in, from or otherwise involving, the United Kingdom; and (B) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to it.

The initial purchasers have acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”). Accordingly, each of the initial purchasers has represented, warranted and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor specified in Section 274 of the SFA; (ii) to a relevant person specified in Section 275(1) of the SFA, or any person specified in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Each of the following relevant persons (as defined in Section 275(2) of the SFA) which has subscribed or purchased Notes under Section 275 of the SFA, namely a person who is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee of which is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of which is an individual who is an accredited investor,

should note that securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA) in accordance with the conditions specified in section 275 of the SFA;
- (2) (in the case of a corporation, other than a corporation that is an accredited investor) where the transfer arises from an offer referred to in Section 275(1A) of the SFA, or (in the case of a trust, other than a trust the trustee of which is an accredited investor) where the transfer arises from an offer that is made on terms that such rights or interests are acquired at a consideration of not less than \$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
- (3) where no consideration is or will be given for the transfer;
- (4) where the transfer is by operation of law; or
- (5) as specified in Section 276(7) of the SFA.

Each of the initial purchasers has represented and agreed that (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) and any rules made thereunder; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and (2) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

Each of the initial purchasers has represented, warranted and undertaken that the Securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “Financial Instruments and Exchange Law”) and that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other applicable laws and regulations of Japan.

Each of the initial purchasers has represented and agreed that: (i) it shall not make any solicitation in connection with any offering of Securities in Italy; (ii) no copies of this offering memorandum or any other documents relating to the Securities will be distributed in Italy; and (iii) no Securities may be offered, sold or delivered in Italy.

Each of the initial purchasers has represented and agreed that it has not offered or sold, and will not offer or sell any Securities in the Cayman Islands.

No action is being taken or is contemplated by us that would permit a public offering of the Securities or possession or distribution of any preliminary offering memorandum or offering memorandum or any amendment thereof, any supplement thereto or any other offering material relating to the Securities in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

We have been advised that the initial purchasers presently intend to make a market in the Securities, as permitted by applicable laws and regulations. The initial purchasers are not obligated, however, to make a market in the Securities, and any such market making may be discontinued at any time without prior notice at the sole discretion of the initial purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Securities.

The initial purchasers and its affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory and investment banking services, for us and our affiliates in the ordinary course of business. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the initial purchasers, which may include transactions relating to our obligations under the Securities. Our obligations under these transactions may be secured by cash or other collateral.

## TRANSFER RESTRICTIONS

*Because of the following restrictions, we encourage you to consult legal counsel prior to making any Offer, Resale, Pledge or Other Transfer of Notes.*

Both series of the Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees for each series (collectively, the “Securities”), you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
  - the Securities have not been registered under the U.S. Securities Act or any other applicable securities laws;
  - the Securities are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws;
  - the Securities are being offered and sold only outside of the United States, to certain persons, other than U.S. persons, in offshore transactions in reliance on Rule 903 of Regulation S under the U.S. Securities Act; and
  - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph 4 below.
2. You represent that you are not an affiliate (as defined in Rule 144 under the U.S. Securities Act) of ours, that you are not acting on our behalf and that you are not a U.S. person (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Securities, and each subsequent holder of the Securities by its acceptance of the Securities will agree, that until the end of the Resale Restriction Period (as defined below), the Securities may be offered, sold or otherwise transferred only:
  - (a) to us;
  - (b) under a registration statement that has been declared effective under the U.S. Securities Act;

- (c) outside the United States in compliance with Rule 903 or 904 under the U.S. Securities Act; or
- (d) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and in compliance with applicable state and other securities laws.

5. You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is 40 days after the later of the closing date and the last date that we or any of our affiliates was the owner of the Securities or any predecessor of the Securities (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;
- we and the trustee reserve the right to require in connection with any offer, sale or other transfer of the Securities under clause (d) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee; and
- each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR

THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.



## **RATINGS**

The Notes have been rated BB- by S&P and B2 with a negative outlook by Moody's. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, such as our 2015 Notes, or on us. Additionally, we have been assigned a long-term corporate credit rating of BB with a stable outlook by S&P, a corporate family rating of B1 with a negative outlook by Moody's, and a long-term foreign currency issuer default rating of BB with a stable outlook by Fitch Ratings. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

## **LEGAL MATTERS**

Certain legal matters with respect to the Notes will be passed upon for us by Maples and Calder as to matters of Cayman Islands law and British Virgin Islands law, Sidley Austin as to matters of Hong Kong, United States federal and New York law and Commerce and Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell LLP as to matters of United States federal and New York law and King and Wood as to matters of PRC law.

## **INDEPENDENT ACCOUNTANT**

The consolidated financial information of Evergrande Real Estate Group Limited as of and for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, included in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in its report appearing herein.

The consolidated financial statements of Evergrande Real Estate Group Limited as of and for the year ended December 31, 2009, included in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in its report appearing herein.

## GENERAL INFORMATION

### Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands, Hong Kong and Singapore in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indentures and the issue of the Notes have been authorized by a resolution of our board of directors dated January 9, 2011.

### Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Subsidiary Guarantees.

### No Material Adverse Change

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2009 that is material in the context of the issue of the Notes.

### Documents Available

For so long as any of the Notes is outstanding, copies of the Indentures may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

For so long as any of the Notes is outstanding, copies of the accountants' reports and/or our published financial statements, if any, including the accountants' report set out in the section entitled "Index to Financial Information" in this offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream with a Common Code of 057638222 for the 2014 Notes and 057638249 for the 2016 Notes. The International Securities Identification Numbers are XS0576382229 for the 2014 Notes and XS0576382492 for the 2016 Notes.

### Listing of the Notes

Approval in-principle has been received for the listing of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Notes or us. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

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(1) The Accountants' Report on the financial information as at 31 December 2006, 2007 and 2008 and 30 June 2009 and for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 is a reproduction of Appendix I to the prospectus for our IPO dated 22 October 2009, with different page numbering herein.

(2) The following Independent Auditor's Report on the consolidated financial statements of the Company is reproduced from the Company's Annual Report for the year ended 31 December 2009, with the page references included in such Independent Auditor's Report referring to pages set out in such annual report.

*The following is the text of a report, prepared for the purpose of inclusion in the prospectus dated 22 October 2009 in connection with our IPO listed on the Main Board of The Stock Exchange of Hong Kong Limited, received from the reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong.*



羅兵咸永道會計師事務所

**PricewaterhouseCoopers**  
22nd Floor, Prince's Building  
Central, Hong Kong

22 October 2009

The Directors  
Evergrande Real Estate Group Limited  
Merrill Lynch Far East Limited  
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of Evergrande Real Estate Group Limited (the “Company”) and its subsidiaries (together, the “Group”) set out in sections I to III below, for inclusion in the prospectus of the Company dated 22 October 2009 (the “Prospectus”) in connection with the initial public offering of the shares of the Company and listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Financial Information comprises the consolidated balance sheets of the Group and the balance sheets of the Company as at 31 December 2006, 2007 and 2008 and 30 June 2009, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 (the “Relevant Periods”), and a summary of significant accounting policies and other explanatory notes.

The Company was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law (2009 Revision) (as consolidated and revised from time to time) of the Cayman Islands. Pursuant to a group reorganisation as detailed in note 1 of section II headed “General Information and Group Reorganisation” below, which was completed in June 2006, the Company became the holding company of the subsidiaries comprising the Group (the “Reorganisation”).

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of section II below. All of these companies are private companies.

All companies comprising the Group have adopted 31 December as their financial year end date. Details of the financial statements of the companies comprising the Group that are subject to audit and the names of the respective auditors are set out in note 1 of section II below.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared based on the Underlying Financial Statements with no adjustment made thereon.

## **DIRECTORS' RESPONSIBILITY**

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements and the Financial Information in accordance with HKFRSs.

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the directors of the Company are responsible for the preparation and true and fair presentation of the financial information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the financial information for the six months ended 30 June 2008, the directors of the Company are responsible for the preparation and the presentation of the financial information in accordance with the accounting policies set out in note 2 of section II below which are conformity with HKFRSs.

## **REPORTING ACCOUNTANTS' RESPONSIBILITY**

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our responsibility is to express an opinion on the financial information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 used in preparing the financial information and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the financial information for the six months ended 30 June 2008, our responsibility is to express a conclusion on the financial information based on our review and to report our conclusion to you. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of the 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 Hong Kong 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.

## **OPINION AND REVIEW CONCLUSION**

In our opinion, the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company and the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the Group's results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the financial information for the six months ended 30 June 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in note 2 of section II below which are in conformity with HKFRSs.

# 1. FINANCIAL INFORMATION

## (A) CONSOLIDATED BALANCE SHEETS

	Note	31 December			30 June
		2006	2007	2008	2009
		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment . . . . .	6	46,781	217,978	450,141	389,815
Land use rights . . . . .	7	378,622	470,820	250,868	278,606
Investment properties . . . . .	8	847,487	1,571,468	1,741,390	2,148,108
Other receivables . . . . .	21(a)	—	—	281,849	290,351
Deferred income tax assets . . . . .	18	19,957	123,904	324,364	401,461
		<u>1,292,847</u>	<u>2,384,170</u>	<u>3,048,612</u>	<u>3,508,341</u>
<b>Current assets</b>					
Land use rights . . . . .	7	1,158,544	6,514,092	8,644,245	10,202,174
Properties under development . . . . .	9	1,083,477	3,287,017	9,049,192	11,320,250
Completed properties held for sale . . . . .	10	290,339	986,962	2,240,713	3,291,744
Trade and other receivables and prepayments . . . . .	11	1,918,580	4,845,432	3,590,360	2,931,573
Income tax recoverable . . . . .		8,128	—	31,816	100,707
Restricted cash . . . . .	12	386,092	1,725,849	1,167,942	2,126,399
Cash and cash equivalents . . . . .	13	1,655,970	1,640,863	749,718	2,974,188
		<u>6,501,130</u>	<u>19,000,215</u>	<u>25,473,986</u>	<u>32,947,035</u>
<b>Total assets</b> . . . . .		<u><u>7,793,977</u></u>	<u><u>21,384,385</u></u>	<u><u>28,522,598</u></u>	<u><u>36,455,376</u></u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to shareholders of the Company</b>					
Share capital . . . . .	14	125,000	125,000	209,332	209,332
Share premium . . . . .	14	—	—	6,000,560	6,000,560
Reserves . . . . .	15	(744,315)	(640,465)	389,837	389,837
Retained earnings . . . . .		110,981	1,153,145	1,662,139	2,162,311
		<u>(508,334)</u>	<u>637,680</u>	<u>8,261,868</u>	<u>8,762,040</u>
Minority interests . . . . .		—	213,593	321,263	244,651
<b>Total equity</b> . . . . .		<u><u>(508,334)</u></u>	<u><u>851,273</u></u>	<u><u>8,583,131</u></u>	<u><u>9,006,691</u></u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings . . . . .	16	1,425,721	8,915,516	4,226,413	3,877,886
Convertible Preferred Shares . . . . .	17	2,830,322	3,153,928	—	—
Embedded financial derivatives . . . . .	17	294,232	816,436	—	—
Deferred income tax liabilities . . . . .	18	422,762	482,137	451,527	441,987
		<u>4,973,037</u>	<u>13,368,017</u>	<u>4,677,940</u>	<u>4,319,873</u>
<b>Current liabilities</b>					
Borrowings . . . . .	16	829,662	646,200	6,213,843	6,294,425
Trade and other payables . . . . .	19	857,081	4,194,060	4,469,168	5,122,154
Receipt in advance from customers . . . . .		1,472,096	1,763,544	3,503,265	10,765,988
Financial guarantee liabilities . . . . .	31(b)	—	—	197,403	51,062
Current income tax liabilities . . . . .	20	170,435	561,291	877,848	895,183
		<u>3,329,274</u>	<u>7,165,095</u>	<u>15,261,527</u>	<u>23,128,812</u>
<b>Total liabilities</b> . . . . .		<u><u>8,302,311</u></u>	<u><u>20,533,112</u></u>	<u><u>19,939,467</u></u>	<u><u>27,448,685</u></u>
<b>Total equity and liabilities</b> . . . . .		<u><u>7,793,977</u></u>	<u><u>21,384,385</u></u>	<u><u>28,522,598</u></u>	<u><u>36,455,376</u></u>
<b>Net current assets</b> . . . . .		<u><u>3,171,856</u></u>	<u><u>11,835,120</u></u>	<u><u>10,212,459</u></u>	<u><u>9,818,223</u></u>
<b>Total assets less current liabilities</b> . . . . .		<u><u>4,464,703</u></u>	<u><u>14,219,290</u></u>	<u><u>13,261,071</u></u>	<u><u>13,326,564</u></u>



**(B) BALANCE SHEETS**

	Note	31 December			30 June
		2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)	2009 (RMB'000)
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment in subsidiaries . . . . .		1	2	2	2
Property and equipment . . . . .	6	1,400	1,403	1,106	938
		<u>1,401</u>	<u>1,405</u>	<u>1,108</u>	<u>940</u>
<b>Current assets</b>					
Other receivables . . . . .	11	2,876,263	3,134,092	6,351,153	6,471,439
Cash and cash equivalents . . . . .	13	316,432	617	420	1,659
		<u>3,192,695</u>	<u>3,134,709</u>	<u>6,351,573</u>	<u>6,473,098</u>
<b>Total assets</b> . . . . .		<u><u>3,194,096</u></u>	<u><u>3,136,114</u></u>	<u><u>6,352,681</u></u>	<u><u>6,474,038</u></u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to shareholders of the Company</b>					
Share capital . . . . .	14	125,000	125,000	209,332	209,332
Share premium . . . . .	14	—	—	6,000,560	6,000,560
Reserve . . . . .	15	—	—	1,014,536	1,014,536
Accumulated losses . . . . .		(55,459)	(975,656)	(1,083,267)	(819,323)
<b>Total equity</b> . . . . .		<u>69,541</u>	<u>(850,656)</u>	<u>6,141,161</u>	<u>6,405,105</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Convertible Preferred Shares . . . . .	17	2,830,322	3,153,928	—	—
Embedded financial derivatives . . . . .	17	294,232	816,436	—	—
		<u>3,124,554</u>	<u>3,970,364</u>	<u>—</u>	<u>—</u>
<b>Current liabilities</b>					
Financial guarantee liabilities . . . . .	31(b)	—	—	197,403	51,062
Trade and other payables . . . . .	19	1	16,406	14,117	17,871
		<u>1</u>	<u>16,406</u>	<u>211,520</u>	<u>68,933</u>
<b>Total liabilities</b> . . . . .		<u>3,124,555</u>	<u>3,986,770</u>	<u>211,520</u>	<u>68,933</u>
<b>Total equity and liabilities</b> . . . . .		<u><u>3,194,096</u></u>	<u><u>3,136,114</u></u>	<u><u>6,352,681</u></u>	<u><u>6,474,038</u></u>
<b>Net current assets</b> . . . . .		<u>3,192,694</u>	<u>3,118,303</u>	<u>6,140,053</u>	<u>6,404,165</u>
<b>Total assets less current liabilities</b> . . . . .		<u><u>3,194,095</u></u>	<u><u>3,119,708</u></u>	<u><u>6,141,161</u></u>	<u><u>6,405,105</u></u>

**(C) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Revenue . . . . .	5	1,983,304	3,166,692	3,606,791	2,525,413	1,635,130
Cost of sales . . . . .	22	(1,426,278)	(1,945,261)	(2,124,420)	(1,585,279)	(1,089,782)
<b>Gross profit</b> . . . . .		<u>557,026</u>	<u>1,221,431</u>	<u>1,482,371</u>	<u>940,134</u>	<u>545,348</u>
Fair value gains on investment properties . . . . .	8	300,103	657,067	77,415	107,912	299,657
Other gains . . . . .	21	25,904	796,877	531,090	485,883	301,094
Selling and marketing costs . . . . .	22	(63,640)	(220,651)	(665,299)	(278,161)	(415,259)
Administrative expenses . . . . .	22	(150,964)	(470,579)	(545,273)	(218,146)	(349,034)
Other operating expenses . . . . .	22	(19,572)	(23,356)	(34,439)	(24,243)	(6,187)
<b>Operating profit</b> . . . . .		<u>648,857</u>	<u>1,960,789</u>	<u>845,865</u>	<u>1,013,379</u>	<u>375,619</u>
Fair value change on embedded financial derivatives . . . . .	17	(2,515)	(562,684)	—	—	—
(Provisions)/reversals of financial guarantees . . . . .	31(b)	—	—	(65,997)	(32,315)	146,341
Finance (costs)/income, net . . . . .	25	(55,809)	118,765	186,520	183,980	(12,308)
<b>Profit before income tax</b> . . . . .		<u>590,533</u>	<u>1,516,870</u>	<u>966,388</u>	<u>1,165,044</u>	<u>509,652</u>
Income tax (expenses)/credit . . . . .	26	(265,074)	(437,766)	(333,958)	(304,480)	12,708
<b>Profit for the year/period</b> . . . . .		<u><u>325,459</u></u>	<u><u>1,079,104</u></u>	<u><u>632,430</u></u>	<u><u>860,564</u></u>	<u><u>522,360</u></u>
<b>Other comprehensive income:</b> Gain/loss recognised directly in equity . . . . .		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total comprehensive income for the year/period</b> . . . . .		<u><u>325,459</u></u>	<u><u>1,079,104</u></u>	<u><u>632,430</u></u>	<u><u>860,564</u></u>	<u><u>522,360</u></u>
<b>Attributable to:</b> Shareholders of the Company . . . . .		<u>325,459</u>	<u>1,081,533</u>	<u>524,760</u>	<u>759,883</u>	<u>500,172</u>
Minority interests . . . . .		<u>—</u>	<u>(2,429)</u>	<u>107,670</u>	<u>100,681</u>	<u>22,188</u>
		<u><u>325,459</u></u>	<u><u>1,079,104</u></u>	<u><u>632,430</u></u>	<u><u>860,564</u></u>	<u><u>522,360</u></u>
Basic and diluted earnings per share for profit attributable to shareholders of the Company during the year/period (expressed in RMB per share) . . . . .	27	<u>Not applicable</u>	<u>Not applicable</u>	<u>0.21</u>	<u>0.33</u>	<u>0.18</u>
Dividends . . . . .	28	<u>493,518</u>	<u>—</u>	<u>125,651</u>	<u>125,651</u>	<u>—</u>

**(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to shareholders of the Company						Minority interests	Total
	Share capital	Share premium	Reserves	Retained earnings	Total			
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)		
<b>Balance as at 1 January 2006</b> . . .	—	—	982,385	285,867	1,268,252	—	1,268,252	
Total comprehensive income for the year. . . . .	—	—	—	325,459	325,459	—	325,459	
Issuance of shares . . . . .	125,000	—	—	—	125,000	—	125,000	
Deemed contribution by the shareholder of the Company (note 15(b)) . . . . .	—	—	82,759	—	82,759	—	82,759	
Deemed distribution to the then equity holder of the Group (note 15(a)) . . . . .	—	—	(1,816,286)	—	(1,816,286)	—	(1,816,286)	
Transfer to statutory reserves . . . . .	—	—	6,827	(6,827)	—	—	—	
Dividends to then shareholders of the Group. . . . .	—	—	—	(493,518)	(493,518)	—	(493,518)	
<b>Balance as at 31 December 2006</b> . . .	125,000	—	(744,315)	110,981	(508,334)	—	(508,334)	
Total comprehensive income for the year. . . . .	—	—	—	1,081,533	1,081,533	(2,429)	1,079,104	
Deemed contribution by the shareholder of the Company (note 15(b)) . . . . .	—	—	64,481	—	64,481	—	64,481	
Transfer to statutory reserves . . . . .	—	—	39,369	(39,369)	—	—	—	
Partial disposal of a subsidiary (note 21(b)) . . . . .	—	—	—	—	—	216,022	216,022	
<b>Balance as at 31 December 2007</b> . . .	125,000	—	(640,465)	1,153,145	637,680	213,593	851,273	
Total comprehensive income for the year. . . . .	—	—	—	524,760	524,760	107,670	632,430	
Issuance of shares								
— Restructure of Convertible Preferred Shares (note 17) . . . . .	58,652	2,873,948	1,014,536	—	3,947,136	—	3,947,136	
— Issuance of new shares (note 14(e)) . . . . .	25,680	3,252,263	—	—	3,277,943	—	3,277,943	
Transfer to statutory reserves . . . . .	—	—	15,766	(15,766)	—	—	—	
Dividends (note 14(f)) . . . . .	—	(125,651)	—	—	(125,651)	—	(125,651)	
<b>Balance as at 31 December 2008</b> . . .	209,332	6,000,560	389,837	1,662,139	8,261,868	321,263	8,583,131	
Total comprehensive income for the period . . . . .	—	—	—	500,172	500,172	22,188	522,360	
Additional gain from partial disposal of a subsidiary (note 21(b)) . . . . .	—	—	—	—	—	(98,800)	(98,800)	
<b>Balance as at 30 June 2009</b> . . . . .	209,332	6,000,560	389,837	2,162,311	8,762,040	244,651	9,006,691	
<b>Unaudited</b>								
<b>Balance as at 31 December 2007</b> . . .	125,000	—	(640,465)	1,153,145	637,680	213,593	851,273	
Total comprehensive income for the period . . . . .	—	—	—	759,883	759,883	100,681	860,564	
Issuance of shares								
— Restructure of Convertible Preferred Shares (note 17) . . . . .	58,652	2,873,948	1,014,536	—	3,947,136	—	3,947,136	
— Issuance of new shares (note 14(e)) . . . . .	25,680	3,252,263	—	—	3,277,943	—	3,277,943	
Dividends (note 14(f)) . . . . .	—	(125,651)	—	—	(125,651)	—	(125,651)	
<b>Balance as at 30 June 2008</b> . . . . .	209,332	6,000,560	374,071	1,913,028	8,496,991	314,274	8,811,265	

**(E) CONSOLIDATED CASH FLOW STATEMENTS**

	Note	Year ended 31 December			Six months ended	
		2006	2007	2008	30 June	
		(RMB'000)	(RMB'000)	(RMB'000)	2008	2009
				(unaudited)		
				(RMB'000)	(RMB'000)	
<b>Cash flows of operating activities</b>						
Cash (used in)/generated from						
operations . . . . .	29	(1,423,776)	(7,026,900)	(4,038,562)	(2,679,221)	2,817,309
PRC enterprise income tax paid . . . . .		(87,372)	(104,229)	(198,713)	(122,325)	(64,950)
PRC land appreciation tax paid . . . . .		(9,245)	(23,970)	(81,575)	(67,220)	(60,535)
Interest paid . . . . .		(154,202)	(362,615)	(867,413)	(420,654)	(323,624)
<b>Net cash (used in)/generated from operating activities . . . . .</b>		<b>(1,674,595)</b>	<b>(7,517,714)</b>	<b>(5,186,263)</b>	<b>(3,289,420)</b>	<b>2,368,200</b>
<b>Cash flows of investing activities</b>						
Purchase of property and equipment . . . . .		(17,220)	(187,047)	(168,889)	(70,927)	(36,740)
Acquisition of a subsidiary, net of cash acquired . . . . .		—	(39,336)	—	—	—
Proceeds from disposal of available-for-sale investments . . . . .		29,800	—	—	—	—
Proceeds from partial disposal of a subsidiary . . . . .		—	976,404	—	—	—
Interest received . . . . .		6,846	27,875	34,495	8,977	12,351
Cash advances made to related parties . . . . .		—	—	(969)	(8,047)	—
Repayments of amounts due from related parties . . . . .		1,872,731	—	—	—	46
<b>Net cash generated from/(used in) investing activities . . . . .</b>		<b>1,892,157</b>	<b>777,896</b>	<b>(135,363)</b>	<b>(69,997)</b>	<b>(24,343)</b>
<b>Cash flows of financing activities</b>						
Distribution to then shareholders of the Group . . . . .		(1,816,286)	—	—	—	—
Dividends paid . . . . .		(493,518)	—	(651)	(651)	—
Proceeds from borrowings . . . . .		3,587,346	8,326,497	3,732,643	1,914,800	1,756,585
Repayments of borrowings . . . . .		(2,687,459)	(969,724)	(3,054,204)	(1,092,549)	(1,876,955)
Issuance of Convertible Preferred Shares . . . . .		3,115,555	—	—	—	—
Issuance of shares . . . . .		—	—	3,386,121	3,386,121	—
Restricted cash pledged for bank borrowings . . . . .		(278,969)	(589,121)	400,489	676,090	2,238
Cash advances from related parties . . . . .		43,364	—	850	—	—
Repayments of amounts due to related parties . . . . .		(191,452)	—	—	—	(850)
<b>Net cash generated from/(used in) financing activities . . . . .</b>		<b>1,278,581</b>	<b>6,767,652</b>	<b>4,465,248</b>	<b>4,883,811</b>	<b>(118,982)</b>
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>		<b>1,496,143</b>	<b>27,834</b>	<b>(856,378)</b>	<b>1,524,394</b>	<b>2,224,875</b>
Cash and cash equivalents at the beginning of the year/period . . . . .		170,282	1,655,970	1,640,863	1,640,863	749,718
Exchange losses on cash and cash equivalents . . . . .		(10,455)	(42,941)	(34,767)	(28,654)	(405)
<b>Cash and cash equivalents at the end of the year/period . . . . .</b>		<b>1,655,970</b>	<b>1,640,863</b>	<b>749,718</b>	<b>3,136,603</b>	<b>2,974,188</b>

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. General information and group reorganisation

Evergrande Real Estate Group Limited (the “Company”) was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and is engaged in investment holding. During the Relevant Periods, the Company and its subsidiaries (the “Group”) were principally engaged in the property development, property investment, property management, property construction and other property development related services (the “Listing Businesses”).

Dr. Hui Ka Yan (“Dr. Hui”) established various companies in the People’s Republic of China (the “PRC”) engaging in the Listing Businesses through Guangzhou Hengda Industrial Group Company Limited (“廣州恒大實業集團有限公司”). For the preparation of initial public offering of the Company’s share on the Stock Exchange, the following group reorganisation (the “Reorganisation”) was carried out. Guangzhou Hengda Industrial Group Company Limited is not engaged in the Listing Businesses and accordingly is not included in the Group after the Reorganisation.

- (i) In June 2006, the PRC companies comprising the Group (the “Operating Group”), Guangzhou Hengda Industrial Group Company Limited and Dr. Hui underwent a group restructuring. During the restructuring, Guangzhou Chaofeng Land Company Limited, Guangzhou Kailong Land Company Limited and Hengda Real Estate Group Company Limited, which are the intermediate holding company in the Group after the restructuring, have acquired/disposed of certain equity interests in certain companies in the Operating Group from/to Guangzhou Hengda Industrial Group Company Limited and Dr. Hui. After the restructuring, the entire equity interests of the Operating Group were held by Guangzhou Hengda Industrial Group Company Limited. The net consideration, which represented respective portion of paid-in capital of the relevant companies at the time of the transfer, paid by the Operating Group to Guangzhou Hengda Industrial Group Company Limited and Dr. Hui amounted to approximately RMB 52,726,000.
- (ii) Dr. Hui incorporated Xin Xin (BVI) Limited (“Xin Xin”) in the British Virgin Islands (“BVI”). Xin Xin incorporated the Company, and the Company incorporated ANJI (BVI) Limited.
- (iii) ANJI (BVI) Limited acquired the entire equity interests of the Operating Group from Guangzhou Hengda Industrial Group Company Limited at cash considerations totalling RMB 1,763,560,000.

Particulars of the subsidiaries of the Group as at the date of this report are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
<i>Incorporated in the BVI with limited liability and operating in the PRC</i>					
ANJI (BVI) Limited	26 June 2006	US\$100	100%	—	Investment holding
ShengJian (BVI) Limited	29 January 2007	US\$100	—	100%	Investment holding
Shengyu (BVI) Limited	6 March 2007	US\$100	—	100%	Investment holding
Jiajian (BVI) Limited	6 March 2007	US\$100	—	100%	Investment holding
Fengyu (BVI) Limited	16 October 2006	US\$100	100%	—	Investment holding

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
Lanbowan (BVI) Limited	16 October 2006	US\$100	—	100%	Investment holding
Shengtong (BVI) Limited	31 January 2008	US\$1	—	100%	Investment holding
Yitong (BVI) Limited	13 October 2006	US\$100	100%	—	Investment holding
Chuangfeng (BVI) Limited	13 October 2006	US\$100	—	100%	Investment holding
Luckyman Group Limited	12 January 2008	US\$1	—	100%	Investment holding
Luckyup Group Limited	30 January 2008	US\$1	—	100%	Investment holding
Sure Fast Group Limited	10 January 2008	US\$1	—	100%	Investment holding
Grandday Group Limited	16 January 2008	US\$1	—	100%	Investment holding
Ever Grace Group Limited	18 September 2008	US\$100	—	100%	Investment holding
<i>Incorporated in Hong Kong with limited liability and operating in the PRC</i>					
Success Will Group Limited (note (a))	5 July 2007	HK\$1,000	—	60%	Investment holding
Shengtong Holding Limited	13 February 2008	HK\$10	—	100%	Investment holding
Tianji Holding Limited	19 May 2009	HK\$1	—	100%	Investment holding
Evergrande International Hotels Group Limited	05 June 2008	HK\$10	—	100%	Investment holding
Mass Joy Holdings Limited	02 January 2008	HK\$10	—	100%	Investment holding
Will Glory Holdings Limited	10 April 2008	HK\$10	—	100%	Investment holding
Lucky Grow Holdings Limited	24 April 2008	HK\$10	—	100%	Investment holding
Tianding Holding Limited	18 May 2009	HK\$1	—	100%	Investment holding
<i>Incorporated in the PRC with limited liability and operating in the PRC</i>					
恒大地產集團有限公司 Hengda Real Estate Group Company Limited	24 June 1996	RMB 2,500,000,000	—	100%	Property development
廣州市俊匯房地產開發有限公司 Guangzhou Junhui Real Estate Development Company Limited	23 February 1994	RMB 702,780,000	—	100%	Property development
廣州通瑞達房地產實業有限公司 Guangzhou Tongruida Real Estate Industrial Company Limited	31 December 1996	RMB 475,950,000	—	100%	Property development
佛山市南海新中建房地產發展有限公司 Foshan Nanhai Xinzhongjian Real Estate Development Company Limited	11 September 2001	RMB 30,000,000	—	60%	Property development



Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
廣州市俊鴻房地產開發有限公司 Guangzhou Junhong Real Estate Development Company Limited	12 April 1993	RMB 362,550,000	—	100%	Property development
廣州恒大（增城）房地產開發有限公司 Guangzhou Hengda (Zengcheng) Real Estate Development Company Limited	18 July 2005	RMB 68,560,000	—	100%	Property development
恒大地產集團武漢有限公司 Hengda Real Estate Group (Wuhan) Company Limited	20 July 2006	RMB 1,308,000,000	—	100%	Property development
恒大地產集團重慶有限公司 Hengda Real Estate Group (Chongqing) Company Limited	17 July 2006	RMB 711,000,000	—	100%	Property development
恒大鑫源（昆明）置業有限公司 Hengda Xinyuan (Kunming) Property Company Limited	26 April 2007	US\$60,000,000	—	100%	Property development
恒大地產集團成都有限公司 Hengda (Chengdu) Real Estate Group Company Limited	12 July 2006	RMB 521,000,000	—	100%	Property development
南京恒大富豐置業有限公司 Nanjing Hengda Fufeng Real Estate Company Limited	10 April 2007	US\$29,900,000	—	100%	Property development
天津薊縣金鑫觀光產業有限公司 Tianjin Ji Jinxin Tourism Industry Company Limited	7 April 2006	RMB 1,000,000	—	100%	Property development
武漢鑫金觀光產業園有限公司 Wuhan Xinjin Tourist Park Company Limited	21 April 2006	RMB 1,000,000	—	100%	Property development
彭山縣鑫鑫觀光產業園有限公司 Pengshan Xinxin Tourist Park Company Limited	26 April 2006	RMB 1,000,000	—	100%	Property development
安寧市淦鑫觀光產業園有限公司 Anning Ganxin Tourist Park Company Limited	7 June 2006	RMB 1,000,000	—	100%	Property development
啟東市惠口福飲食廣場有限公司 Qidong Huikoufu Catering & Beverage Court Company Limited	28 April 2006	RMB 6,000,000	—	100%	Property development
啟東市金色海岸大酒店有限公司 Qidong Golden Shore Hotel Company Limited	28 April 2006	RMB 6,000,000	—	100%	Property development
啟東市童心遊樂有限公司 Qidong Tongxin Tourism Company Limited	28 April 2006	RMB 6,000,000	—	100%	Property development

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
啟東市萬仁動感影視城有限公司 Qidong Wanren Live Cinemas Company Limited	28 April 2006	RMB 6,000,000	—	100%	Property development
啟東市欣晴娛樂有限公司 Qidong Xinqing Entertainment Company Limited	28 April 2006	RMB 5,000,000	—	100%	Property development
啟東市立群健身俱樂部有限公司 Qidong Liqun Gymnastic Club Company Limited	28 April 2006	RMB 10,000,000	—	100%	Property development
啟東市怡然康復保健有限公司 Qidong Yiran Health Recovery & Healthcare Company Limited	28 April 2006	RMB 6,000,000	—	100%	Property development
恒大（清新）生態示範園有限公司 Hengda (Qingxin) Designated Eco-park Company Limited	10 August 2005	RMB 1,000,000	—	100%	Property development
恒大（佛岡）湯塘農場有限公司 Hengda (Fogang) Tangtang Farm Company Limited	17 August 2005	RMB 1,000,000	—	100%	Property development
廣州恒大生態農業開發基地有限公司 Guangzhou Hengda Eco-agricultural Development Base Company Limited	22 September 2005	RMB 1,000,000	—	100%	Property development
廣州市超豐置業有限公司 Guangzhou Chaofeng Land Company Limited	2 April 1996	RMB 784,000,000	—	100%	Consulting, marketing and agency service of real estate
廣州市凱隆置業有限公司 Guangzhou Kailong Land Company Limited	6 April 1996	RMB 600,000,000	—	100%	Consulting, marketing and agency service of real estate
恒大地產集團天津薊縣有限公司 Hengda (Tianjin) Jixian Real Estate Group Company Limited	22 August 2006	RMB 437,000,000	—	100%	Property development
恒大地產集團彭山有限公司 Hengda (Pengshan) Real Estate Group Company Limited	20 July 2006	RMB 41,000,000	—	100%	Property development
恒大地產集團江津有限公司 Hengda (Jiangjin) Real Estate Group Company Limited	27 July 2006	RMB 260,000,000	—	100%	Property development
鄂州恒大房地產開發有限公司 E'zhou Hengda Real Estate Development Company Limited	25 July 2006	RMB 390,000,000	—	100%	Property development
鄂州鑫金生態觀光產業園有限公司 E'zhou Xinjin Ecology Sightseeing Park Company Limited	18 July 2006	RMB 1,000,000	—	100%	Property development

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大地產集團清新有限公司 Hengda (Qingxin) Real Estate Group Company Limited	28 December 2006	RMB 10,000,000	—	100%	Property development
廣州市啟通實業有限公司 Guangzhou Qitong Real Estate Industry Company Limited	9 November 2006	RMB 10,000,000	—	100%	Trading
廣州市廣域實業有限公司 Guangzhou Guangyu Real Estate Industry Company Limited	9 November 2006	RMB 10,000,000	—	100%	Trading
廣州市力拓土石方工程有限公司 Guangzhou Lituo Site Preparation Company Limited	9 May 2006	RMB 30,000,000	—	100%	Construction
成都恒大銀河新城置業有限公司 Chengdu Hengda Galaxy New City Property Company Limited	30 November 2006	RMB 296,000,000	—	100%	Property development
武漢東湖恒大房地產開發有限公司 Wuhan Donghu Hengda Real Estate Development Company Limited	22 December 2006	RMB 1,064,000,000	—	100%	Property development
重慶市鑫恒觀光農業有限公司 Chongqing Xinheng Sightseeing Industry Park Company Limited	7 August 2006	RMB 1,000,000	—	100%	Property development
恒大鑫隆（瀋陽）置業有限公司 Hengda Xinlong (Shengyang) Real Estate Company Limited	28 December 2006	US\$5,000,000	—	100%	Property development
恒大長基（瀋陽）置業有限公司 Hengda Changji (Shengyang) Property Company Limited	1 December 2006	US\$74,900,000	—	100%	Property development
恒大鑫源（瀋陽）置業有限公司 Hengda Xinyuan (Shengyang) Property Company Limited	1 December 2006	US\$99,000,000	—	100%	Property development
鶴山市鑫鑫觀光產業園有限公司 Heshan Xinxin Tourist Park Company Limited	26 July 2006	RMB 1,000,000	—	100%	Property development
成都市溫江區鑫金康置業有限責任公司 Chengdu Wenjiang Xinjinkang Property Company Limited	1 August 2006	RMB 495,500,000	—	100%	Property development
恒大鑫豐（彭山）置業有限公司 Hengda Xinfeng (Pengshan) Property Company Limited	13 March 2007	US\$70,600,000	—	100%	Property development
恒大盛宇（清新）置業有限公司 Hengda Shengyu (Qingxin) Company Limited	25 March 2007	US\$87,030,000	—	100%	Property development

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
武漢市金碧綠洲房地產開發有限公司 Wuhan Evergrande Oasis Real Estate Development Company Limited	21 March 2007	US\$29,900,000	—	100%	Property development
啟東譽豪飲食廣場有限公司 Qidong Yuhao Catering Court Company Limited	1 January 2007	US\$29,900,000	—	100%	Property development
啟東歡華大酒店有限公司 Qidong Huanhua Hotel Company Limited	1 January 2007	US\$15,000,000	—	100%	Property development
啟東勤盛遊樂有限公司 Qidong Qingshen Amusement Company Limited	1 January 2007	US\$29,900,000	—	100%	Property development
啟東衡美影視城有限公司 Qidong Hengmei Movie City Company Limited	1 January 2007	US\$29,900,000	—	100%	Property development
啟東鑫華娛樂有限公司 Qidong Xinhua Entertainment Company Limited	1 January 2007	US\$29,900,000	—	100%	Property development
啟東通譽健身俱樂部有限公司 Qidong Tongyu Gym Club Company Limited	1 January 2007	US\$29,900,000	—	100%	Property development
啟東寶豐康復保健有限公司 Qidong Baofeng Health Recovery Company Limited	1 January 2007	US\$29,900,000	—	100%	Property development
重慶恒大基宇置業有限公司 Hengda Chongqing Jiyu Property Company Limited	14 May 2007	US\$128,900,000	—	100%	Property development
恒大地產集團鄭州有限公司 Hengda (Zhengzhou) Real Estate Group Company Limited	23 May 2007	RMB 20,000,000	—	100%	Property development
湖北怡清雅築房地產開發有限公司 Hubei Yiqingyazhu Real Estate Development Company Limited	20 March 2007	RMB 320,000,000	—	100%	Property development
金碧物業有限公司 Jinbi Property Management Company Limited	10 September 1997	RMB 177,600,000	—	60%	Property management and related consulting services
廣州市金碧房地產代理有限公司 Guangzhou Jinbi Real Estate Agency Company Limited	18 July 2002	RMB 500,000	—	100%	Property agency
廣州市金碧華府物業有限公司 Guangzhou Jinbi Huafu Property Company Limited	20 August 2003	RMB 10,000,000	—	60%	Provision of property management services

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
廣州市金碧世家物業服務有限公司 Guangzhou Jinbi Shijia Property Service Company Limited	11 November 2003	RMB 10,000,000	—	100%	Provision of property management services
廣州市金碧恒盈物業服務有限公司 Guangzhou Jinbi Hengying Property Service Company Limited	6 February 2004	RMB 10,000,000	—	100%	Provision of property management services
恒大地產集團西安有限公司 Hengda (Xi'an) Real Estate Group Company Limited	14 September 2007	RMB 30,000,000	—	100%	Property development
恒大地產集團洛陽有限公司 Hengda (Luoyang) Real Estate Group Company Limited	5 September 2007	RMB 20,000,000	—	100%	Property development
恒大地產集團太原有限公司 Hengda (Taiyuan) Real Estate Group Company Limited	11 September 2007	RMB 631,000,000	—	100%	Property development
西安曲江投資建設有限公司 Xi'an Qujiang Investment Construction Company Limited	9 September 2002	RMB 453,462,000	—	65%	Property development
西安祺雲置業有限公司 Xi'an Qiyun Land Company Limited	28 August 2007	RMB 315,000,000	—	100%	Property development
合肥祺嘉置業有限公司 Hefei Qijia Property Company Limited	6 November 2007	US\$38,600,000	—	100%	Property development
恒大地產集團南寧有限公司 Hengda Nanning Real Estate Group Company Limited	9 November 2007	RMB 20,000,000	—	100%	Property development
南寧銀象房地產開發有限責任公司 Nanning Yinxiang Real Estate Development Company Liability limited	24 November 2005	RMB 10,000,000	—	80.05%	Property development
恒大地產集團貴陽置業有限公司 Hengda Real Estate Group Guiyang Property Company Limited	13 November 2007	RMB 159,100,000	—	100%	Property development
南京漢典房地產開發有限公司 Nanjing Handian Property Development Company Limited	10 July 2002	RMB 371,000,000	—	100%	Property development
湖南雄震投資有限公司 Hunan Xiongzen Investment Company Limited	7 August 2003	RMB 100,000,000	—	51%	Property development
恒大地產集團合肥有限公司 Hengda Hefei Real Estate Group Company Limited	9 November 2007	RMB 20,000,000	—	100%	Property development

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大地產集團長沙置業有限公司 Hengda Changsha Property Company Limited	7 November 2007	RMB 20,000,000	—	100%	Property development
廣州恒暉建築工程有限公司 Guangzhou Henghui Construction Company Limited	26 November 1997	RMB 21,000,000	—	100%	Construction
廣州市恒大工程監理有限公司 Guangzhou Hengda Construction Supervisory Company Limited	3 June 1997	RMB 3,000,000	—	100%	Supervision of construction
廣州市金碧園林藝術有限公司 Guangzhou Jinbi Landscaping Company Limited	24 January 2002	RMB 1,180,000	—	100%	Landscape and architecture
廣州恒大裝飾工程有限公司 Guangzhou Hengda Decoration Engineering Company Limited	24 May 2004	RMB 3,010,000	—	100%	Decoration and design
佛山市恒大金屬建築材料有限公司 Foshan Hengda Metallic Construction Material Company Limited	24 August 2005	RMB 1,000,000	—	100%	Sales of decoration materials
廣州市恒大廣告有限公司 Guangzhou Hengda Advertising Company Limited	1 February 1999	RMB 500,000	—	100%	Advertising
廣州市越秀住宅建設有限公司 Guangzhou Yuexiu Property Construction Company Limited	20 May 2005	RMB 53,280,000	—	100%	Construction
荊州市晴川建築設計院有限公司 Jingzhou Architecture Design Institute Company Limited	6 June 1996	RMB 5,000,000	—	100%	Designing of architecture
廣州市恒大材料設備有限公司 Hengda (Guangzhou) Material and Equipment Company Limited	30 April 2007	RMB 100,000,000	—	100%	Trading of construction materials
河南省軟件園實業發展有限公司 Henan Ruanjianyuan Industrial Development Company Limited	4 April 2000	RMB 20,000,000	—	80%	Property development
佛山市南海俊誠房地產開發有限公司 Foshan Nanhai Jun Cheng Property Development Company Limited	23 November 2007	RMB 20,000,000	—	100%	Property development
恒大地產集團廣東房地產開發有限公司 Hengda Real Estate Group Guangdong Property Development Company Limited	19 December 2007	RMB 50,000,000	—	100%	Property development
武漢恒大園林綠化工程有限公司 Wuhan Hengda Landscaping Planting Project Company Limited	20 June 2008	RMB 500,000	—	100%	Landscape and architecture



Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
天津金瑞園林藝術有限公司 Tianjin Jinrun Landscaping Company Limited	27 June 2008	RMB 1,000,000	—	100%	Landscape and architecture
湖南盛基置業有限公司 Hunan Shengji Property Company Limited	26 March 2008	US\$20,000,000	—	100%	Property development
合肥恒大園林綠化工程有限公司 Hefei Hengda Landscaping Planting Project Company Limited	2 July 2008	RMB 500,000	—	100%	Landscape and architecture
西安恒大園林綠化工程有限公司 Xi'an Hengda Landscaping Planting Project Company Limited	5 August 2008	RMB 1,000,000	—	100%	Landscape and architecture
南京菁潤園林綠化工程有限公司 Nanjing Jingrun Landscaping Planting Project Company Limited	24 July 2008	RMB 2,000,000	—	100%	Landscape and architecture
昆明金翠園林綠化工程有限公司 Kunming Jincui Landscaping Planting Project Company Limited	10 July 2008	RMB 1,000,000	—	100%	Landscape and architecture
佛山市南海區華南師範大學附屬小學恒 大南海學校投資有限公司 Foshan Nanhai Affiliated Primary School of South China Normal University Hengda Nanhai School Investment Company Limited	15 July 2008	RMB 3,000,000	—	100%	Education
貴陽恒大園林綠化工程有限公司 Guiyang Hengda Landscaping Planting Project Company Limited	18 July 2008	RMB 2,000,000	—	100%	Landscape and architecture
重慶潤豐園林綠化工程有限公司 Chongqing Runfeng Landscaping Planting Project Company Limited	4 August 2008	RMB 1,000,000	—	100%	Landscape and architecture
鄂州恒大園林綠化工程有限公司 E'zhou Hengda Landscaping Planting Project Company Limited	30 July 2008	RMB 1,000,000	—	100%	Landscape and architecture
長沙天璽置業有限公司 Changsha Tianxi Zhiye Property Company Limited	5 August 2008	RMB 20,000,000	—	100%	Property development
長沙駿鴻園林綠化工程有限公司 Changsha Junhong Landscaping Planting Project Company Limited	6 August 2008	RMB 2,000,000	—	100%	Landscape and architecture
成都鑫金康園林綠化工程有限公司 Chengdu Xinjinkang Landscaping Planting Project Company Limited	30 June 2008	RMB 1,000,000	—	100%	Landscape and architecture
太原園林綠化工程有限公司 Taiyuan Landscaping Planting Project Company Limited	11 August 2008	RMB 2,000,000	—	100%	Landscape and architecture

<u>Name</u>	<u>Date of incorporation/ establishment</u>	<u>Nominal value of issued and fully paid share capital/ paid-in capital</u>	<u>Percentage of attributable equity interest</u>		<u>Principal activities</u>
			<u>Directly</u>	<u>Indirectly</u>	
恒大地產集團包頭有限公司 Hengda (Baotou) Real Estate Group Company Limited	9 August 2008	RMB 35,000,000	—	100%	Property development
廣東恒大排球俱樂部有限公司 Guangdong Hengda Volleyball Club Limited	24 April 2009	RMB 20,000,000		100%	Club operation
陝西金泓投資有限公司 Shanxi Jinhong Investment Company Limited	2 November 2006	RMB 50,000,000		60%	Property development
南寧市御景園林綠化工程有限公司 Nanning Yujing Landscaping Planting Project Company Limited	18 August 2008	RMB 2,000,000	—	100%	Landscape and architecture

- (a) On 5 July 2007, Success Will Group Limited was incorporated in Hong Kong as a wholly owned subsidiary of ANJI (BVI) Limited.

On 28 September 2007, Success Will Group Limited redesignated its issued share capital of 1,000 ordinary shares of HK\$1.00 each into 600 A ordinary shares of HK\$1.00 each and 400 B ordinary shares of HK\$1.00 each. ANJI (BVI) Limited and a related party of one of the Company's shareholders entered into a share purchase agreement on the same date, pursuant to which the counterparty acquired the 400 B ordinary shares of Success Will Group Limited from ANJI (BVI) Limited at a consideration of US\$130,000,000.

Each of the A ordinary shares and B ordinary shares of Success Will Group Limited will carry the respective rights to dividends and rank pari passu to each other until the total amount of dividends distributed to the holders of the B ordinary shares is equivalent to a 25% compounded annual return on the purchase price of the B ordinary shares, which thereafter, the issued A ordinary shares will entitle the holders thereof to 80% of any dividend declared, made or paid whereas the issued B ordinary shares will entitle the holders thereof to 20% of any dividend so declared, made or paid.

No statutory audited financial statements have been prepared for the above subsidiaries as it is not required by local government, except for the following companies of the corresponding financial years:

<u>Name of companies</u>	<u>Statutory auditors</u>		
	<u>Year 2006</u>	<u>Year 2007</u>	<u>Year 2008</u>
恒大地產集團有限公司 Hengda Real Estate Group Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited
廣州市俊匯房地產開發有限公司 Guangzhou Junhui Real Estate Development Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited
廣州通瑞達房地產實業有限公司 Guangzhou Tongruida Real Estate Industrial Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited

**Statutory auditors**

<b>Name of companies</b>	<b>Year 2006</b>	<b>Year 2007</b>	<b>Year 2008</b>
佛山市南海新中建房地產發展有限公司 Foshan Nanhai Xinzhongjian Real Estate Development Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited
廣州市俊鴻房地產開發有限公司 Guangzhou Junhong Real Estate Development Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited
廣州恒大（增城）房地產開發有限公司 Guangzhou Hengda (Zengcheng) Real Estate Development Company Limited	廣州晉成會計師事務所有限公司 Guangzhou Jincheng Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州振和會計師事務所有限公司 Guangzhou Zhenhe Certified Public Accountants Co., Ltd.
恒大地產集團武漢有限公司 Hengda Real Estate Group (Wuhan) Company Limited	武漢天鵬會計師事務所有限公司 Wuhan Tianpeng Certified Public Accountants Company Limited	湖北天元會計師事務所有限公司 Hubei Tianyuan Certified Public Accountants Company Limited	湖北天元會計師事務所有限公司 Hubei Tianyuan Certified Public Accountants Company Limited
恒大地產集團重慶有限公司 Hengda Real Estate Group (Chongqing) Company Limited	Not applicable	重慶鉅碼會計師事務所有限公司 Chongqing Boma Certified Public Accountants Co., Ltd.	重慶中凱會計師事務所有限公司 Chongqing Zhongkai Certified Public Accountants Company Limited
恒大鑫源（昆明）置業有限公司 Hengda Xinyuan (Kunming) Property Company Limited	Not applicable	昆明亞太會計師事務所有限公司 Kunming Yatai Certified Public Accountants	昆明亞太會計師事務所有限公司 Kunming Yatai Certified Public Accountants
恒大地產集團成都有限公司 Hengda (Chengdu) Real Estate Group Company Limited	四川光華會計師事務所有限公司 Sichuan Guanghua Public Accountant Office Limited Company	四川光華會計師事務所有限公司 Sichuan Guanghua Public Accountant Office Limited Company	四川恒通會計師事務所有限公司 Sichuan Hengtong Certified Public Accountants Co., Ltd.
南京恒大富豐置業有限公司 Nanjing Hengda Fufeng Property Company Limited	Not applicable	南京中信會計師事務所 Nanjing Zhongxin Certified Public Accountants	南京國信均益會計師事務所有限公司 Nanjing Guoxinjunyi Public Accountant Office Limited Company
天津薊縣金鑫觀光產業有限公司 Tianjin Ji Jinxin Tourism Industry Company Limited	Not applicable	天津市正泰有限責任會計師事務所 Tianjin Zhengtai Certified Public Accountants Ltd.	天津市正泰有限責任會計師事務所 Tianjin Zhengtai Certified Public Accountants Ltd.
武漢鑫金觀光產業園有限公司 Wuhan Xinjin Tourist Park Company Limited	武漢天鵬會計師事務所有限公司 Wuhan Tianpeng Certified Public Accountants Company Limited	湖北天元會計師事務所有限公司 Hubei Tianyuan Public Accountant Office Limited Company	湖北天元會計師事務所有限公司 Hubei Tianyuan Public Accountant Office Limited Company
彭山縣鑫鑫觀光產業園有限公司 Pengshan Xinxin Tourist Park Company Limited	Not applicable	Not applicable	四川恒通會計師事務所有限公司 Sichuan Hengtong Certified Public Accountants Co., Ltd.

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
安寧市淦鑫觀光產業園有限公司 Anning Ganxin Tourist Park Company Limited	Not applicable	昆明亞太會計師事務所有限 責任公司 Kunming Yatai Certified Public Accountants	昆明亞太會計師事務所有限 責任公司 Kunming Yatai Certified Public Accountants
恒大(清新)生態示範園 有限公司 Hengda (Qingxin) Designated Eco-park Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州振和會計師事務所有限公司 Guangzhou Zhenhe Certified Public Accountants Co., Ltd.
恒大(佛岡)湯塘農場有限公司 Hengda (Fogang) Tangtang Farm Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州永道會計師事務所有限公司 Guangzhou Yongdao Certified Public Accountants Co., Ltd.
廣州恒大生態農業開發基地 有限公司 Guangzhou Hengda Eco- agricultural Development Base Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州永道會計師事務所有限公司 Guangzhou Yongdao Certified Public Accountants Co., Ltd.
廣州市超豐置業有限公司 Guangzhou Chaofeng Land Company Limited	廣州晉成會計師事務所有限公司 Guangzhou Jincheng Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited
廣州市凱隆置業有限公司 Guangzhou Kailong Land Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited
恒大地產集團天津薊縣有限公司 Hengda (Tianjin) Jixian Real Estate Group Company Limited	Not applicable	天津隆玉聯合會計師事務所 Tianjin Longyu United Certified Public Accountants	天津市正泰有限責任會計師 事務所 Tianjin Zhengtai Certified Public Accountants Ltd.
恒大地產集團彭山有限公司 Hengda (Pengshan) Real Estate Group Company Limited	Not applicable	四川光華會計師事務所有限 責任公司 Sichuan Guanghua Public Accountant Office Limited Company	四川恒通會計師事務所有限公司 Sichuan Hengtong Certified Public Accountants Co., Ltd.
恒大地產集團江津有限公司 Hengda (Jiangjin) Real Estate Group Company Limited	Not applicable	重慶鎔碼會計師事務所有限公司 Chongqing Boma Certified Public Accountants Co., Ltd.	重慶中凱會計師事務所有限公司 Chongqing Zhongkai Certified Public Accountants Co., Ltd.
鄂州恒大房地產開發有限公司 E'zhou Hengda Real Estate Development Company Limited	武漢天鵬會計師事務有限 責任公司 Wuhan Tianpeng Certified Public Accountants Co., Ltd.	湖北鄂州融信有限責任會計師 事務所 Hubei Ezhou Rongxin Certified Public Accountants Co., Ltd.	湖北鄂州融信有限責任會計師 事務所 Hubei Ezhou Rongxin Certified Public Accountants Co., Ltd.
鄂州鑫金生態觀光產業園 有限公司 E'zhou Xinjin Ecology Sightseeing Park Company Limited	武漢天鵬會計師事務有限 責任公司 Wuhan Tianpeng Certified Public Accountants Co., Ltd.	湖北中天會計師事務所有限 責任公司 Hubei Zhongtian Certified Public Accountants Co., Ltd.	湖北鄂州融信有限責任會計師 事務所 Hubei Ezhou Rongxin Certified Public Accountants Co., Ltd.
恒大地產集團清新有限公司 Hengda (Qingxin) Real Estate Group Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州永道會計師事務所有限公司 Guangzhou Yongdao Certified Public Accountants Co., Ltd.

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
廣州市啟通實業有限公司 Guangzhou Qitong Real Estate Industry Company Limited	Not applicable	廣州南華會計師事務所有限公司 Guangzhou Nanhua Certified Public Accountants Limited	北京中瑞誠聯合會計師事務所 廣東分所 Guangdong Branch of China Regal CPAs
廣州市廣域實業有限公司 Guangzhou Guangyu Real Estate Industry Company Limited	Not applicable	廣州南華會計師事務所有限公司 Guangzhou Nanhua Certified Public Accountants Limited	北京中瑞誠聯合會計師事務所 廣東分所 Guangdong Branch of China Regal CPAs
廣州市力拓土石方工程有限公司 Guangzhou Lituo Site Preparation Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州市華德會計師事務所有限公司 Guangzhou Huasui Certified Public Accountants Company Limited	北京中瑞誠聯合會計師事務所 廣東分所 Guangdong Branch of China Regal CPAs
成都恒大銀河新城置業有限公司 Chengdu Hengda Galaxy New City Property Company Limited	Not applicable	Not applicable	四川恒通會計師事務所有限公司 Sichuan Hengtong Certified Public Accountants Co., Ltd.
武漢東湖恒大房地產開發有限公司 Wuhan Donghu Hengda Real Estate Development Company Limited	武漢天鵬會計師事務所有限公司 Wuhan Tianpeng Certified Public Accountants Company Limited	武漢長城會計師事務所有限公司 Wuhan Changcheng Certified Public Accountants Co., Ltd.	湖北天元會計師事務所有限公司 Hubei Tianyuan Certified Public Accountants Co., Ltd.
重慶市鑫恒觀光農業有限公司 Chongqing Xinheng Sightseeing Industry Park Company Limited	Not applicable	重慶鉅碼會計師事務所有限公司 Chongqing Boma Certified Public Accountants Co., Ltd.	重慶中凱會計師事務所有限公司 Chongqing Zhongkai Certified Public Accountants Co., Ltd.
恒大鑫隆（瀋陽）置業有限公司 Hengda Xinlong (Shenyang) Real Estate Company Limited	遼寧爾立會計師事務所有限公司 Liaoning Lier Certified Public Accountants Co., Ltd.	遼寧爾立會計師事務所有限公司 Liaoning Lier Certified Public Accountants Co., Ltd.	遼寧爾立會計師事務所有限公司 Liaoning Lier Certified Public Accountants Co., Ltd.
恒大長基（瀋陽）置業有限公司 Hengda Changji (Shenyang) Property Company Limited	遼寧爾立會計師事務所有限公司 Liaoning Lier Certified Public Accountants Co., Ltd.	遼寧爾立會計師事務所有限公司 Liaoning Lier Certified Public Accountants Co., Ltd.	遼寧爾立會計師事務所有限公司 Liaoning Lier Certified Public Accountants Co., Ltd.
恒大鑫源（瀋陽）置業有限公司 Hengda Xinyuan (Shenyang) Property Company Limited	遼寧爾立會計師事務所有限公司 Liaoning Lier Certified Public Accountants Co., Ltd.	遼寧爾立會計師事務所有限公司 Liaoning Lier Certified Public Accountants Co., Ltd.	遼寧爾立會計師事務所有限公司 Liaoning Lier Certified Public Accountants Co., Ltd.
鶴山市鑫鑫觀光產業園有限公司 Heshan Xinxin Tourist Park Company Limited	鶴山市中信會計師事務所 Heshan Zhongxin Certified Public Accountants Co., Ltd.	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州永道會計師事務所有限公司 Guangzhou Yongdao Certified Public Accountants Co., Ltd.
成都市溫江區鑫金康置業有限公司 Chengdu Wenjiang Xinjinkang Property Company Limited	四川寅洋會計師事務所有限公司 Sichuan Yanyang Certified Public Accountants Co., Ltd.	Not applicable	四川恒通會計師事務所有限公司 Sichuan Hengtong Certified Public Accountants Co., Ltd.
恒大鑫豐（彭山）置業有限公司 Hengda Xinfeng (Pengshan) Property Company Limited	Not applicable	Not applicable	四川恒通會計師事務所有限公司 Sichuan Hengtong Certified Public Accountants Co., Ltd.
恒大盛宇（清新）置業有限公司 Hengda Shengyu (Qingxin) Company Limited	Not applicable	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州振和會計師事務所有限公司 Guangzhou Zhenhe Certified Public Accountants Co., Ltd.

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
武漢市金碧綠洲房地產開發有限公司 Wuhan Evergrande Oasis Real Estate Development Company Limited	Not applicable	武漢長城會計師事務所有限責任公司 Wuhan Changcheng Certified Public Accountants Co., Ltd.	湖北天元會計師事務所有限責任公司 Hubei Tianyuan Certified Public Accountants Co., Ltd.
啟東譽豪飲食廣場有限公司 Qidong Yuhao Catering Court Company Limited	Not applicable	南通陽光會計師事務所有限公司 Nantong Sunshine Certified Public Accountants Co., Ltd.	南通陽光會計師事務所有限公司 Nantong Sunshine Certified Public Accountants Co., Ltd.
啟東歡華大酒店有限公司 Qidong Huanhua Hotel Company Limited	Not applicable	南通陽光會計師事務所有限公司 Nantong Sunshine Certified Public Accountants Co., Ltd.	南通陽光會計師事務所有限公司 Nantong Sunshine Certified Public Accountants Co., Ltd.
啟東勤盛遊樂有限公司 Qidong Qingshen Amusement Company Limited	Not applicable	南通陽光會計師事務所有限公司 Nantong Sunshine Certified Public Accountants Co., Ltd.	南通陽光會計師事務所有限公司 Nantong Sunshine Certified Public Accountants Co., Ltd.
啟東衡美影視城有限公司 Qidong Hengmei Movie City Company Limited	Not applicable	南通陽光會計師事務所有限公司 Nantong Sunshine Certified Public Accountants Co., Ltd.	南通陽光會計師事務所有限公司 Nantong Sunshine Certified Public Accountants Co., Ltd.
啟東鑫華娛樂有限公司 Qidong Xinhua Entertainment Company Limited	Not applicable	南通三角州聯合會計師事務所 Nantong Shanjiaozhou Lianhe Public Accountants Co., Ltd.	南通陽光會計師事務所有限公司 Nantong Sunshine Certified Public Accountants Co., Ltd.
啟東通譽健身俱樂部有限公司 Qidong Tongyu Gym Club Company Limited	Not applicable	南通三角州聯合會計師事務所 Nantong Shanjiaozhou Lianhe Public Accountants Co., Ltd.	南通陽光會計師事務所有限公司 Nantong Sunshine Certified Public Accountants Co., Ltd.
啟東寶豐康復保健有限公司 Qidong Baofeng Health Recovery Company Limited	Not applicable	南通三角州聯合會計師事務所 Nantong Shanjiaozhou Lianhe Public Accountants Co., Ltd.	南通陽光會計師事務所有限公司 Nantong Sunshine Certified Public Accountants Co., Ltd.
重慶恒大基宇置業有限公司 Hengda Chongqing Jiyu Property Company Limited	Not applicable	重慶鉅碼會計師事務所有限公司 Chongqing Boma Certified Public Accountants Co., Ltd.	重慶中凱會計師事務所有限公司 Chongqing Zhongkai Certified Public Accountants Co., Ltd.
恒大地產集團鄭州有限公司 Hengda (Zhengzhou) Real Estate Group Company Limited	Not applicable	河南久遠會計師事務所有限公司 Henan Jiuyuan Certified Public Accountants Co., Ltd.	河南久遠會計師事務所有限公司 Henan Jiuyuan Certified Public Accountants Co., Ltd.
湖北怡清雅築房地產開發有限公司 Hubei Yiqingyazhu Real Estate Development Company Limited	Not applicable	武漢長城會計師事務所有限責任公司 Wuhan Changcheng Certified Public Accountants Co., Ltd.	湖北天元會計師事務所有限責任公司 Hubei Tianyuan Certified Public Accountants Co., Ltd.
金碧物業有限公司 Jinbi Property Management Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州南華會計師事務所有限公司 Guangzhou Nanhua Certified Public Accountants Limited	廣州振和會計師事務所有限公司 Guangzhou Zhenhe Certified Public Accountants Co., Ltd.
廣州市金碧房地產代理有限公司 Guangzhou Jinbi Real Estate Agency Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州南華會計師事務所有限公司 Guangzhou Nanhua Certified Public Accountants Limited	廣州振和會計師事務所有限公司 Guangzhou Zhenhe Certified Public Accountants Co., Ltd.
廣州市金碧華府物業有限公司 Guangzhou Jinbi Huafu Property Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州南華會計師事務所有限公司 Guangzhou Nanhua Certified Public Accountants Limited	廣州振和會計師事務所有限公司 Guangzhou Zhenhe Certified Public Accountants Co., Ltd.



**Statutory auditors**

<b>Name of companies</b>	<b>Year 2006</b>	<b>Year 2007</b>	<b>Year 2008</b>
廣州市金碧世家物業管理有限公司 Guangzhou Jinbi Shijia Property Management Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州南華會計師事務所有限公司 Guangzhou Nanhua Certified Public Accountants Limited	廣州振和會計師事務所有限公司 Guangzhou Zhenhe Certified Public Accountants Co., Ltd.
廣州市金碧恒盈物業服務有限公司 Guangzhou Jinbi Hengying Property Service Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州南華會計師事務所有限公司 Guangzhou Nanhua Certified Public Accountants Limited	廣州振和會計師事務所有限公司 Guangzhou Zhenhe Certified Public Accountants Co., Ltd.
恒大地產集團洛陽有限公司 Hengda (Luoyang) Real Estate Group Company Limited	Not applicable	河南凱橋會計師事務所有限公司 Henan Kaiqiao Certified Public Accountants Co., Ltd.	洛陽中華會計師事務所有限公司 Luoyang Zhonghua Certified Public Accountants Co., Ltd.
恒大地產集團太原有限公司 Hengda (Taiyuan) Real Estate Group Company Limited	Not applicable	山西晉強會計師事務所有限公司 Shanxi Jinqiang Certified Public Accountants Co., Ltd.	山西華鈺會計師事務所 ShanXi Huayu Certified Public Accountants
西安曲江投資建設有限公司 Xi'an Qujiang Investment Construction Company Limited	Not applicable	陝西正大有限責任會計師事務所 Shaanxi Zhengda Certified Public Accountants Ltd.	Not applicable
西安祺雲置業有限公司 Xi'an Qiyun Land Company Limited	Not applicable	陝西正大有限責任會計師事務所 Shaanxi Zhengda Certified Public Accountants Ltd.	陝西西秦金周會計師事務所有限公司 Shaanxi Xiqin Jinzhou Certified Public Accountants
合肥祺嘉置業有限公司 Hefei Qijia Property Company Limited	Not applicable	安徽華建會計師事務所 Anhui Huajian Certified Public Accountants Co., Ltd.	安徽中健會計師事務所 Anhui Huajian Certified Public Accountants Co., Ltd.
恒大地產集團南寧有限公司 Hengda Nanning Real Estate Group Company Limited	Not applicable	南寧市華泰天正聯合會計師事務所 Nanning Huatai Tianzheng Lianhe Certified Public Accountants Co., Ltd.	南寧市華泰天正聯合會計師事務所 Nanning Huatai Tianzheng Lianhe Certified Public Accountants Co., Ltd.
南寧銀象房地產開發有限公司 Nanning Yinxiang Real Estate Development Company Liability limited	Not applicable	南寧市華泰天正聯合會計師事務所 Nanning Huatai Tianzheng Lianhe Certified Public Accountants Co., Ltd.	南寧市華泰天正聯合會計師事務所 Nanning Huatai Tianzheng Lianhe Certified Public Accountants Co., Ltd.
恒大地產集團貴陽置業有限公司 Hengda Real Estate Group Guiyang Property Company Limited	Not applicable	貴陽華正聯合會計師事務所 Guiyang Huazheng Certified Public Accountants Partnership	貴陽華正聯合會計師事務所 Guiyang Huazheng Certified Public Accountants Partnership
南京漢典房地產開發有限公司 Nanjing Handian Property Development Company Limited	Not applicable	南京中信會計師事務所 Nanjing Zhongxin Certified Public Accountants	南京國信均益會計師事務所有限公司 Nanjing Guoxin Junyi Certified Public Accountants Co., Ltd.
湖南雄震投資有限公司 Hunan Xiongzen Investment Company Limited	Not applicable	湖南中和有限責任會計師事務所 Hunan Zhonghe Limited Certified Public Accounts' Firm	湖南遠誠聯合會計師事務所 Yuancheng United Certified Public Accounts Office of Hunan

**Statutory auditors**

<b>Name of companies</b>	<b>Year 2006</b>	<b>Year 2007</b>	<b>Year 2008</b>
恒大地產集團合肥有限公司 Hengda Hefei Real Estate Group Company Limited	Not applicable	安徽華建會計師事務所 Anhui Huajian Certified Public Accountants Co., Ltd.	安徽中健會計師事務所 Anhui Huajian Certified Public Accountants Co., Ltd.
恒大地產集團長沙置業有限公司 Hengda Changsha Property Company Limited	Not applicable	湖南中和有限責任會計師事務所 Hunan Zhonghe Limited Certified Public Accounts' Firm	湖南遠誠聯合會計師事務所 Yuancheng United Certified Public Accounts Office of Hunan
廣州恒暉建築工程有限公司 Guangzhou Henghui Construction Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州南華會計師事務所有限公司 Guangzhou Nanhua Certified Public Accountants Limited	北京中瑞誠聯合會計師事務所 廣東分所 Guangdong Branch of China Regal CPAs
廣州市恒大工程監理有限公司 Guangzhou Hengda Construction Supervisory Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州市南華會計師事務所 有限公司 Guangzhou Nanhua Certified Public Accountants Limited	北京中瑞誠聯合會計師事務所 廣東分所 Guangdong Branch of China Regal CPAs
廣州市金碧園林藝術有限公司 Guangzhou Jinbi Landscaping Company Limited	廣州晉成會計師事務所有限公司 Guangzhou Jincheng Certified Public Accountants Company Limited	廣州南華會計師事務所有限公司 Guangzhou Nanhua Certified Public Accountants Limited	北京中瑞誠聯合會計師事務所廣 東分所 Guangdong Branch of China Regal CPAs
廣州恒大裝飾工程有限公司 Guangzhou Hengda Decoration Engineering Company Limited	廣州晉成會計師事務所有限公司 Guangzhou Jincheng Certified Public Accountants Company Limited	廣州南華會計師事務所有限公司 Guangzhou Nanhua Certified Public Accountants Limited	北京中瑞誠聯合會計師事務所 廣東分所 Guangdong Branch of China Regal CPAs
佛山市恒大金屬建築材料 有限公司 Foshan Hengda Metallic Construction Material Company Limited	佛山市達正會計師事務所 Foshan Dazheng Certified Public Accountants Co., Ltd.	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州永道會計師事務所有限公司 Guangzhou Yongdao Certified Public Accountants Co., Ltd.
廣州市恒大廣告有限公司 Guangzhou Hengda Advertising Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州永道會計師事務所有限公司 Guangzhou Yongdao Certified Public Accountants Co., Ltd.
廣州市越秀住宅建設有限公司 Guangzhou Yuexiu Property Construction Company Limited	廣州市華穗會計師事務所 有限公司 Guangzhou Huasui Certified Public Accountants Company Limited	廣州市華穗會計師事務所 有限公司 Guangzhou Huasui Certified Public Accountants Company Limited	廣州市華穗會計師事務所 有限公司 Guangzhou Huasui Certified Public Accountants Company Limited
荊州市晴川建築設計院有限公司 Jingzhou Architecture Design Institute Company Limited	Not applicable	廣州南華會計師事務所有限公司 Guangzhou Nanhua Certified Public Accountants Limited	北京中瑞誠聯合會計師事務所 廣東分所 Guangdong Branch of China Regal CPAs
廣州市恒大材料設備有限公司 Hengda (Guangzhou) Material and Equipment Company Limited	Not applicable	廣州南華會計師事務所有限公司 Guangzhou Nanhua Certified Public Accountants Limited	北京中瑞誠聯合會計師事務所 廣東分所 Guangdong Branch of China Regal CPAs
河南省軟件園實業發展有限公司 Henan Ruanjianyuan Industrial Development Company Limited	Not applicable	河南久遠會計師事務所有限公司 Henan Jiuyuan Certified Public Accountants Co., Ltd.	河南久遠會計師事務所有限公司 Henan Jiuyuan Certified Public Accountants Co., Ltd.

**Statutory auditors**

<b>Name of companies</b>	<b>Year 2006</b>	<b>Year 2007</b>	<b>Year 2008</b>
佛山市南海俊誠房地產開發有限公司 Foshan Nanhai Jun Cheng Property Development Company Limited	Not applicable	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州宏海會計師事務所有限公司 Guangzhou Honghai Certified Public Accountants Co., Ltd.
恒大地產集團廣東房地產開發有限公司 Hengda Real Estate Group Guangdong Property Development Company Limited	Not applicable	廣州志信會計師事務所有限公司 Guangzhou Reputation Certified Public Accountants Company Limited	廣州振和會計師事務所有限公司 Guangzhou Zhenhe Certified Public Accountants Co., Ltd.
武漢恒大園林綠化工程有限公司 Wuhan Hengda Landscaping Planting Project Company Limited	Not applicable	Not applicable	湖北天元會計師事務所有限公司 Hubei Tianyuan Certified Public Accountants Co., Ltd.
天津金瑞園林藝術有限公司 Tianjin Jinrun Landscaping Company Limited	Not applicable	Not applicable	天津市正泰有限責任會計師事務所 Tianjin Zhengtai Certified Public Accountants Ltd.
湖南盛基置業有限公司 Hunan Shengji Property Company Limited	Not applicable	Not applicable	湖南遠誠聯合會計師事務所 Yuancheng United Certified Public Accountants Office of Hunan
合肥恒大園林綠化工程有限公司 Hefei Hengda Landscaping Planting Project Company Limited	Not applicable	Not applicable	安徽中健會計師事務所 Anhui Zhongjian Certified Public Accountants Co., Ltd.
西安恒大園林綠化工程有限公司 Xi'an Hengda Landscaping Planting Project Company Limited	Not applicable	Not applicable	陝西西秦金周會計師事務所有限公司 Shaanxi Xiqin Jinzhou Certified Public Accountants
南京菁潤園林綠化工程有限公司 Nanjing Jingrun Landscaping Planting Project Company Limited	Not applicable	Not applicable	南京國信均益會計師事務所有限公司 Nanjing Guoxin Junyi Certified Public Accountants Co., Ltd.
昆明金翠園林綠化工程有限公司 Kunming Jincui Landscaping Planting Project Company Limited	Not applicable	Not applicable	昆明亞太會計師事務所有限公司 Kunming Yatai Certified Public Accountants
佛山市南海區華南師範大學附屬小學恒大南海學校投資有限公司 Foshan Nanhai Affiliated Primary School of South China Normal University Hengda Nanhai School Investment Company Limited	Not applicable	Not applicable	廣州永道會計師事務所有限公司 Guangzhou Yongdao Certified Public Accountants Co., Ltd.
貴陽恒大園林綠化工程有限公司 Guiyang Hengda Landscaping Planting Project Company Limited	Not applicable	Not applicable	貴陽華正聯合會計師事務所 Guiyang Huazheng Certified Public Accountants Partnership

Name of companies	Statutory auditors		
	Year 2006	Year 2007	Year 2008
重慶潤豐園林綠化工程有限公司 Chongqing Runfeng Landscaping Planting Project Company Limited	Not applicable	Not applicable	重慶中凱會計師事務所有限公司 Chongqing Zhongkai Certified Public Accountants Co., Ltd.
鄂州恒大園林綠化工程有限公司 E'zhou Hengda Landscaping Planting Project Company Limited	Not applicable	Not applicable	湖北鄂州融信有限責任會計師 事務所 Hubei Ezhou Rongxin Certified Public Accountants Co., Ltd.
長沙天璽置業有限公司 Changsha Tianxi Zhiye Property Company Limited	Not applicable	Not applicable	湖南遠誠聯合會計師事務所 Hunan Yuancheng United Certified Public Accountants Office
長沙駿鴻園林綠化工程有限公司 Changsha Junhong Landscaping Planting Project Company Limited	Not applicable	Not applicable	湖南遠誠聯合會計師事務所 Hunan Yuancheng United Certified Public Accountants Office
成都鑫金康園林綠化工程 有限公司 Chengdu Xinjinkang Landscaping Planting Project Company Limited	Not applicable	Not applicable	四川恒通會計師事務所有限公司 Sichuan Hengtong Certified Public Accountants Co., Ltd.
太原園林綠化工程有限公司 Taiyuan Landscaping Planting Project Company Limited	Not applicable	Not applicable	山西華鈺會計師事務所 Shanxi Huayu Certified Public Accountants
恒大地產集團包頭有限公司 Hengda (Baotou) Real Estate Group Company Limited	Not applicable	Not applicable	包頭廣源會計師事務所 Baotou Guangyuan Certified Public Accountants Co., Ltd.
陝西金泓投資有限公司 Shanxi Jinhong Investment Company Limited	Not applicable	Not applicable	陝西興華會計師事務所有限 責任公司 Shanxi Xinghua Certified Public Accountants Co., Ltd.
南寧市御景園林綠化工程 有限公司 Nanning Yujing Landscaping Planting Project Company Limited	Not applicable	Not applicable	南寧市華泰天正聯合會計師 事務所 Nanning Huatai Tianzheng Lianhe Certified Public Accountants Co., Ltd.

The names of certain of the companies referred to in the Financial Information represent management's translation of the Chinese names of these companies into English as no English names have been registered or available for these companies.

## 2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Relevant Periods, unless otherwise stated.

### (a) *Basis of preparation*

For the purpose of this report, the Financial Information for the Relevant Periods have been prepared to reflect the reorganisation of a business under common control, in which all the companies comprising the Group are ultimately controlled by Dr. Hui. Accordingly, the Reorganisation has been accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards (the “HKFRSs”) under the historical cost convention, as modified by the revaluation of investment properties, embedded financial derivatives and available-for-sale investments which are carried at fair value.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4 below.

The Group finances the development of its projects primarily through proceeds from the shareholders’ contributions, bank borrowings, pre-sale proceeds of properties, the Convertible Preferred Shares and the structured secured loan from a financial institution (the “Structured Secured Loan”). The directors of the Company have prepared the working capital forecast for the 18 months ending 31 December 2010 with certain key assumption as disclosed in note 3(a)(iv). The directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to maintain its operating existence in the foreseeable future and accordingly have prepared the Financial Information on a going concern basis.

The following new standards, amendments to standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 July 2009 or later periods and which the Group has not early adopted.

- HKAS 27 (Revised), “Consolidated and Separate Financial Statements” (effective for annual period beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- HKFRS 1 (Amendment), “First time adoption of HKFRS” and HKAS 27 “Consolidated and separate financial statements” (effective for annual periods beginning on or after 1 July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as

income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1 July 2009 in its separate financial statements. This amendment is not relevant to the Group.

- HKFRS 3 (Revised), “Business Combination” (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- HKFRS 5 (Amendment), “Non-current assets held for sale and discontinued operations” (and consequential amendment to HKFRS 1, “First-time adoption”) (effective for annual periods beginning on or after 1 July 2009). The amendment clarifies that all of a subsidiary’s assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to HKFRS 1 states that these amendments are applied prospectively from the date of transition to HKFRSs. The Group will apply the HKFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
- HKFRS 2 (Amendment), “Share-based payment” (effective for annual periods beginning on or after 1 July 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.
- There are a number of minor amendments to HKFRS 7, “Financial instruments: Disclosures”, HKAS 8, “Accounting policies, changes in accounting estimates and errors”, HKAS 10, “Events after the balance sheet date”, HKAS 18, “Revenue” and HKAS 34, “Interim financial reporting” which are not addressed above. These amendments are unlikely to have an impact on the Group’s financial statements and have therefore not been analysed in detail.
- In 2009, the HKICPA published certain improvements to the HKFRS which will be effective for period beginning on or after 1 January 2010. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

HKAS 1 (Amendment)	Presentation of financial statements
HKAS 7 (Amendment)	Cash flow statements
HKAS 17 (Amendment)	Leases
HKAS 18 (Amendment)	Revenue
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets



HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HKFRS 2 (Amendment)	Scope of HKFRS 2 and revised HKFRS 3
HKFRS 5 (Amendment)	Disclosures of non-current assets (or disposal groups) classified as held for sales or discontinued operations
HKFRS 8 (Amendment)	Disclosure of information about segment assets
HK(IFRIC) 9 (Amendment)	Reassessment of embedded derivatives
HK(IFRIC) 16 (Amendment)	Hedges of a net investment in a foreign operation
HK(IFRIC)-Int 16 (Amendment)	Hedges of a net investment in a foreign operation
Amendments to Implementation Guidance on HKFRS 1	First-time adoption of Hong Kong financial reporting standards — additional exemptions for first-time adopters

The Group is in the process of making an assessment on the impact of these new/ revised standards, amendments and interpretations to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

**(b) *Merger accounting for common control combination***

The Financial Information incorporate the financial information of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book value from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over acquisition cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the later of the earliest date presented and the date when the combining entities or businesses first came under common control, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for using merger accounting is recognised as expenses in the period in which they are incurred.

**(c) Consolidation**

**(i) Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group except for which has been accounted for under merger accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

**(ii) Transaction with minority interests**

The Group applies a policy of treating transaction with minority interests as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the consolidated statement of comprehensive income. Purchase from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired.

**(d) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

**(e) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each companies comprising the Group are measured using the currency of the primary economic environment in which the companies operate (the “functional currency”). The consolidated financial statements are presented in Renminbi (“RMB”), which is the functional and presentation currency of the Company.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

*(iii) Group entities*

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement of the group entities are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

**(f) Property and equipment**

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	30 years
Machinery	5–10 years
Motor vehicles	5–10 years
Furniture, fitting and equipment	5–8 years

The assets’ residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in other (losses)/gains — net, of the income statement.

**(g) *Assets under construction***

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**(h) *Investment properties***

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Property that is currently being constructed or developed for future use as investment property is classified as investment property.

Investment property comprises land held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed at each balance sheet date by independent valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement to the extent the impairment provision previous made.

**(i) *Impairment of non-financial assets***

Assets that are subject to amortisation are reviewed 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 carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating unit"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(j) *Financial assets***

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and reviews the designation at each reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as "Trade and other receivables" in the balance sheet. They are recognised as trade receivables, other receivables, cash and cash equivalent in balance sheet and carried at the amortised cost using the effective interest method.

**(k) *Properties under development***

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises construction costs, amortisation of land use rights, borrowing costs, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

**(l) *Completed properties held for sale***

Completed properties remaining unsold at the end of each relevant period are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties during property development, as explained in accounting policy for properties under development.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

**(m) *Trade and other receivables***

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised on trade date — the date on which the Group provides fund, products or services directly to a debtor who has no intention to exchange the receivables. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the trade or other receivable is reduced through the use of an allowance account, and the amount of the provision is recognised in the consolidated income statement within selling and marketing costs. When an trade or other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited to consolidated income statement.

Trade and other receivables are included in current assets, except for those mature after 12 months of the balance sheet date which are classified as non-current assets.

**(n) *Cash and cash equivalents***

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term high liquidity investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in “Restricted cash”. Restricted cash are excluded from cash and cash equivalents in the cash flow statements.

**(o) *Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

**(p) *Trade and other payables***

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(q) *Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.



Borrowing is derecognised when, and only when the obligation specified in the contract is discharged or cancelled or expires.

**(r) *Convertible Preferred Shares***

The Company issued US dollar (“US\$”) denominated Convertible Preferred Shares which can be converted to ordinary shares of the Company and redeemed under certain circumstances.

If the conversion of the Convertible Preferred Shares will not result in delivering a fixed number of the Company’s own equity instruments in exchange for a fixed amount of cash or another financial asset, the Convertible Preferred Shares contract will be separated into two component elements: a derivative component consisting of the conversion option and the redemption option and a liability component consisting of the straight debt element of the Convertible Preferred Shares.

On the issue of the Convertible Preferred Shares, the fair value of the embedded derivative was calculated using a valuation technique. The derivative component is carried at fair value on the balance sheet with any changes in fair value being charged or credited to the consolidated income statement in the period when the change occurs. The remainder of the proceeds is allocated to debt element of the Convertible Preferred Shares, net of transaction costs, and is recorded as the liability component. The liability component is subsequently carried at amortised cost until extinguished on conversion or redemption. Interest expense is calculated using the effective interest method by applying the effective interest rate to the liability component through the maturity date.

If the Convertible Preferred Shares are converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the Convertible Preferred Shares are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in the consolidated income statement.

**(s) *Current and deferred income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries/regions where the group companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**(t) *Employee benefits***

**(i) *Employee leave entitlements***

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(ii) *Retirement benefits***

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees in Hong Kong.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

**(iii) *Termination benefits***

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

**(u) *Provisions and contingent liabilities***

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

**(v) *Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminated sales with the Group entities. Revenue is recognised as follows:

The Group recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, and type of transaction and the specifics of each arrangement.

**(i) *Sales of properties***

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. To the extent that the Group has to perform further work on the real estate already delivered to the purchasers, the relevant expenses shall be recognised simultaneously. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheets under current liabilities.

**(ii) *Property management***

Revenue arising from property management is recognised in the accounting period in which the services are rendered, using a straight-line basis over the term of the contract.

(iii) *Construction and decoration services*

Revenue arising from construction and decoration service is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iv) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(v) *Rental income*

Rental income of property leasing under operating leases is recognised on a straight-line basis over the lease terms.

**(w) *Leases***

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee*

Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold or transferred to the cost of investment properties upon completion of the relevant properties.

(ii) *The Group is the lessor*

Assets leased out under operating leases are included in investment properties in the balance sheets.

**(x) *Dividend distribution***

Dividend distribution to the then equity holders of the Group is recognised in this report in the period in which the dividends are approved by the equity holders or the board of directors, where applicable, of relevant Group companies.

**(y) *Financial guarantee liabilities***

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for property purchasers and to certain investors for the Company's holding company.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

### **3. Financial risk management**

The Group's major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **(a) Financial risk factor**

##### *(i) Foreign exchange risk*

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and proceeds from borrowings and Convertible Preferred Shares are in other foreign currencies. As at 30 June 2009, the non-RMB assets and liabilities of the Group are mainly cash proceeds from borrowings deposited in US\$ bank accounts and borrowings from a financial institution denominated in US\$. The Group has not entered into any significant forward exchange contract to hedge its exposure to foreign exchange risk.

As at 31 December 2006, the Group did not have significant monetary assets or liabilities denominated in foreign currency. As at 31 December 2007 and 2008 and 30 June 2009, if RMB had strengthened/weakened by 5% against US\$, with all other variables held constant, post-tax profit for the years ended 31 December 2007 and 2008 and six months ended 30 June 2009 would have been approximately RMB 45 million, RMB 163 million and RMB 87 million higher/lower.

##### *(ii) Interest rate risk*

The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings and the Convertible Preferred Shares. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, if interest rate on borrowing had been 100 basic point higher/lower with all variables held constant, post-tax profit for the end ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009 would have been approximately RMB 5 million, RMB 15 million, RMB 5 million and RMB 1 million lower/higher, respectively, mainly as a result of more/less interest expense on floating rate borrowings.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) *Credit risk*

Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, restricted cash, trade and other receivables.

For banks and financial institutions, deposits are only placed with reputable banks. For credit exposures to customers, generally, the Group requires full payment from customers before delivery of properties. Credit terms are granted to customers for rare cases upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group has set out policies to ensure follow-up action is taken to recover overdue debts and the Group reviews regularly the recoverable amount of each individual trade and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 31.

(iv) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans and issuance of Convertible Preferred Shares and new ordinary shares to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

Certain events of default occurred under the Structured Secured Loan in 2008 (note 16(b)), which have also caused cross-defaults under the financial arrangement with the holders of Convertible Preferred Shares (the "Financial Investors") (note 17) and certain shareholders of the Company (the "New Investors") (note 14(e)). On 17 September 2009, the Group has obtained waivers from the Financial Investors, the lenders of Structured Secured Loan and the New Investors with respect to any existing or purported defaults, events of default or cross-default under the various investment and loan agreements, such waivers will remain valid until 31 March 2010; and the Group has also obtained an extension of the exercise date of the put option in relation to the Structured Secured Loan from the lenders to 31 March 2010.

The directors of the Company have prepared cash flow projections for the period from 1 July 2009 to 31 December 2010 (the "Projected Period"). Key assumptions used in the preparation of the cash flow projections for the Projected Period are disclosed below:

- (1) A qualified initial public offering ("QIPO") can be completed by 31 March 2010;
- (2) Unit selling price of the properties of the Group in the Projected Period is not expected to fluctuate significantly from that of the six months ended 30 June 2009. The contracted sales in the Projected Period are expected to be derived from 38 projects of the Group over 10 cities within the PRC;



- (3) To finance the development of its projects, the Group will continue to obtain bank borrowings under credit lines for which the Group has entered into strategic cooperation agreement or received non-binding letters of intent from certain domestic banks. The issuance of non-binding offers for credit lines is not uncommon in the PRC.

The Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction plans for properties under development, implementing cost control measures, accelerating sales with more flexible pricing, seeking joint venture partners to co-develop quality projects, disposal of certain land use rights and investment properties with acceptable prices and renegotiating payment terms with counterparties for certain land acquisitions. The Group will, based on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date.

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 31 December 2006					
Borrowings . . . . .	939,710	465,982	1,062,669	—	2,468,361
Trade and other payables . . . . .	857,081	—	—	—	857,081
Convertible Preferred Shares . . . . .	—	—	2,830,322	—	2,830,322
Total . . . . .	<u>1,796,791</u>	<u>465,982</u>	<u>3,892,991</u>	<u>—</u>	<u>6,155,764</u>
At 31 December 2007					
Borrowings . . . . .	1,420,408	6,048,236	3,692,152	—	11,160,796
Trade and other payables . . . . .	4,194,060	—	—	—	4,194,060
Convertible Preferred Shares . . . . .	—	—	3,153,928	—	3,153,928
Total . . . . .	<u>5,614,468</u>	<u>6,048,236</u>	<u>6,846,080</u>	<u>—</u>	<u>18,508,784</u>
At 31 December 2008					
Borrowings . . . . .	6,829,100	3,724,936	393,924	293,831	11,241,791
Trade and other payables . . . . .	4,469,168	—	—	—	4,469,168
Total . . . . .	<u>11,298,268</u>	<u>3,724,936</u>	<u>393,924</u>	<u>293,831</u>	<u>15,710,959</u>
At 30 June 2009					
Borrowings . . . . .	6,754,625	2,791,839	1,086,229	293,831	10,926,524
Trade and other payables . . . . .	5,122,154	—	—	—	5,122,154
Total . . . . .	<u>11,876,779</u>	<u>2,791,839</u>	<u>1,086,229</u>	<u>293,831</u>	<u>16,048,678</u>

**(b) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the consolidated balance sheets.

During the Relevant Periods, the Group's strategy was to maintain a gearing ratio within 20% to 50%. The gearing ratios as at 31 December 2006, 2007 and 2008 and 30 June 2009 were as follows:

	31 December			30 June
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Total borrowings . . . . .	<u>2,255,383</u>	<u>9,561,716</u>	<u>10,440,256</u>	<u>10,172,311</u>
Total assets . . . . .	<u>7,793,977</u>	<u>21,384,385</u>	<u>28,522,598</u>	<u>36,455,376</u>
Gearing ratio . . . . .	<u>29%</u>	<u>45%</u>	<u>37%</u>	<u>28%</u>

**(c) Fair value estimation**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date, quoted market prices or dealer quotes for similar instruments or estimated discounted cash flows.

The nominal value less impairment provisions of trade and other receivables and the nominal value of trade and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**4. Critical accounting estimates and judgements**

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(a) PRC enterprise income taxes and deferred taxation**

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

**(b) PRC land appreciation taxes**

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes

based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expenses and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

**(c) *Convertible Preferred Shares***

As described in note 17, the Company's Convertible Preferred Shares contain a number of embedded financial derivatives that are measured to fair value through profit or loss. The Company engaged an independent appraiser to assist it in determining the fair value of these embedded financial derivatives. The determination of fair value was made after consideration of a number of factors, including but not limited to: the Group's financial and operating results; the global economic outlook in general and the specific economic and competitive factors affecting the Group's business; the nature and prospects of the PRC property market; the Group's business plan and prospects; business risks the Group faces; and market yields and return volatility of comparable corporate bonds. This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. As at 31 December 2006 and 2007, the fair values of the embedded financial derivatives were approximately RMB 294 million and RMB 816 million, respectively.

**(d) *Estimated fair value of investment properties***

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuers. As at 31 December 2006, 2007 and 2008 and 30 June 2009, the fair values of the investment properties were approximately RMB 847 million, RMB 1,571 million, RMB 1,741 million and RMB 2,148 million, respectively.

**(e) *Estimated fair value of financial guarantee liabilities***

The Group determines the amount of the fair values of financial guarantee liabilities with a range of reasonable fair value estimates. In making its estimates, the Group considers information from a variety of sources including: the Group's financial position and operating results; the global economic outlook in general and the specific economic and competitive factors affecting the Group's business; probability of a successful IPO; probability of default and recovery ratio; and market yields and return volatility of comparable corporate bonds.

These conclusions of values were based on generally accepted valuation procedures and practices that rely on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

The Group assesses the fair value of its financial guarantee liabilities for their initial recognition and the present values of the expenditures required to settle the present obligations subsequently based on assessments conducted by independent and professional qualified valuers.

**(f) Provision for properties held for sale and properties under development**

The Group assesses the carrying amounts of completed properties held for sale and properties under development according to their net realisable value based on the realisability of these properties, taking into account costs to completion based on past experience and net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

**5. Segment information**

The chief operating decision-maker has been identified as the senior management at the headquarter level. The chief operating decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management, property construction and other property development related services. As chief operating decision-maker of the Group considers most of the Group's consolidated revenue and results are attributable to the market in the PRC, only an immaterial part (less than 10%) of the Group's consolidated assets are located outside the PRC, no geographical segment information is presented.

Revenue consists of sales of properties, rental income of investment properties, property management services and income for provision of construction and other property development related services. Revenue of the Relevant Periods consists of the following:

	Year ended 31 December			Six months ended 30 June	
	2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)	2008 (RMB'000) (unaudited)	2009 (RMB'000)
Sales of properties . . . . .	1,885,344	3,014,766	3,495,057	2,471,276	1,490,107
Rental income of investment properties . . . . .	11,775	28,592	25,758	11,852	12,360
Property management services	46,339	66,940	78,694	37,303	44,723
Property construction and other property development related services . . . . .	39,846	56,394	7,282	4,982	87,940
	<u>1,983,304</u>	<u>3,166,692</u>	<u>3,606,791</u>	<u>2,525,413</u>	<u>1,635,130</u>

The segment results and other segment items included in the consolidated income statement for the year ended 31 December 2006 are as follows:

	<b>Property development</b>	<b>Property investment</b>	<b>Property management services</b>	<b>Property construction and other services</b>	<b>Elimination</b>	<b>Group</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Gross segment revenue . . . . .	1,885,344	11,775	46,339	162,081		2,105,539
Inter-segment revenue . . . . .	—	—	—	(122,235)		(122,235)
Revenue . . . . .	<u>1,885,344</u>	<u>11,775</u>	<u>46,339</u>	<u>39,846</u>		<u>1,983,304</u>
Segment results . . . . .	338,353	311,267	7,460	(2,112)	(6,111)	648,857
Fair value change on embedded financial derivatives . . . . .						(2,515)
Finance costs, net . . . . .						<u>(55,809)</u>
Profit before income tax . . . . .						590,533
Income tax expense . . . . .						<u>(265,074)</u>
Profit for the year . . . . .						<u>325,459</u>
Depreciation (note 6) . . . . .	8,165	—	389	875	—	9,429
Amortisation of land use rights recognised as expenses (note 7) . . . . .	7,953	—	—	—	—	7,953
Fair value gains on investment properties . . . . .	<u>—</u>	<u>300,103</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>300,103</u>

The segment results and other segment items included in the consolidated income statement for the year ended 31 December 2007 are as follows:

	<b>Property development</b>	<b>Property investment</b>	<b>Property management services</b>	<b>Property construction and other services</b>	<b>Elimination</b>	<b>Group</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Gross segment revenue . . . . .	3,014,766	36,606	66,940	852,897		3,971,209
Inter-segment revenue . . . . .	—	(8,014)	—	(796,503)		(804,517)
Revenue . . . . .	<u>3,014,766</u>	<u>28,592</u>	<u>66,940</u>	<u>56,394</u>		<u>3,166,692</u>
Segment results . . . . .	1,295,903	691,843	(13,484)	101,122	(114,595)	1,960,789
Fair value change on embedded financial derivatives . . . . .						(562,684)
Finance income, net . . . . .						<u>118,765</u>
Profit before income tax . . . . .						1,516,870
Income tax expense . . . . .						<u>(437,766)</u>
Profit for the year . . . . .						<u>1,079,104</u>
Depreciation (note 6) . . . . .	10,190	—	533	4,303	—	15,026
Amortisation of land use rights recognised as expenses (note 7) . . . . .	31,588	—	—	—	—	31,588
Fair value gains on investment properties . . . . .	<u>—</u>	<u>657,067</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>657,067</u>

The segment results and other segment items included in the consolidated income statement for the year ended 31 December 2008 are as follows:

	<b>Property development</b>	<b>Property investment</b>	<b>Property management services</b>	<b>Property construction and other services</b>	<b>Elimination</b>	<b>Group</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Gross segment revenue . . . . .	3,495,057	33,800	78,694	2,165,392		5,772,943
Inter-segment revenue . . . . .	—	(8,042)	—	(2,158,110)		(2,166,152)
Revenue . . . . .	<u>3,495,057</u>	<u>25,758</u>	<u>78,694</u>	<u>7,282</u>		<u>3,606,791</u>
Segment results . . . . .	698,195	109,525	(25,044)	266,185	(202,996)	845,865
Provision for financial guarantees . . . . .						(65,997)
Finance income, net . . . . .						<u>186,520</u>
Profit before income tax . . . . .						966,388
Income tax expense . . . . .						<u>(333,958)</u>
Profit for the year . . . . .						<u>632,430</u>
Depreciation ( <i>note 6</i> ) . . . . .	19,016	—	871	4,171	—	24,058
Amortisation of land use rights recognised as expenses ( <i>note 7</i> ) . . . . .	17,404	—	—	—	—	17,404
Fair value gains on investment properties . . . . .	—	77,415	—	—	—	<u>77,415</u>

The segment results and other segment items included in the consolidated income statement for the six months ended 30 June 2009 are as follows:

	<b>Property development</b>	<b>Property investment</b>	<b>Property management services</b>	<b>Property construction and other services</b>	<b>Elimination</b>	<b>Group</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Gross segment revenue . . . . .	1,490,107	16,863	44,723	1,193,408		2,745,101
Inter-segment revenue . . . . .	—	(4,503)	—	(1,105,468)		(1,109,971)
Revenue . . . . .	<u>1,490,107</u>	<u>12,360</u>	<u>44,723</u>	<u>87,940</u>		<u>1,635,130</u>
Segment results . . . . .	34,161	311,399	(39,078)	202,897	(133,760)	375,619
Reversal of provision for financial guarantees . . . . .						146,341
Finance costs, net . . . . .						<u>(12,308)</u>
Profit before income tax . . . . .						509,652
Income tax credit . . . . .						<u>12,708</u>
Profit for the period . . . . .						<u>522,360</u>
Depreciation ( <i>note 6</i> ) . . . . .	19,528	—	632	2,293	—	22,453
Amortisation of land use rights recognised as expenses ( <i>note 7</i> ) . . . . .	10,757	—	—	—	—	10,757
Fair value gains on investment properties . . . . .	—	299,657	—	—	—	<u>299,657</u>



The segment results and other segment items included in the consolidated income statement for the six months ended 30 June 2008 are as follows:

	<b>Property development</b>	<b>Property investment</b>	<b>Property management services</b>	<b>Property construction and other services</b>	<b>Elimination</b>	<b>Group</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Gross segment revenue . . . . .	2,471,276	15,761	37,303	903,435		3,427,775
Inter-segment revenue . . . . .	—	(3,909)	—	(898,453)		(902,362)
Revenue . . . . .	<u>2,471,276</u>	<u>11,852</u>	<u>37,303</u>	<u>4,982</u>		<u>2,525,413</u>
Segment results . . . . .	739,612	122,885	(25,044)	266,185	(90,259)	1,013,379
Provision for financial guarantees . . . . .						(32,315)
Finance income, net . . . . .						183,980
Profit before income tax . . . . .						1,165,044
Income tax expense . . . . .						(304,480)
Profit for the period . . . . .						<u>860,564</u>
Depreciation (note 6) . . . . .	9,903	—	398	2,097	—	12,398
Amortisation of land use rights recognised as expenses (note 7) . . . . .	5,645	—	—	—	—	5,645
Fair value gains on investment properties . . . . .	—	107,912	—	—	—	107,912

Segment assets and liabilities as at 31 December 2006 are as follows:

	<b>Property development</b>	<b>Property investment</b>	<b>Property management services</b>	<b>Property construction and other services</b>	<b>Elimination</b>	<b>Group</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Segment assets . . . . .	6,487,208	847,487	346,160	114,294	(29,257)	7,765,892
Unallocated . . . . .						28,085
Total assets . . . . .						<u>7,793,977</u>
Segment liabilities . . . . .	2,161,800	—	144,759	41,912	(19,294)	2,329,177
Unallocated . . . . .						5,973,134
Total liabilities . . . . .						<u>8,302,311</u>
Capital expenditure . . . . .	<u>11,117</u>	<u>—</u>	<u>526</u>	<u>5,577</u>	<u>—</u>	<u>17,220</u>

Segment assets and liabilities as at 31 December 2007 are as follows:

	<b>Property development</b>	<b>Property investment</b>	<b>Property management services</b>	<b>Property construction and other services</b>	<b>Elimination</b>	<b>Group</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Segment assets . . . . .	19,521,753	1,571,468	232,746	780,658	(846,144)	21,260,481
Unallocated . . . . .						123,904
Total assets . . . . .						<u>21,384,385</u>
Segment liabilities . . . . .	6,143,685	—	46,181	493,176	(725,438)	5,957,604
Unallocated . . . . .						14,575,508
Total liabilities . . . . .						<u>20,533,112</u>
Capital expenditure . . . . .	<u>100,847</u>	<u>60,659</u>	<u>1,958</u>	<u>23,583</u>	<u>—</u>	<u>187,047</u>

Segment assets and liabilities as at 31 December 2008 are as follows:

	<b>Property development</b>	<b>Property investment</b>	<b>Property management services</b>	<b>Property construction and other services</b>	<b>Elimination</b>	<b>Group</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Segment assets . . . . .	26,521,654	1,741,390	239,393	1,535,377	(1,871,396)	28,166,418
Unallocated . . . . .						356,180
Total assets . . . . .						<u>28,522,598</u>
Segment liabilities . . . . .	8,531,098	—	78,313	910,716	(1,547,694)	7,972,433
Unallocated . . . . .						11,967,034
Total liabilities . . . . .						<u>19,939,467</u>
Capital expenditure . . . . .	<u>249,673</u>	<u>5,068</u>	<u>1,903</u>	<u>4,058</u>	<u>—</u>	<u>260,702</u>

Segment assets and liabilities as at 30 June 2009 are as follows:

	<b>Property development</b>	<b>Property investment</b>	<b>Property management services</b>	<b>Property construction and other services</b>	<b>Elimination</b>	<b>Group</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Segment assets . . . . .	34,150,435	2,148,108	261,840	2,053,931	(2,661,106)	35,953,208
Unallocated . . . . .						502,168
Total assets . . . . .						<u>36,455,376</u>
Segment liabilities . . . . .	16,805,243	—	140,144	1,146,399	(2,203,644)	15,888,142
Unallocated . . . . .						11,560,543
Total liabilities . . . . .						<u>27,448,685</u>
Capital expenditure . . . . .	<u>30,699</u>	<u>—</u>	<u>4,152</u>	<u>1,889</u>	<u>—</u>	<u>36,740</u>

Sales between segments are carried out at agreed terms amongst the parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated income statement.

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They exclude deferred tax assets and income tax recoverable.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment.

Reportable segments' assets are reconciled to total assets as follows:

	<b>31 December</b>			<b>30 June</b>
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Segment assets . . . . .	7,765,892	21,260,481	28,166,418	35,953,208
Unallocated:				
Income tax recoverable . . . . .	8,128	—	31,816	100,707
Deferred income tax assets . . . . .	<u>19,957</u>	<u>123,904</u>	<u>324,364</u>	<u>401,461</u>
Total assets per balance sheets . . . . .	<u>7,793,977</u>	<u>21,384,385</u>	<u>28,522,598</u>	<u>36,455,376</u>

Reportable segments liabilities are reconciled to total liabilities as follows:

	<b>31 December</b>			<b>30 June</b>
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Segment liabilities . . . . .	2,329,177	5,957,604	7,972,433	15,888,142
Unallocated:				
Current income tax liabilities . . . . .	170,435	561,291	877,848	895,183
Deferred income tax liabilities . . . . .	422,762	482,137	451,527	441,987
Borrowings . . . . .	2,255,383	9,561,716	10,440,256	10,172,311
Convertible Preferred Shares . . . . .	2,830,322	3,153,928	—	—
Embedded financial derivatives . . . . .	294,232	816,436	—	—
Financial guarantee liabilities . . . . .	—	—	197,403	51,062
Total liabilities per balance sheets . . . . .	<u>8,302,311</u>	<u>20,533,112</u>	<u>19,939,467</u>	<u>27,448,685</u>

## 6. Property and equipment

### *The Group*

	<b>Buildings</b>	<b>Machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fitting and equipment</b>	<b>Assets under construction</b>	<b>Total</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
At 1 January 2006						
Cost . . . . .	14,193	3,526	45,606	11,378	—	74,703
Accumulated depreciation . . . . .	(2,795)	(1,108)	(20,430)	(5,644)	—	(29,977)
Net book amount . . . . .	<u>11,398</u>	<u>2,418</u>	<u>25,176</u>	<u>5,734</u>	<u>—</u>	<u>44,726</u>
Year ended 31 December 2006						
Opening net book amount . . . . .	11,398	2,418	25,176	5,734	—	44,726
Additions . . . . .	—	5,599	9,440	2,181	—	17,220
Disposals . . . . .	—	(150)	(5,258)	(328)	—	(5,736)
Depreciation . . . . .	(460)	(845)	(6,488)	(1,636)	—	(9,429)
Closing net book amount . . . . .	<u>10,938</u>	<u>7,022</u>	<u>22,870</u>	<u>5,951</u>	<u>—</u>	<u>46,781</u>
At 31 December 2006						
Cost . . . . .	14,193	8,789	48,409	12,882	—	84,273
Accumulated depreciation . . . . .	(3,255)	(1,767)	(25,539)	(6,931)	—	(37,492)
Net book amount . . . . .	<u>10,938</u>	<u>7,022</u>	<u>22,870</u>	<u>5,951</u>	<u>—</u>	<u>46,781</u>
Year ended 31 December 2007						
Opening net book amount . . . . .	10,938	7,022	22,870	5,951	—	46,781
Acquisition of subsidiary . . . . .	—	10,897	—	—	—	10,897
Additions . . . . .	32,621	12,277	29,272	18,253	83,727	176,150
Disposals . . . . .	—	(378)	(81)	(365)	—	(824)
Depreciation . . . . .	(444)	(5,626)	(5,808)	(3,148)	—	(15,026)
Closing net book amount . . . . .	<u>43,115</u>	<u>24,192</u>	<u>46,253</u>	<u>20,691</u>	<u>83,727</u>	<u>217,978</u>
At 31 December 2007						
Cost . . . . .	46,814	31,017	77,525	30,494	83,727	269,577
Accumulated depreciation . . . . .	(3,699)	(6,825)	(31,272)	(9,803)	—	(51,599)
Net book amount . . . . .	<u>43,115</u>	<u>24,192</u>	<u>46,253</u>	<u>20,691</u>	<u>83,727</u>	<u>217,978</u>
Year ended 31 December 2008						
Opening net book amount . . . . .	43,115	24,192	46,253	20,691	83,727	217,978
Additions . . . . .	35	2,761	19,650	29,062	209,194	260,702
Disposals . . . . .	—	(2,179)	(1,935)	(367)	—	(4,481)
Transfer to buildings . . . . .	291,795	—	—	—	(291,795)	—
Depreciation . . . . .	(2,030)	(3,618)	(11,088)	(7,322)	—	(24,058)
Closing net book amount . . . . .	<u>332,915</u>	<u>21,156</u>	<u>52,880</u>	<u>42,064</u>	<u>1,126</u>	<u>450,141</u>
At 31 December 2008						
Cost . . . . .	338,644	29,455	95,237	58,825	1,126	523,287
Accumulated depreciation . . . . .	(5,729)	(8,299)	(42,357)	(16,761)	—	(73,146)
Net book amount . . . . .	<u>332,915</u>	<u>21,156</u>	<u>52,880</u>	<u>42,064</u>	<u>1,126</u>	<u>450,141</u>
Six months ended 30 June 2009						
Opening net book amount . . . . .	332,915	21,156	52,880	42,064	1,126	450,141
Additions . . . . .	—	656	2,097	33,987	—	36,740
Disposals . . . . .	—	(184)	(36)	(8,666)	—	(8,886)
Transfer to investment properties . . . . .	(64,601)	—	—	—	(1,126)	(65,727)
Depreciation . . . . .	(4,740)	(1,692)	(6,792)	(9,229)	—	(22,453)
Closing net book amount . . . . .	<u>263,574</u>	<u>19,936</u>	<u>48,149</u>	<u>58,156</u>	<u>—</u>	<u>389,815</u>
At 30 June 2009						
Cost . . . . .	274,043	29,837	97,288	81,277	—	482,445
Accumulated depreciation . . . . .	(10,469)	(9,901)	(49,139)	(23,121)	—	(92,630)
Net book amount . . . . .	<u>263,574</u>	<u>19,936</u>	<u>48,149</u>	<u>58,156</u>	<u>—</u>	<u>389,815</u>

*The Group*

	<u>Buildings</u>	<u>Machinery</u>	<u>Motor vehicles</u>	<u>Furniture, fitting and equipment</u>	<u>Assets under construction</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>Unaudited</b>						
Six months ended 30 June 2008						
Opening net book amount . . . . .	43,115	24,192	46,253	20,691	83,727	217,978
Additions . . . . .	—	2,301	12,265	9,277	59,895	83,738
Disposals . . . . .	—	(1,468)	(1,343)	(43)	—	(2,854)
Depreciation . . . . .	(1,004)	(1,966)	(6,171)	(3,257)	—	(12,398)
Closing net book amount . . . . .	<u>42,111</u>	<u>23,059</u>	<u>51,004</u>	<u>26,668</u>	<u>143,622</u>	<u>286,464</u>
At 30 June 2008						
Cost . . . . .	46,814	31,043	87,622	39,693	143,622	348,794
Accumulated depreciation . . . . .	(4,703)	(7,984)	(36,618)	(13,025)	—	(62,330)
Net book amount . . . . .	<u>42,111</u>	<u>23,059</u>	<u>51,004</u>	<u>26,668</u>	<u>143,622</u>	<u>286,464</u>

Depreciation charge of the Group was included in the following categories in the consolidated income statements:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Cost of sales . . . . .	1,029	2,993	3,576	1,424	1,551
Selling and marketing costs . . . . .	5	124	253	158	3,056
Administrative expenses	<u>8,395</u>	<u>11,909</u>	<u>20,229</u>	<u>10,816</u>	<u>17,846</u>
	<u>9,429</u>	<u>15,026</u>	<u>24,058</u>	<u>12,398</u>	<u>22,453</u>

Interests of RMB 10,490,000, RMB 21,149,000 and RMB 12,811,000 were capitalised in assets under construction for the years ended 31 December 2007 and 2008 and six months ended 30 June 2008, respectively. There was no interest capitalised in assets under construction for the year ended 31 December 2006 or six months ended 30 June 2009.

The capitalisation rate of borrowings was 12.53%, 11.23% and 11.27% for the years ended 31 December 2007 and 2008 and the six months ended 30 June 2008, respectively.

*The Company*

	<u>Motor vehicles</u> (RMB'000)	<u>Furniture, fitting and equipment</u> (RMB'000)	<u>Total</u> (RMB'000)
Period ended 31 December 2006:			
Additions and as at 31 December 2006. . . . .	1,389	11	1,400
Year ended 31 December 2007:			
Opening net book amount. . . . .	1,389	11	1,400
Additions. . . . .	—	376	376
Disposal. . . . .	(53)	—	(53)
Depreciation. . . . .	(266)	(54)	(320)
Closing net book amount. . . . .	<u>1,070</u>	<u>333</u>	<u>1,403</u>
At 31 December 2007			
Cost. . . . .	1,336	387	1,723
Accumulated depreciation. . . . .	(266)	(54)	(320)
Net book amount. . . . .	<u>1,070</u>	<u>333</u>	<u>1,403</u>
Year ended 31 December 2008:			
Opening net book amount. . . . .	1,070	333	1,403
Additions. . . . .	—	52	52
Depreciation. . . . .	(268)	(81)	(349)
Closing net book amount. . . . .	<u>802</u>	<u>304</u>	<u>1,106</u>
At 31 December 2008			
Cost. . . . .	1,336	439	1,775
Accumulated depreciation. . . . .	(534)	(135)	(669)
Net book amount. . . . .	<u>802</u>	<u>304</u>	<u>1,106</u>
Six months ended 30 June 2009			
Opening net book amount. . . . .	802	304	1,106
Additions. . . . .	—	10	10
Depreciation. . . . .	(134)	(44)	(178)
Closing net book amount. . . . .	<u>668</u>	<u>270</u>	<u>938</u>
At 30 June 2009			
Cost. . . . .	1,336	449	1,785
Accumulated depreciation. . . . .	(668)	(179)	(847)
Net book amount. . . . .	<u>668</u>	<u>270</u>	<u>938</u>
<b>Unaudited</b>			
Six months ended 30 June 2008			
Opening net book amount. . . . .	1,070	333	1,403
Additions. . . . .	—	29	29
Depreciation. . . . .	(133)	(39)	(172)
Closing net book amount. . . . .	<u>937</u>	<u>323</u>	<u>1,260</u>
At 30 June 2008			
Cost. . . . .	1,336	416	1,752
Accumulated depreciation. . . . .	(399)	(93)	(492)
Net book amount. . . . .	<u>937</u>	<u>323</u>	<u>1,260</u>



## 7. Land use rights — Group

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Opening net book amount . . .	1,548,501	1,537,166	6,984,912	6,984,912	8,895,113
Additions . . . . .	371,611	5,796,646	2,855,403	998,664	1,895,089
Amortisation . . . . .	(27,913)	(66,022)	(121,024)	(62,294)	(76,518)
— Capitalised in properties under development . . .	(19,960)	(34,434)	(103,620)	(56,649)	(65,761)
— Recognised as expenses	(7,953)	(31,588)	(17,404)	(5,645)	(10,757)
Transfer to cost of sales . . . .	(348,015)	(259,747)	(270,381)	(168,786)	(202,198)
Transfer to investment properties . . . . .	(7,018)	(23,131)	(4,543)	(3,146)	(30,706)
Transfer of project development rights (note 21(a)) . . . . .	—	—	(549,254)	(549,254)	—
Closing net book amount . . .	<u>1,537,166</u>	<u>6,984,912</u>	<u>8,895,113</u>	<u>7,200,096</u>	<u>10,480,780</u>
Amount to be realised within one normal operating cycle included under current assets . . . . .	1,158,544	6,514,092	8,644,245	6,966,079	10,202,174
Land use rights included under non-current assets . .	<u>378,622</u>	<u>470,820</u>	<u>250,868</u>	<u>234,017</u>	<u>278,606</u>
	<u>1,537,166</u>	<u>6,984,912</u>	<u>8,895,113</u>	<u>7,200,096</u>	<u>10,480,780</u>

Land use rights comprise cost of acquiring rights to use certain land, which are located in different area of the PRC other than Hong Kong, for property development over fixed periods. Land use rights are held on leases of between 50 to 70 years.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, land use rights of RMB 428,365,000, RMB 2,262,500,000, RMB 3,238,778,000 and RMB 5,408,159,000, respectively, were pledged as collateral for the Group's bank borrowings (note 16).

As at 30 June 2009, with respect to land use rights of RMB 278,606,000, the Group needs to obtain further governmental approvals and pay additional land premium before sale of the properties.

## 8. Investment properties — Group

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Opening balance . . . . .	513,531	847,487	1,571,468	1,571,468	1,741,390
Additions . . . . .	333,956	723,981	169,922	144,732	425,728
— Transfer from land use rights . . . . .	7,018	23,131	4,543	3,146	30,706
— Transfer from property and equipment . . . . .	—	—	—	—	65,727
— Transfer from completed properties held for sale . . . . .	26,835	43,783	87,964	33,674	29,638
— Fair value gains . . . . .	300,103	657,067	77,415	107,912	299,657
Disposal of investment properties . . . . .	—	—	—	—	(19,010)
Ending balance . . . . .	<u>847,487</u>	<u>1,571,468</u>	<u>1,741,390</u>	<u>1,716,200</u>	<u>2,148,108</u>

The fair values of the Group's investment properties as at 31 December 2006, 2007 and 2008 and 30 June 2009 were assessed by CB Richard Ellis Limited, an independent qualified valuer. Valuations were based on either i) capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; or ii) on direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

The investment properties are all in the PRC and have lease periods of between 10 years to 50 years.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, investment properties of RMB 757,185,000, RMB 624,204,000, RMB 628,036,000 and RMB 402,997,000, respectively, were pledged as collateral for the Group's bank borrowings (note 16).

## 9. Properties under development — Group

	31 December			30 June
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Properties under development include:				
Construction costs and capitalised expenditures . . . . .	971,583	2,579,962	7,432,993	9,617,137
Interests capitalised . . . . .	<u>111,894</u>	<u>707,055</u>	<u>1,616,199</u>	<u>1,703,113</u>
	<u>1,083,477</u>	<u>3,287,017</u>	<u>9,049,192</u>	<u>11,320,250</u>

The properties under development are located in the PRC.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, properties under development of approximately RMB 179,019,000, RMB 67,073,000, RMB 969,068,000 and RMB 897,530,000, respectively, were pledged as collateral for the Group's bank borrowings (note 16).

The capitalisation rate of borrowings is 6.19%, 12.53%, 11.23% and 10.41% for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, respectively.

## 10. Completed properties held for sale — Group

All completed properties held for sale are located in the PRC.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, completed properties held for sale of approximately RMB 64,819,000, RMB 180,013,000, RMB 30,898,000 and RMB 354,288,000, respectively, were pledged as collateral for the Group's bank borrowings (note 16).

## 11. Trade and other receivables and prepayments

	Group				Company			
	31 December			30 June	31 December			30 June
	2006	2007	2008	2009	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade receivables								
(note (a)):	16,171	11,785	16,389	143,268	—	—	—	—
— related parties								
(note 34 (d))	—	2,682	2,537	3,805	—	—	—	—
— third parties	16,171	9,103	13,852	139,463	—	—	—	—
Other receivables due from:	248,912	494,741	601,711	558,914	2,876,263	3,134,092	6,333,532	6,448,999
— related parties								
(note 34 (d))	—	—	877	400	—	—	—	—
— a shareholder								
(note 34 (d))	125,000	125,000	91	522	125,000	125,000	91	522
— a subsidiary	—	—	—	—	2,748,163	2,999,493	6,332,413	6,447,457
— third parties	123,912	369,741	600,743	557,992	3,100	9,599	1,028	1,020
Prepayments — third parties	1,653,497	4,338,906	2,972,260	2,229,391	—	—	17,621	22,440
— for acquisition of								
land use rights	1,605,996	3,837,448	2,528,633	1,820,937	—	—	—	—
— others	47,501	501,458	443,627	408,454	—	—	17,621	22,440
	<u>1,918,580</u>	<u>4,845,432</u>	<u>3,590,360</u>	<u>2,931,573</u>	<u>2,876,263</u>	<u>3,134,092</u>	<u>6,351,153</u>	<u>6,471,439</u>

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the fair value of trade and other receivables and prepayments approximated their carrying amounts.

The amounts due from related parties, shareholder and subsidiary are unsecured, interest free and have no fixed repayment terms.

- (a) Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

The ageing analysis of trade receivables at respective balance sheet dates is as follows:

	31 December			30 June
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within 90 days	13,016	9,900	5,532	126,827
Over 90 days and within 180 days	1,396	681	4,390	5,310
Over 180 days and within 365 days	<u>1,759</u>	<u>1,204</u>	<u>6,467</u>	<u>11,131</u>
	<u>16,171</u>	<u>11,785</u>	<u>16,389</u>	<u>143,268</u>

The trade and other receivables do not contain past due or impaired assets.

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group has retained the legal titles of the properties sold to these customers at each balance sheet date.

## 12. Restricted cash — Group

	31 December			30 June
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Guarantee deposit for construction of projects ( <i>note (a)</i> ) . . . . .	101,098	851,679	644,609	1,581,411
Guarantee deposit for bank acceptance notes and loans ( <i>note (b)</i> ) . . . . .	278,969	868,090	467,601	465,363
Guarantee deposit for payments of cost of relocation ( <i>note (c)</i> ) . . . . .	6,025	6,080	55,732	79,625
	<u>386,092</u>	<u>1,725,849</u>	<u>1,167,942</u>	<u>2,126,399</u>

(a) In accordance with relevant documents issued by the PRC local State-Owned Land and Resource Bureau, certain property development companies of the Group were required to place the proceeds received from pre-sale of properties as guarantee deposits for construction of properties. The deposits can only be used to pay for construction fees and purchase of construction materials of the relevant projects when approvals are obtained from the PRC local State-Owned Land and Resource Bureau. The restriction will be released after the construction is completed or real estate ownership certificate of the pre-sold properties is issued, whichever is earlier.

(b) The Group placed certain cash deposits with designated banks as security for bank acceptance notes and bank loans.

(c) Pursuant to the policy of the PRC Bureau of Land Resources and Housing Management, the Group should place certain deposits with designated bank accounts to guarantee the payments to original occupants of the land to be acquired by the Group for compensating their relocation costs.

Restricted cash earns interest at floating daily bank deposit rates.

## 13. Cash and cash equivalents

	Group				Company			
	31 December		30 June		31 December		30 June	
	2006	2007	2008	2009	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Cash at bank and in hand:								
— Denominated								
in RMB . . . . .	1,398,396	2,686,463	1,540,017	4,854,969	—	—	—	—
— Denominated								
in other currencies . . . . .	643,666	680,249	377,643	245,618	316,432	617	420	1,659
	<u>2,042,062</u>	<u>3,366,712</u>	<u>1,917,660</u>	<u>5,100,587</u>	<u>316,432</u>	<u>617</u>	<u>420</u>	<u>1,659</u>
Less: Restricted cash								
( <i>note 12</i> ). . . . .	(386,092)	(1,725,849)	(1,167,942)	(2,126,399)	—	—	—	—
	<u>1,655,970</u>	<u>1,640,863</u>	<u>749,718</u>	<u>2,974,188</u>	<u>316,432</u>	<u>617</u>	<u>420</u>	<u>1,659</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating daily bank deposit rates.



transaction between shareholders and as such it did not affect the Financial Information. The Company has provided a guarantee and pledge of shares of certain of its subsidiaries as security for the performance of the obligation of Xin Xin and Dr. Hui (note 31(b)(ii)).

On 17 September 2009, the Group has obtained waivers from the New Investors with respect to any existing or purported defaults, events of default or cross-default under the various investment and loan agreements, such waivers will remain valid until 31 March 2010; and the Group has also obtained an extension of the exercise date of the put option in relation to the Structured Secured Loan to 31 March 2010 (note 16(b)).

- (f) On 31 January 2008, following the redemption of the Convertible Preferred Shares (note 17) and before Xin Xin transferred part of its ordinary shares to the holders of Convertible Preferred Shares (note 16(b)(iv)), the Company has declared dividends of US\$0.05 per ordinary share totalling US\$17,372,026 (equivalent to RMB 125,651,000) out of the Company's share premium to its ordinary shareholders of which US\$17,278,080 (equivalent to approximately RMB 125,000,000) was set off against amounts due from Xin Xin.
- (g) On 24 January 2008, 800,000,000 Convertible Preferred Shares were cancelled and the authorised ordinary shares were increased by an equivalent number.
- (h) On 3 March 2008, the authorised share capital of the Company was increased from US\$50,000,000 to US\$1,000,000,000 by the creation of an additional 95,000,000,000 shares.
- (i) Pursuant to a board resolution dated 14 October 2009, conditional on the share premium account of the Company being credited as a result of the proposed global offering described in the Prospectus, the Company will capitalise an amount of US\$112,208,957.34 standing to the credit of its share premium account in paying up in full at par 11,220,895,734 shares, which will be allotted and issued to the shareholders of the Company as at the date of Prospectus in accordance with their respective shareholding.



## 15. Reserves

### *The Group*

	<u>Merger reserve</u>	<u>Other reserves</u>	<u>Statutory reserves</u>	<u>Total</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Balance at 1 January 2006 . . . . .	829,812	—	152,573	982,385
Deemed contribution by the shareholder of the Company ( <i>note (b)</i> ) . . . . .	—	82,759	—	82,759
Distribution to the then equity holder of the Group ( <i>note (a)</i> ) . . . . .	(1,816,286)	—	—	(1,816,286)
Transfer to statutory surplus reserve fund and statutory welfare fund . . . . .	—	—	6,827	6,827
Balance at 31 December 2006 . . . . .	(986,474)	82,759	159,400	(744,315)
Deemed contribution by the shareholder of the Company ( <i>note (b)</i> ) . . . . .	—	64,481	—	64,481
Transfer to statutory surplus reserve fund and statutory welfare fund . . . . .	—	—	39,369	39,369
Balance at 31 December 2007 . . . . .	(986,474)	147,240	198,769	(640,465)
Transfer to statutory surplus reserve fund and statutory welfare fund . . . . .	—	—	15,766	15,766
Deemed contribution by the shareholder of the Company ( <i>note 17</i> ) . . . . .	—	1,014,536	—	1,014,536
Balance at 31 December 2008 and 30 June 2009 . . . . .	<u>(986,474)</u>	<u>1,161,776</u>	<u>214,535</u>	<u>389,837</u>
<b>Unaudited</b>				
Balance at 1 January 2008 . . . . .	(986,474)	147,240	198,769	(640,465)
Deemed contribution by the shareholder of the Company ( <i>note 17</i> ) . . . . .	—	1,014,536	—	1,014,536
Balance at 30 June 2008 . . . . .	<u>(986,474)</u>	<u>1,161,776</u>	<u>198,769</u>	<u>374,071</u>

#### (a) *Merger reserve*

The merger reserve represents the aggregate nominal value of share capital/paid-in capital of the subsidiaries acquired in the Reorganisation. Movement of merger reserve during the Relevant Periods includes cash considerations paid to Guangzhou Hengda Industrial Group Limited totalling RMB 1,816,286,000 pursuant to the Reorganisation mentioned in note 1 of section II, which have been treated as a distribution to the equity holder during the year ended 31 December 2006.

#### (b) *Other reserves*

In 2006, Guangzhou Hengda Industrial Group Company Limited, a company beneficially owned by Dr. Hui, granted a loan with a principal of RMB 293,831,000 to the Group (note 16). The loan is free of interest and should be initially recognised at fair value which is determined at the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate. The difference between the consideration received and fair value of the loan of approximately RMB 82,759,000 was deemed as a contribution from Dr. Hui.

On 27 August 2007, the Group entered into the Structured Secured Loan agreement with a financial institution (note 16(b)). In connection with this transaction, Xin Xin transferred 12,978,900 ordinary shares of the Company held by it to this financial institution at a notional consideration of US\$150. The loan should be initially recognised at the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate. The difference between the consideration received and fair value of the loan of approximately RMB 64,481,000 was deemed as a contribution from shareholder of the Company.

(c) *Statutory reserves*

In accordance with the relevant rules and regulation in the PRC and the provision of the articles of association of the group companies established in the PRC, before the Reorganisation, these group companies were required to appropriate 10% and 5% of the profit for the year after setting off the accumulated losses brought forward (based on the figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund, respectively.

After the Reorganisation, certain subsidiaries established in the PRC became foreign investment enterprises and are required to appropriate 10% of the profit for the year after setting off the accumulated losses brought forward (based on the figures reported in the statutory financial statements) to the statutory reserve fund and a certain percentage of the profit for the year to enterprise expansion fund at the discretion of the board of directors of the respective companies.

The statutory surplus reserve and statutory reserve fund can only be used to make good of losses of previous years or to increase the capital of respective companies upon the approval of relevant authority, the statutory public welfare fund can only be used in capital expenditure for collective employee welfare facilities, the enterprise expansion fund can only be used to increase capital of respective companies or to expand their production scale upon approval by the relevant authorities.

*The Company*

	<u>Other reserve</u>
	(RMB'000)
Deemed contribution by the shareholder of the Company ( <i>note 17</i> ) and balance at 31 December 2008 and 30 June 2009. . . . .	<u>1,014,536</u>

## 16. Borrowings — Group

	31 December			30 June
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Borrowings included in non-current liabilities:				
Bank borrowings — secured . . . . .	1,732,368	8,980,508	9,779,323	9,468,275
Borrowing from a related party (note (a), note 34(e)) . . . . .	<u>211,071</u>	<u>225,508</u>	<u>240,933</u>	<u>249,036</u>
	1,943,439	9,206,016	10,020,256	9,717,311
Less: current portion of non-current borrowings . . . . .	<u>(517,718)</u>	<u>(290,500)</u>	<u>(5,793,843)</u>	<u>(5,839,425)</u>
	<u>1,425,721</u>	<u>8,915,516</u>	<u>4,226,413</u>	<u>3,877,886</u>
Borrowings included in current liabilities:				
Bank borrowings — secured . . . . .	311,944	355,700	420,000	455,000
Current portion of non-current borrowings	<u>517,718</u>	<u>290,500</u>	<u>5,793,843</u>	<u>5,839,425</u>
	<u>829,662</u>	<u>646,200</u>	<u>6,213,843</u>	<u>6,294,425</u>
The total borrowings are denominated in the following currencies:				
RMB . . . . .	2,255,383	6,477,710	7,172,193	7,097,758
US dollar (note (b)) . . . . .	<u>—</u>	<u>3,084,006</u>	<u>3,268,063</u>	<u>3,074,553</u>
	<u>2,255,383</u>	<u>9,561,716</u>	<u>10,440,256</u>	<u>10,172,311</u>

- (a) The loan from related party is unsecured, interest-free and matured in 2014. The loan was initially recognised at fair value which is determined at the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate, and then subsequently stated at amortised cost.
- (b) On 27 August 2007, the Group and a financial institution entered into the Structured Secured Loan with a maximum principal of US\$500,000,000. Up to 31 October 2007, US\$430,000,000 (“Offshore Structured Secured Loan”) and RMB 20,000,000 (“Onshore Structured Secured Loan”) have been drawn down. The Structured Secured Loan matures on 31 October 2010 and bears interests at LIBOR plus a margin (“Annual Margin”). The other key terms of the Structured Secured Loan are as follows:
- (i) Put payment: if the QIPO does not occur by 31 October 2009, the lender has right to request the Group to repay the Structured Secured Loan in whole together with a redemption premium, which together with the Annual Margin, provides an agreed annual return to the financial institution;
  - (ii) Mandatory prepayment: the Group is required to repay one-third of the outstanding principal balance of the Structured Secured Loan and Xin Xin has undertaken to pay a premium, which together with the Annual Margin paid by the Group, provides an agreed annual return to the financial institution upon QIPO;
  - (iii) Security: the Structured Secured Loan is secured by the equity interests and land use rights of certain subsidiaries of the Group, the Company’s shares held by Xin Xin and guarantees of Xin Xin and Dr. Hui;
  - (iv) Structuring fee and shares in the Company held by Xin Xin: structuring fee is payable to the financial institution upon each draw down of the Structured Secured Loan and certain number of shares in the Company held by Xin Xin should be transferred to the financial institution upon each grant of commitment.

Certain events of default occurred under the Structured Secured Loan in 2008. On 17 September 2009, the Group has obtained waivers from the lenders of Structured Secured Loan with respect to any existing or purported defaults, events of default or cross-default under the various investment and loan agreements, such waivers will remain valid until 31 March 2010; and the Group has also obtained an extension of the exercise date of the put option in relation to the Structured Secured Loan from the lenders until 31 March 2010.

In accordance with the waiver from the lenders of Structured Secured Loan, if the QIPO fails to occur on or prior to 30 November 2009, the Group will be required to repay 25% of the Offshore Structured Secured Loan. If the Company fails to complete a QIPO by 31 March 2010, the Group will be required to repay the remaining principal of the Offshore Structured Secured Loan in three equal installments, each being 25% of the Offshore Structured Secured Loan and payable by 31 March 2010, 30 June 2010 and 30 September 2010, respectively. The Group will also be required to repay the Onshore Structured Secured Loan when it repays the last installment of the Offshore Structured Secured Loan.

A portion of the Structured Secured Loan has been repurchased during the six months ended 30 June 2009 (note 21(c)).

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group's borrowings of RMB 2,044,312,000, RMB 9,336,208,000, RMB 10,199,323,000 and RMB 9,923,275,000, respectively, were secured by its land use rights, investment properties, properties under development, completed properties held for sale, cash in bank and equity interests of certain subsidiaries of the Group.

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	<u>6 months or less</u>	<u>6-12 months</u>	<u>1-5 years</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Borrowings included in non-current liabilities:				
At 31 December 2006 . . . . .	751,950	462,700	211,071	1,425,721
At 31 December 2007 . . . . .	5,711,341	2,978,667	225,508	8,915,516
At 31 December 2008 . . . . .	2,200,980	1,784,500	240,933	4,226,413
At 30 June 2009 . . . . .	<u>1,706,180</u>	<u>1,922,670</u>	<u>249,036</u>	<u>3,877,886</u>
Borrowings included in current liabilities:				
At 31 December 2006 . . . . .	161,069	668,593	—	829,662
At 31 December 2007 . . . . .	316,700	329,500	—	646,200
At 31 December 2008 . . . . .	4,717,113	1,496,730	—	6,213,843
At 30 June 2009 . . . . .	<u>5,026,293</u>	<u>1,268,132</u>	<u>—</u>	<u>6,294,425</u>

The maturity of the borrowings included in non-current liabilities is as follows:

	<u>31 December</u>			<u>30 June</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Bank borrowings:				
1-2 years . . . . .	182,700	5,160,369	3,605,480	2,586,060
2-5 years . . . . .	1,031,950	3,529,639	380,000	1,042,790
Borrowing from a related party:				
1-2 years . . . . .	211,071	225,508	—	—
After 5 years . . . . .	—	—	240,933	249,036
	<u>1,425,721</u>	<u>8,915,516</u>	<u>4,226,413</u>	<u>3,877,886</u>

The effective interest rates at 31 December 2006, 2007 and 2008 and 30 June 2009 were as follows:

	31 December			30 June
	2006	2007	2008	2009
Bank borrowings . . . . .	6.19%	12.53%	10.92%	10.16%

The fair value of the Group’s current borrowings approximates their carrying amounts at each of the balance sheet dates for the reason that the impact of discounting is not significant or the borrowings carry floating rate interests.

The fair values of the Group’s non-current borrowings approximate their carrying amounts at each of the balance sheet dates as all the non-current borrowings carry floating rate interests.

**17. Convertible Preferred Shares and embedded financial derivatives**

On 29 November 2006, the Company issued 800,000,000 Convertible Preferred Shares at a total consideration of US\$400,000,000. The Convertible Preferred Shares are subject to dividends at 5% of subscription price per annum and would have matured on 29 November 2011 unless extended, at the election of the holders of Convertible Preferred Shares (the “Financial Investors”), by two years. All equity interests in the PRC subsidiaries held by ANJI (BVI) Limited has been pledged to the Financial Investors to secure the Group’s obligation in relation to the Convertible Preferred Share.

The principal terms of the Convertible Preferred Shares are as follows:

**(a) Conversion**

The Convertible Preferred Shares can be converted to ordinary shares at the option of the Financial Investors from the issue date up to the maturity date and all outstanding Convertible Preferred Shares should be mandatorily converted to ordinary shares upon the consummation of QIPO at conversion price, which is initially equal to subscription price and subject to adjustments under certain circumstances.

**(b) Redemption**

The Financial Investors have an option to require the Company to redeem the Convertible Preferred Shares under certain circumstances at a put price which is equal to subscription price plus an amount of premium calculated at a compounded rate of return of 15% per annum and deducted by all paid dividends.

**(c) Guaranteed minimum return and upside sharing**

Upon the conversion of the Convertible Preferred Shares, 800,000,000 Convertible Preferred Shares will be converted to 800,000,000 ordinary shares and allotted to the Financial Investors in the proportion of their initial investments. However, the final number of ordinary shares the Financial Investors are entitled to receive is subject to adjustments, which are calculated in accordance with the mechanism designed based on the Financial Investors’ initial investment cost, the timing of the QIPO and the fair value of the Company. Immediately prior to the listing of the Company, depending on the offer price of the Company’s shares, the Financial Investors may return to Xin Xin a portion of the shares of the Company received, or Xin Xin may transfer additional shares of the Company to the Financial Investors, to arrive at the agreed upon return benchmark under the Convertible Preferred Shares agreement.

The net proceeds received from the issue of the Convertible Preferred Shares of approximately US\$392,982,000 have been split into a liability component and a number of embedded financial derivatives as follows:

- (i) Liability component initially recognised at its fair value, which is the residual amount after deducting the fair value of the derivative component as at 29 November 2006, and is subsequently carried at amortised cost.

The interest charged for the subsequent periods is calculated by applying an effective interest rate of approximately 18.61%.

- (ii) Embedded financial derivatives, comprising:

- The fair value of the option of the Financial Investors to convert the Convertible Preferred Shares into ordinary shares of the Company at the conversion price; and
- The fair value of the option of the Financial Investors to require the Company to redeem the Convertible Preferred Shares.

These embedded options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound financial derivative was recognised.

A valuation on the Convertible Preferred Shares was carried out jointly by DTZ Debenham Tie Leung Limited and Real Actuarial Consulting Limited. The binomial model is used in the valuation of the embedded derivatives. Key assumption and variables used in the model are as follows:

	<u>29 November 2006</u>	<u>31 December 2006</u>	<u>31 December 2007</u>
Exercise price . . . . .	US\$0.50	US\$0.50	US\$0.50
Risk-free rate of interest . . . . .	4.50%	4.50%	4.50%
Dividend yield . . . . .	—	—	—
Volatility . . . . .	35%	35%	35%

*Notes:*

- (a) The risk-free rate of interest adopted approximated the US five-year treasury yield between 30 November 2006 and 31 December 2007.
- (b) In accordance with the terms and conditions of the relevant agreement, the conversion price of the Convertible Preferred Shares would be adjusted for any future share dividend and asset distribution. As a result, a nil dividend yield was used in determining the fair value of the embedded financial derivatives.
- (c) The volatility adopted for a private company was based on the average of the upper range between the industry volatility and the peer companies' volatilities.

The variables and assumptions used in computing the fair value of the embedded financial derivatives are based on the best estimates of the directors of the Company. The value of embedded derivatives varies with different variables of certain subjective assumptions.



The movements of the liability component and embedded financial derivatives of the Convertible Preferred Shares are set out below:

	<b>The Group and the Company</b>		
	<b>Liability component</b>	<b>Embedded financial derivatives</b>	<b>Total</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Convertible Preferred Shares issued on			
29 November 2006 . . . . .	2,820,131	295,424	3,115,555
Exchange gain . . . . .	(35,524)	(3,707)	(39,231)
Interest charged. . . . .	45,715	—	45,715
Changes in fair value . . . . .	—	2,515	2,515
As at 31 December 2006 . . . . .	2,830,322	294,232	3,124,554
Exchange gain . . . . .	(195,483)	(40,480)	(235,963)
Interest charged. . . . .	519,089	—	519,089
Changes in fair value . . . . .	—	562,684	562,684
As at 31 December 2007 . . . . .	3,153,928	816,436	3,970,364
Transfer to ordinary share. . . . .	(58,652)	—	(58,652)
Transfer to share premium . . . . .	(2,057,512)	(816,436)	(2,873,948)
Transfer to reserves . . . . .	(1,014,536)	—	(1,014,536)
Financial guarantee liability . . . . .	(23,228)	—	(23,228)
As at 31 December 2008 and 30 June 2009. . . . .	—	—	—
<b>Unaudited</b>			
As at 1 January 2008 . . . . .	3,153,928	816,436	3,970,364
Transfer to ordinary share. . . . .	(58,652)	—	(58,652)
Transfer to share premium . . . . .	(2,057,512)	(816,436)	(2,873,948)
Transfer to reserves . . . . .	(1,014,536)	—	(1,014,536)
Financial guarantee liability . . . . .	(23,228)	—	(23,228)
As at 30 June 2008 . . . . .	—	—	—

On 11 December 2007, the Company entered into an agreement with the Financial Investors, pursuant to which the Company repurchased and cancelled the 800,000,000 Convertible Preferred Shares for an aggregate consideration of US\$400 million in January 2008. The repurchase was financed by a loan of the same amount lent by the Financial Investors to Xin Xin (the “SI Loan”), which has been injected into the Company by Xin Xin to subscribe 800,000,000 newly issued ordinary shares of the Company. Xin Xin has also conditionally transferred totalling 33.24% of shares of the Company, which is subject to adjustment and finalisation, to the Financial Investors. The Company has provided guarantee and pledge of shares of certain of its subsidiaries to secure the repayment obligations of Xin Xin. In accordance with the loan agreement between Xin Xin and the Financial Investors, the Financial Investors have the right to require Xin Xin to repay all or a portion of the loan in cash at any time after the occurrence of any events of default, which include: i) the QIPO does not occur by 31 October 2009; and ii) any events of default or breach occurs under any document in relation to the Structured Secured Loan (note 16(b)), the partial disposal of Success Will Group Limited (note 21(b)), the New Investment (note 14(e)), the SI Loan or the cooperative agreements in respect of two property development projects (note 21(a)).

As a result of the above transactions, liability portion and embedded financial derivatives of the Convertible Preferred Shares totalling approximately RMB 3,970 million were derecognised in 2008, simultaneously share capital plus premium of approximately RMB 2,933 million (equivalent to the subscription price of 800,000,000 newly issued ordinary shares of US\$400 million), reserves of approximately RMB 1,014 million and financial guarantee liability of approximately RMB 23 million have been recognised, no gain or loss was recognised in the financial statements.

On 17 September 2009, the Group has obtained waivers from the Financial Investors with respect to any existing or purported defaults, events of default or cross-default under the various investment and loan agreements, such waivers will remain valid until 31 March 2010.

## 18. Deferred income tax — Group

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group are as follows:

	31 December			30 June
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Deferred income tax assets to be recovered within 12 months . . . . .	—	(75,327)	(112,235)	(191,932)
Deferred income tax assets to be recovered after more than 12 months. . . . .	<u>(19,957)</u>	<u>(48,577)</u>	<u>(212,129)</u>	<u>(209,529)</u>
Deferred income tax assets . . . . .	(19,957)	(123,904)	(324,364)	(401,461)
Deferred income tax liabilities to be settled after more than 12 months. . . . .	<u>422,762</u>	<u>482,137</u>	<u>451,527</u>	<u>441,987</u>
	<u>402,805</u>	<u>358,233</u>	<u>127,163</u>	<u>40,526</u>

The net movements on the deferred taxation are as follows:

	Year ended 31 December			Six months ended	
	2006	2007	2008	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Beginning of the year/period.	277,716	402,805	358,233	358,233	127,163
Recognised in consolidated income statements (note 26). . . . .	<u>125,089</u>	<u>(44,572)</u>	<u>(231,070)</u>	<u>(77,025)</u>	<u>(86,637)</u>
End of the year/period . . . . .	<u>402,805</u>	<u>358,233</u>	<u>127,163</u>	<u>281,208</u>	<u>40,526</u>

Movements in gross deferred tax assets and liabilities are as follows:

*Deferred income tax assets*

	Temporary difference on recognition of sales and related cost of sales	Tax losses	Total
	(RMB'000)	(RMB'000)	(RMB'000)
As at 1 January 2006 . . . . .	(38,541)	(13,244)	(51,785)
Charged/(credited) to the consolidated income statement . . . . .	<u>28,740</u>	<u>(6,713)</u>	<u>22,027</u>
As at 31 December 2006 . . . . .	(9,801)	(19,957)	(29,758)
Credited to the consolidated income statement . . . . .	<u>(28,531)</u>	<u>(65,615)</u>	<u>(94,146)</u>
As at 31 December 2007 . . . . .	(38,332)	(85,572)	(123,904)
Credited to the consolidated income statement . . . . .	<u>(46,804)</u>	<u>(161,156)</u>	<u>(207,960)</u>
As at 31 December 2008 . . . . .	(85,136)	(246,728)	(331,864)
Credited to the consolidated income statement . . . . .	<u>(26,601)</u>	<u>(50,496)</u>	<u>(77,097)</u>
As at 30 June 2009 . . . . .	<u>(111,737)</u>	<u>(297,224)</u>	<u>(408,961)</u>
<b>Unaudited</b>			
As at 1 January 2008 . . . . .	(38,332)	(85,572)	(123,904)
Credited to the consolidated income statement . . . . .	<u>(18,469)</u>	<u>(50,917)</u>	<u>(69,386)</u>
As at 30 June 2008 . . . . .	<u>(56,801)</u>	<u>(136,489)</u>	<u>(193,290)</u>

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable.

*Deferred income tax liabilities*

	Excess of carrying amount of land use rights over the tax bases	Temporary difference on recognition of fair value gain of investment properties	Total
	(RMB'000)	(RMB'000)	(RMB'000)
As at 1 January 2006 . . . . .	224,810	104,691	329,501
(Credited)/charged to the consolidated income statement . . . . .	<u>(756)</u>	<u>103,818</u>	<u>103,062</u>
As at 31 December 2006 . . . . .	224,054	208,509	432,563
(Credited)/charged to the consolidated income statement . . . . .	<u>(64,951)</u>	<u>114,525</u>	<u>49,574</u>
As at 31 December 2007 . . . . .	159,103	323,034	482,137
(Credited)/charged to the consolidated income statement . . . . .	<u>(39,145)</u>	<u>16,035</u>	<u>(23,110)</u>
As at 31 December 2008 . . . . .	119,958	339,069	459,027
(Credited)/charged to the consolidated income statement . . . . .	<u>(80,537)</u>	<u>70,997</u>	<u>(9,540)</u>
As at 30 June 2009 . . . . .	<u>39,421</u>	<u>410,066</u>	<u>449,487</u>
<b>Unaudited</b>			
As at 1 January 2008 . . . . .	159,103	323,034	482,137
(Credited)/charged to the consolidated income statement . . . . .	<u>(31,299)</u>	<u>23,660</u>	<u>(7,639)</u>
As at 30 June 2008 . . . . .	<u>127,804</u>	<u>346,694</u>	<u>474,498</u>

## 19. Trade and other payables

	The Group				The Company			
	31 December			30 June	31 December			30 June
	2006	2007	2008	2009	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade payables								
— third parties . . . . .	265,185	805,135	2,786,243	3,045,379	—	—	—	—
Other payables: . . . . .	555,336	3,233,023	1,514,839	1,809,814	1	16,406	14,117	17,871
— related parties								
<i>(note 34(d))</i> . . . . .	—	—	850	—	1	16,254	14,117	17,395
— third parties . . . . .	154,404	2,168,857	347,316	834,267	—	152	—	476
— Payables for								
acquisition of land								
use rights . . . . .	400,932	1,064,166	1,166,673	975,547	—	—	—	—
Accrued expenses . . . . .	12,266	138,113	94,013	135,676	—	—	—	—
Other taxes payable . . . . .	24,294	17,789	74,073	131,285	—	—	—	—
	<u>857,081</u>	<u>4,194,060</u>	<u>4,469,168</u>	<u>5,122,154</u>	<u>1</u>	<u>16,406</u>	<u>14,117</u>	<u>17,871</u>

The ageing analysis of trade payables of the Group at 31 December 2006, 2007 and 2008 and 30 June 2009 is as follows:

	31 December			30 June
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within 90 days . . . . .	251,668	509,963	2,642,391	2,343,820
Over 90 days and within 180 days . . . . .	8,599	292,753	41,343	330,849
Over 180 days and within 365 days . . . . .	1,917	1,038	79,700	315,077
Over 365 days . . . . .	<u>3,001</u>	<u>1,381</u>	<u>22,809</u>	<u>55,633</u>
	<u>265,185</u>	<u>805,135</u>	<u>2,786,243</u>	<u>3,045,379</u>

The carrying amounts of the Group's and the Company's trade and other payables were denominated in RMB.

## 20. Current income tax liabilities — Group

The current income tax liabilities are analysed as follows:

	31 December			30 June
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Income tax payables				
— PRC corporate income tax payable . .	8,984	179,096	230,325	215,749
— PRC land appreciation tax payable . .	<u>161,451</u>	<u>382,195</u>	<u>647,523</u>	<u>679,434</u>
	<u>170,435</u>	<u>561,291</u>	<u>877,848</u>	<u>895,183</u>

## 21. Other gains

	Year ended 31 December			Six months ended 30 June	
	2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)	2008 (RMB'000) (unaudited)	2009 (RMB'000)
Interest income from bank deposits . . . . .	6,846	27,875	34,495	8,977	12,351
Forfeited customer deposits. . . . .	2,975	5,394	5,338	1,399	6,277
Gain on the transfers of project development rights (note (a)) . . . . .	—	—	474,465	474,465	—
Gain on partial disposal of a subsidiary (note (b)) . . . . .	—	760,382	—	—	98,800
Gain on the disposal of available-for-sale investments . . . . .	10,800	—	—	—	—
Interest income from non-current receivables (note (a)) . . . . .	—	—	13,168	—	8,502
Gain from repurchase of loan (note (c)) . . . . .	—	—	—	—	172,475
Others . . . . .	5,283	3,226	3,624	1,042	2,689
	<u>25,904</u>	<u>796,877</u>	<u>531,090</u>	<u>485,883</u>	<u>301,094</u>

(a) In April 2008, the Group entered into cooperative agreements with a related party of one of the Company's shareholders in respect of two property development projects, pursuant to which the Group transferred the controlling rights on the property development and management business of these two projects to the counterparty. The counterparty has guaranteed a return to the Group totalling RMB 1,100,000,000. The Group is also entitled to share the net profit generated by the projects in future under agreed mechanism. The Group has recognised a gain from this cooperative arrangement of RMB 474,465,000, which represents the excess of guaranteed returns received and receivable, after taking into account of the discounting effect, over the net assets of the two projects. The guaranteed returns to be received upon the completion of property development projects are recognised as long-term other receivables. The long-term receivables were initially recognised at fair value which is assessed by Real Actuarial Consulting Limited, an independent qualified valuer, and subsequently stated at amortised cost.

(b) As described in note 1(a) of section II, in September 2007, ANJI (BVI) Limited disposed of 40% equity interest in Success Will Group Limited, who wholly owned Foshan Nanhai Xinzhongjian Real Estate Development Company Limited ("Xinzhongjian", who is principally engaged in development of a real estate project in Guangzhou) to a related party of one of the Company's shareholders at a consideration of US\$130,000,000, equivalent to RMB 976,404,000. The gain to the Group, which represents net consideration deducted by net assets of Success Will Group Limited shared by the counterparty of RMB 216,022,000, amounted to RMB 760,382,000.

When the Group and the counterparty entered into such share purchase agreement of Success Will Group Limited, there was a land premium payable of approximately RMB 247 million as the official invoice had not been obtained by that time. Pursuant to the share purchase agreement, it was agreed that the counterparty would undertake its share (40%) of the unpaid land premium, only if the Group provide an official invoice for this land premium. If the invoice was not obtained, the Group would undertake to pay this liability in full. When calculating the gain of partial disposal of Success Will Group Limited in 2007, the Group has assumed it would need to pay this land premium without obtaining the invoice. In June 2009, the Group obtained the official invoice and therefore recognised an additional gain from partial disposal of Success Will Group Limited of RMB 98,800,000.

(c) Pursuant to the agreement between Tianji Holding Limited ("Tianji"), a subsidiary of the Group, and independent third parties, Tianji repurchased a portion of the Structured Secured Loan of US\$48,500,000 and unpaid interest of RMB 73,069,000, at a consideration of US\$33,950,000, which resulted in a gain of RMB 172,475,000 in the six months ended 30 June 2009.

## 22. Expenses by nature

Major expenses included in cost of sales, selling and marketing costs, administration expenses and other operating expenses are analysed as follows:

	Year ended 31 December			Six months ended	
	2006	2007	2008	30 June	
	(RMB'000)	(RMB'000)	(RMB'000)	2008 (unaudited) (RMB'000)	2009 (RMB'000)
Cost of properties sold . . . . .	1,280,820	1,592,588	1,712,158	1,394,847	909,852
Business tax and other levies (note (a)) . . . . .	110,993	201,963	212,872	159,427	108,361
Staff costs — excluding directors' emoluments (note 23) . . . . .	99,997	226,876	361,189	176,701	204,291
Advertising costs . . . . .	49,216	199,239	267,174	117,049	128,933
Sales commissions . . . . .	—	2,951	34,108	8,645	80,326
Consultancy fee (note (b)) . . . . .	—	27,877	257,213	145,369	116,806
Depreciation . . . . .	9,429	15,026	24,058	12,398	22,453
Amortisation of land use rights . . . . .	7,953	31,588	17,404	5,645	10,757
Auditors' remuneration . . . . .	519	1,834	2,442	827	1,546
Donations to governmental charity (included in other operating expenses) . . . . .	6,147	17,021	24,420	21,440	3,355

### (a) Business tax

The group companies with business operation in the PRC are subject to business taxes on their revenue at the following rates:

Category	Rate
Sales of properties . . . . .	5%
Property construction and decoration . . . . .	3%
Property management . . . . .	5%

### (b) Consultancy fee

The consultancy fees for the year ended 31 December 2008 and the six months ended 30 June 2008 and 2009 are mainly related to market promotion, planning and consultancy services provided by a real estate consulting firm.

### 23. Staff costs — excluding directors' emoluments

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Wages and salaries . . . . .	92,325	205,281	317,524	158,963	171,604
Pension costs — statutory pension ( <i>note 30</i> ) . . . . .	3,035	5,336	11,893	4,709	9,395
Staff welfare . . . . .	2,858	4,383	13,792	5,857	7,870
Medical benefits . . . . .	1,406	3,746	7,206	2,927	4,819
Other allowances and benefits	373	8,130	10,774	4,245	10,603
	<u>99,997</u>	<u>226,876</u>	<u>361,189</u>	<u>176,701</u>	<u>204,291</u>

### 24. Emoluments for directors and five highest paid individuals

#### (a) Directors' emoluments

The remuneration of each director of the Company for the year ended 31 December 2006 is set out below:

	Fees	Salary	Contribution to pension scheme	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Dr. Hui . . . . .	—	—	—	—
Mr. Lin Xiaohui . . . . .	—	131	2	133
Mr. Huang Xiangui . . . . .	—	51	2	53
Ms. Wu Jianmei . . . . .	—	346	—	346
	<u>—</u>	<u>528</u>	<u>4</u>	<u>532</u>

The remuneration of each director of the Company for the year ended 31 December 2007 is set out below:

	Fees	Salary	Contribution to pension scheme	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Dr. Hui . . . . .	—	—	—	—
Mr. Lin Xiaohui . . . . .	—	250	11	261
Mr. Huang Xiangui . . . . .	—	173	8	181
Ms. Wu Jianmei . . . . .	—	250	18	268
	<u>—</u>	<u>673</u>	<u>37</u>	<u>710</u>



The remuneration of each director of the Company for the year ended 31 December 2008 is set out below:

	<u>Fees</u>	<u>Salary</u>	<u>Contribution to pension scheme</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Dr. Hui . . . . .	—	—	—	—
Mr. Lin Xiaohui ( <i>note (a)</i> ) . . . . .	—	477	11	488
Mr. Huang Xiangui . . . . .	—	394	13	407
Ms. Wu Jianmei ( <i>note (a)</i> ) . . . . .	—	—	—	—
Mr. Xia Haijun . . . . .	—	4,956	—	4,956
Mr. Tam Wai Ying ( <i>note (a)</i> ) . . . . .	—	2,144	75	2,219
Mr. Xu Wen ( <i>note (a)</i> ) . . . . .	—	1,586	24	1,610
Mr. Cai Chunmeng ( <i>note (a)</i> ) . . . . .	—	2,566	11	2,577
Mr. Li Gang . . . . .	—	5,112	21	5,133
Mr. Lai Lixin . . . . .	—	1,554	19	1,573
Mr. Don Lim Jung Chiat . . . . .	—	—	—	—
Mr. Wong Man Hoi . . . . .	—	—	—	—
Mr. Timothy Joseph Grady . . . . .	—	—	—	—
Mr. Tommy Cheung . . . . .	—	—	—	—
Mr. Lionel Soh . . . . .	—	—	—	—
	<u>—</u>	<u>18,789</u>	<u>174</u>	<u>18,963</u>

(a) These directors resigned in the year ended 31 December 2008.

The remuneration of each director of the Company for the six months ended 30 June 2009 is set out below:

	<u>Fees</u>	<u>Salary</u>	<u>Contribution to pension scheme</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Dr. Hui . . . . .	—	—	—	—
Mr. Huang Xiangui . . . . .	—	299	7	306
Mr. Xia Haijun . . . . .	—	2,174	—	2,174
Mr. Li Gang . . . . .	—	2,280	11	2,291
Mr. Lai Lixin . . . . .	—	838	10	848
Mr. Don Lim Jung Chiat . . . . .	—	—	—	—
Mr. Wong Man Hoi . . . . .	—	—	—	—
Mr. Timothy Joseph Grady . . . . .	—	—	—	—
Mr. Tommy Cheung . . . . .	—	—	—	—
Mr. Lionel Soh . . . . .	—	—	—	—
	<u>—</u>	<u>5,591</u>	<u>28</u>	<u>5,619</u>

The remuneration of each director of the Company for the six months ended 30 June 2008 is set out below:

	<u>Fees</u>	<u>Salary</u>	<u>Contribution to pension scheme</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Dr. Hui . . . . .	—	—	—	—
Mr. Lin Xiaohui . . . . .	—	325	5	330
Mr. Huang Xiangui . . . . .	—	194	7	201
Ms. Wu Jianmei (note (a)) . . . . .	—	—	—	—
Mr. Xia Haijun . . . . .	—	2,824	—	2,824
Mr. Tam Wai Ying . . . . .	—	1,286	38	1,324
Mr. Xu Wen (note (a)) . . . . .	—	901	12	913
Mr. Cai Chunmeng (note (a)) . . . . .	—	2,566	11	2,577
Mr. Li Gang . . . . .	—	2,896	11	2,907
Mr. Timothy Joseph Grady . . . . .	—	—	—	—
Mr. Tommy Cheung . . . . .	—	—	—	—
Mr. Lionel Soh . . . . .	—	—	—	—
	<u>—</u>	<u>10,992</u>	<u>84</u>	<u>11,076</u>

(a) These directors resigned in the six months ended 30 June 2008.

No emoluments were paid to any independent non-executive directors during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

**(b) Five highest paid individuals**

During the years ended 31 December 2006 and 2007, none of the five highest paid individuals is director of the Company. During the year ended 31 December 2008 and the six months ended 30 June 2008 and 2009, the five highest paid individuals include 4, 4 and 2 directors, respectively. The aggregate amounts of emoluments of the five highest paid individuals for the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2008 and 2009 are set out below:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Salaries and other benefits . . . . .	3,135	6,864	16,698	10,497	8,293
Retirement scheme contributions . . . . .	6	73	131	71	95
	<u>3,141</u>	<u>6,937</u>	<u>16,829</u>	<u>10,568</u>	<u>8,388</u>

The emoluments fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
Nil to RMB 2,000,000 . . . . .	5	4	1	1	3
RMB 2,000,000 to RMB 4,000,000 . . . . .	—	1	2	4	2
RMB 4,000,000 to RMB 6,000,000 . . . . .	—	—	2	—	—

- (c) During the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2008 and 2009, no emolument was paid by the group entities to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## 25. Finance (costs)/income, net

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Exchange gain/(loss) . . . . .	26,032	274,310	201,944	191,565	(4,204)
Interest expenses:					
— bank borrowings wholly repayable within five years . . . . .	(154,202)	(413,857)	(1,232,297)	(593,695)	(529,644)
— liability component of the Convertible Preferred Shares . . . . .	(45,715)	(519,089)	—	—	—
Less: interest capitalised . . . . .	118,076	777,401	1,216,873	586,110	521,540
	(81,841)	(155,545)	(15,424)	(7,585)	(8,104)
	(55,809)	118,765	186,520	183,980	(12,308)

## 26. Income tax expenses/(credit)

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Current income tax					
— Hong Kong profits tax . . . . .	—	—	—	—	—
— PRC enterprise income tax . . . . .	75,540	282,671	232,510	98,628	14,391
— PRC land appreciation tax . . . . .	64,445	199,667	332,518	282,877	59,538
Deferred income tax					
— PRC enterprise income tax (note 18) . . . . .	125,089	(44,572)	(231,070)	(77,025)	(86,637)
	265,074	437,766	333,958	304,480	(12,708)

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December			Six months ended 30 June	
	2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)	2008 (RMB'000) (unaudited)	2009 (RMB'000)
Profit before income tax . . . .	590,533	1,516,870	966,388	1,165,044	509,652
Calculated at PRC enterprise income tax rate . . . . .	166,714	500,567	229,597	286,961	111,048
Effect of the changes in tax rate . . . . .	—	(128,837)	—	—	—
PRC land appreciation tax deductible for PRC corporate income tax purposes . . . . .	(21,267)	(65,890)	(83,130)	(70,719)	(14,885)
Income not subject to tax (note (a)) . . . . .	—	(304,605)	(208,202)	(205,636)	(108,613)
Reversal of provision of deferred tax liabilities of land use right having obtained invoice (note 21(b)). . . . .	—	—	—	—	(67,807)
Expenses not deductible for tax purposes . . . . .	55,182	225,299	50,759	8,079	4,327
Tax losses for which no deferred income tax asset was recognised . . . . .	—	11,565	12,416	2,918	3,684
PRC enterprise income tax . .	200,629	238,099	1,440	21,603	(72,246)
PRC land appreciation tax . .	64,445	199,667	332,518	282,877	59,538
Taxation. . . . .	<u>265,074</u>	<u>437,766</u>	<u>333,958</u>	<u>304,480</u>	<u>(12,708)</u>

(a) Income not subject to tax for the six months ended 30 June 2009 mainly comprised the additional gain from disposal of 40% equity interests in a subsidiary (note 21(b)), gain from partial repurchase of the Structured Secured Loan (note 21(c)) and reversal of provision for financial guarantee liabilities (note 31(b)).

Income not subject to tax for the year ended 31 December 2008 mainly comprised the exchange gains in the offshore group companies and the gain derived from the cooperative arrangements with a related party of one of the Company's shareholders of RMB 474,465,000 (note 21(a)).

Income not subject to tax for the year ended 31 December 2007 mainly comprised the gain from disposal of 40% equity interests in a Success Will Group Limited of approximately RMB 760,382,000 and the exchange gains in the offshore group companies (note 21(b)).

The weighted average applicable tax rate for the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2008 and 2009 are 28%, 33%, 24%, 25% and 22%, respectively.

### ***Hong Kong profits tax***

No Hong Kong profits tax has been provided for as there is no business operation that are subject to Hong Kong profits tax during the Relevant Periods.

### ***PRC enterprise income tax***

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for each of the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

For each of the years ended 31 December 2006 and 2007, PRC corporate income tax is provided at the rate of 33% of the profits for the PRC statutory financial reporting purposes, adjusted for those items, which are not assessable or deductible for the PRC corporate income tax purpose.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group's subsidiaries located in Mainland China from 1 January 2008 is 25%, replacing the applicable tax rate of 33%.

Since the deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets and liabilities of the Group's subsidiaries located in the PRC. In these Financial Information, deferred tax assets and liabilities of certain subsidiaries to be realised after 1 January 2008 has been adjusted to the amounts calculated basing on corporate income tax rate of 25% with a credit of RMB 128,837,000 to income tax expenses for the year ended 31 December 2007.

### ***PRC land appreciation tax***

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures.

## 27. Earnings per share

Earnings per share information for each of the years ended 31 December 2006 and 2007 is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of preparation of the Financial Information as disclosed in note 1 above.

The calculation of earnings per share for the year ended 31 December 2008 and six months ended 30 June 2008 and 2009 are calculated by dividing the profits attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December	Six months ended 30 June	
	2008	2008	2009
	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Profit attributable to shareholders of the Company . . . . .	524,760	759,883	500,172
Weighted average number of ordinary shares in issue (thousands) . . . . .	2,524,403	2,271,958	2,774,104
Basic earnings per share (RMB per share). . . . .	<u>0.21</u>	<u>0.33</u>	<u>0.18</u>

No diluted earnings per share are presented as there were no potential dilutive shares in issue during the year ended 31 December 2008 and six months ended 30 June 2008 and 2009.

## 28. Dividends

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	(RMB'000) (note (a))	(RMB'000)	(RMB'000) (note 14(f))	(RMB'000) (unaudited)	(RMB'000)
Dividends. . . . .	<u>493,518</u>	<u>—</u>	<u>125,651</u>	<u>125,651</u>	<u>—</u>

(a) The dividends were declared and paid by the group companies to their then equity holders prior to the Reorganisation.

## 29. Cash (used in)/generated from operating activities

	Year ended 31 December			Six months ended 30 June	
	2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)	2008 (RMB'000) (unaudited)	2009 (RMB'000)
Profit for the year/period . . .	325,459	1,079,104	632,430	860,564	522,360
Adjustments for:					
Income tax expense/(credit)	265,074	437,766	333,958	304,480	(12,708)
Interest income from bank deposits . . . . .	(6,846)	(27,875)	(34,495)	(8,977)	(12,351)
Interest expense . . . . .	81,841	155,545	15,424	7,585	8,104
Interest income from non-current receivables . . . .	—	—	(13,168)	—	(8,502)
Exchange (gain)/loss . . . .	(26,032)	(274,310)	(201,944)	(191,565)	4,204
Gain on partial disposal of a subsidiary. . . . .	—	(760,382)	—	—	(98,800)
Gain on the disposal of available for sale investments . . . . .	(10,800)	—	—	—	—
Gain on repurchase of loan	—	—	—	—	(172,475)
Depreciation . . . . .	9,429	15,026	24,058	12,398	22,453
Fair value gain on investment properties . .	(300,103)	(657,067)	(77,415)	(107,912)	(299,657)
Loss on disposal of property and equipment (note a) . . . . .	5,736	824	4,481	2,854	8,886
Fair value change on embedded financial derivatives. . . . .	2,515	562,684	—	—	—
Provisions/(reversals) of financial guarantees . . .	—	—	65,997	32,315	(146,341)
Changes in working capital:					
Properties under development and completed properties held for sale . . . . .	(115,213)	(2,145,587)	(5,903,962)	(3,035,651)	(2,836,764)
Land use rights . . . . .	4,317	(5,447,746)	(1,914,744)	(218,330)	(1,595,117)
Restricted cash . . . . .	125,145	(750,636)	157,418	(507,813)	(960,695)
Trade and other receivables and prepayments . . . . .	(1,317,852)	(2,881,013)	848,223	630,900	658,833
Trade and other payables and receipt in advance from customers . . . . .	<u>(466,446)</u>	<u>3,666,767</u>	<u>2,025,177</u>	<u>(460,069)</u>	<u>7,735,879</u>
Cash (used in)/generated from operations . . . . .	<u>(1,423,776)</u>	<u>(7,026,900)</u>	<u>(4,038,562)</u>	<u>(2,679,221)</u>	<u>2,817,309</u>

(a) Loss on disposal of property and equipment during the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2008 and 2009 represented the net book value of the property and equipment disposed.

(b) Non-cash transactions

The principal non-cash transactions during the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2008 and 2009 is the restructure of Convertible Preferred Shares as disclosed in note 17.



### 30. Pensions — defined contribution plans

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated income statements of the Group for the Relevant Periods, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)	2008 (RMB'000) (unaudited)	2009 (RMB'000)
Gross scheme contributions . . . . .	<u>3,035</u>	<u>5,336</u>	<u>11,893</u>	<u>4,709</u>	<u>9,395</u>

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

### 31. Financial guarantees

The Group had the following financial guarantees as at the end of the Relevant Periods:

#### (a) *Guarantees in respect of mortgage facilities for purchasers of the Group's property units*

	31 December			30 June
	2006 (RMB'000)	2007 (RMB'000)	2008 (RMB'000)	2009 (RMB'000)
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units . . . . .	<u>1,073,910</u>	<u>1,464,222</u>	<u>2,086,980</u>	<u>5,677,510</u>

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issue of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value is immaterial.

**(b) Other financial guarantees**

The Group have provided the following financial guarantees for the obligations of Xin Xin and Dr. Hui.

	<b>Financial guarantee liability in relation to the restructure of Convertible Preferred Shares <i>(note (i))</i></b>	<b>Financial guarantee liability in relation to share subscription <i>(note (ii))</i></b>	<b>Total</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Initial recognition of financial guarantee liability. . . . .	23,228	108,178	131,406
Charged to the income statement. . . . .	<u>56,388</u>	<u>9,609</u>	<u>65,997</u>
As at 31 December 2008 . . . . .	79,616	117,787	197,403
Credited to the income statement. . . . .	<u>(59,024)</u>	<u>(87,317)</u>	<u>(146,341)</u>
As at 30 June 2009 . . . . .	<u><u>20,592</u></u>	<u><u>30,470</u></u>	<u><u>51,062</u></u>
<b>Unaudited</b>			
Initial recognition of financial guarantee liability. . . . .	23,228	108,178	131,406
Charged to the income statement. . . . .	<u>32,315</u>	<u>—</u>	<u>32,315</u>
As at 30 June 2008 . . . . .	<u><u>55,543</u></u>	<u><u>108,178</u></u>	<u><u>163,721</u></u>

- (i) The Company has provided guarantee and pledge of shares of certain of its subsidiaries for the obligation of Xin Xin in relation to the SI Loan (note 17).

Pursuant to the SI Loan agreements, the Financial Investors have the right to require Xin Xin to repay all or a portion of the loan in cash at any time after the occurrence of any events of default, which include: i) the QIPO does not occur by 31 October 2009 (as extended to 31 March 2010); and ii) any event of default or breach occurs under any document in relation to the Structured Secured Loan (note 16(b)), the partial disposal of Success Will Group Limited (note 21(b)), the New Investment (note 14(e)), the SI Loan or the cooperative agreements in respect of two property development projects (note 21(a)). The guarantee will be released upon the consummation of the QIPO.

- (ii) The Company has provided guarantee and pledge of shares of certain of its subsidiaries for the obligation of Xin Xin and Dr. Hui in relation to the New Investment (note 14(e)).

Pursuant to the New Investment agreements, the investors have a right to put all subscribed shares to Xin Xin, the controlling shareholder of the Company, when there is no QIPO and the put option of the Structured Secured Loan is exercised or due for repayment upon its maturity (note 16(b)). The guarantee will be released upon the consummation of the QIPO.

The fair value and provisions of the Group's financial guarantees have been assessed by Real Actuarial Consulting Limited, an independent qualified valuer.

## 32. Commitments

### (a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31 December			30 June
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Property and equipment:				
Not later than one year. . . . .	5,574	27,962	30,742	28,880
Later than one year and not later than five years . . . . .	4,955	84,576	71,749	45,263
Later than five years . . . . .	812	7,262	7,141	6,196
	<u>11,341</u>	<u>119,800</u>	<u>109,632</u>	<u>80,339</u>

### (b) Commitments for property development expenditure

	31 December			30 June
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Contracted but not provided for. . . . .	<u>1,720,171</u>	<u>8,561,556</u>	<u>12,776,257</u>	<u>14,278,488</u>

### (c) Commitments for land expenditure

	31 December			30 June
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Contracted but not provided for. . . . .	<u>1,627,454</u>	<u>5,701,475</u>	<u>10,235,592</u>	<u>11,615,701</u>

## 33. Business combinations

On 1 January 2007, the Group acquired 90.4% of the equity interest of 廣州市越秀住宅建設有限公司 (Guangzhou Yuexiu Property Construction Company Limited), a company being principally engaged in provision of construction services for the property development enterprises. The acquired business contributed revenues of RMB 43,970,000 and net profit of RMB 1,941,000 to the Group for the year ended 31 December 2007.

Details of net assets acquired and goodwill are as follows:

	<b>(RMB'000)</b>
Purchase consideration paid . . . . .	41,348
Fair value of net assets acquired . . . . .	<u>(41,348)</u>
Goodwill . . . . .	<u>—</u>

The assets and liabilities as of 1 January 2007 arising from the acquisition are as follows:

	<u>Fair value</u>	<u>Acquiree's carrying amount</u>
Cash and cash equivalents . . . . .	2,012	2,012
Property and equipment ( <i>note 6</i> ) . . . . .	10,897	10,897
Trade and other receivables . . . . .	76,596	76,596
Trade and other payables . . . . .	(35,783)	(35,783)
Borrowings . . . . .	(8,000)	(8,000)
Net assets . . . . .	45,722	45,722
Minority interests (9.6%) . . . . .	(4,374)	
Net assets acquired . . . . .	<u>41,348</u>	
Purchase consideration settled in cash . . . . .		41,348
Cash and cash equivalents in subsidiary acquired . . . . .		<u>(2,012)</u>
Cash outflow on acquisition . . . . .		<u>39,336</u>

### 34. Related party transactions

#### (a) Name and relationship with related parties

<u>Name</u>	<u>Relationship</u>
許家印先生 Dr. Hui Ka Yan (“Dr. Hui”) . . . . .	The ultimate controlling shareholder and also the director of the Company
廣州恒大實業集團有限公司 Guangzhou Hengda Industrial Group Company Limited . . . . .	Controlled by Dr. Hui and his associates
Xin Xin (BVI) Limited . . . . .	The controlling shareholder of the Company
廣州市金碧大世界飲食娛樂有限公司 Guangzhou Jinbi Dashijie Catering and Entertainment Company Limited . . . . .	Controlled by Mrs. Hui

#### (b) Transactions with related parties

During the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, the Group had the following significant transactions with related parties:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2008</u>	<u>2009</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Rental income ( <i>note (i)</i> ):					
Guangzhou Jinbi Dashijie Catering and Entertainment Company Limited . . . . .	<u>3,000</u>	<u>8,606</u>	<u>2,617</u>	<u>1,309</u>	<u>1,309</u>

(i) The rental fees were charged in accordance with the terms of the underlying agreements.



(e) *Borrowing from related party*

As at 31 December 2006, 2007 and 2008 and 30 June 2009, the Group had the following entrusted bank loans from a related party:

	31 December			30 June
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Guangzhou Hengda Industrial Group Company Limited ( <i>note 16(a)</i> ) . . . .	<u>211,071</u>	<u>225,508</u>	<u>240,933</u>	<u>249,036</u>

The loan will be settled before the listing of the Company's shares on the Stock Exchange.

**35. Accounting adjustments under common control combination**

The following is a reconciliation of the effect arising from the common control combination on the consolidated balance sheets.

The consolidated balance sheets as at 30 June 2009:

	<u>The Company</u>	<u>The Operating</u>	<u>Adjustments</u>	<u>Consolidated</u>
	(RMB'000)	Group	(RMB'000)	(RMB'000)
		(RMB'000)		
Investment in the Operating Group . .	2	—	(2)	—
Other assets — net . . . . .	<u>6,405,103</u>	<u>2,601,588</u>	—	<u>9,006,691</u>
Net assets. . . . .	<u>6,405,105</u>	<u>2,601,588</u>	<u>(2)</u>	<u>9,006,691</u>
Share capital. . . . .	209,332	829,813	(829,813)	209,332
Share premium . . . . .	6,000,560	—	—	6,000,560
Merger reserve . . . . .	—	(1,816,285)	829,811	(986,474)
(Accumulated losses)/retained earnings . . . . .	(819,323)	2,981,634	—	2,162,311
Other reserves. . . . .	1,014,536	361,775	—	1,376,311
Minority interests . . . . .	—	244,651	—	244,651
	<u>6,405,105</u>	<u>2,601,588</u>	<u>(2)</u>	<u>9,006,691</u>

The consolidated balance sheets as at 31 December 2008:

	<u>The Company</u>	<u>The Operating</u>	<u>Adjustments</u>	<u>Consolidated</u>
	(RMB'000)	Group	(RMB'000)	(RMB'000)
		(RMB'000)		
Investment in the Operating Group . .	2	—	(2)	—
Other assets — net . . . . .	<u>6,141,159</u>	<u>2,441,972</u>	—	<u>8,583,131</u>
Net assets. . . . .	<u>6,141,161</u>	<u>2,441,972</u>	<u>(2)</u>	<u>8,583,131</u>
Share capital. . . . .	209,332	829,813	(829,813)	209,332
Share premium . . . . .	6,000,560	—	—	6,000,560
Merger reserve . . . . .	—	(1,816,285)	829,811	(986,474)
(Accumulated losses)/retained earnings . . . . .	(1,083,267)	2,745,406	—	1,662,139
Other reserves. . . . .	1,014,536	361,775	—	1,376,311
Minority interests . . . . .	—	321,263	—	321,263
	<u>6,141,161</u>	<u>2,441,972</u>	<u>(2)</u>	<u>8,583,131</u>

The consolidated balance sheets as at 31 December 2007:

	<u>The Company</u>	<u>The Operating Group</u>	<u>Adjustments</u>	<u>Consolidated</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Investment in the Operating Group . .	2	—	(2)	—
Other (liabilities)/assets — net . . . . .	<u>(850,658)</u>	<u>1,701,931</u>	<u>—</u>	<u>851,273</u>
Net (liabilities)/assets. . . . .	<u>(850,656)</u>	<u>1,701,931</u>	<u>(2)</u>	<u>851,273</u>
Share capital. . . . .	125,000	829,813	(829,813)	125,000
Merger reserve . . . . .	—	(1,816,285)	829,811	(986,474)
(Accumulated losses)/retained earnings . . . . .	(975,656)	2,128,801	—	1,153,145
Other reserves. . . . .	—	346,009	—	346,009
Minority interests . . . . .	—	213,593	—	213,593
	<u>(850,656)</u>	<u>1,701,931</u>	<u>(2)</u>	<u>851,273</u>

The consolidated balance sheets as at 31 December 2006:

	<u>The Company</u>	<u>The Operating Group</u>	<u>Adjustments</u>	<u>Consolidated</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Investment in the Operating Group . .	1	—	(1)	—
Other assets/(liabilities) — net . . . . .	<u>69,540</u>	<u>(577,874)</u>	<u>—</u>	<u>(508,334)</u>
Net assets/(liabilities). . . . .	<u>69,541</u>	<u>(577,874)</u>	<u>(1)</u>	<u>(508,334)</u>
Share capital. . . . .	125,000	829,812	(829,812)	125,000
Merger reserve . . . . .	—	(1,816,285)	829,811	(986,474)
(Accumulated losses)/retained earnings . . . . .	(55,459)	166,440	—	110,981
Other reserves. . . . .	—	242,159	—	242,159
	<u>69,541</u>	<u>(577,874)</u>	<u>(1)</u>	<u>(508,334)</u>

### 36. Contingency

On 8 January 2008, the Group entered into a land grant contract with Guangzhou State-owned Land Bureau to acquire a land located in Tianhe District of Guangzhou at a consideration of approximately RMB 4.1 billion. The land was originally designated for residential use, but has since been re-designated by Guangzhou city government as a result of its planned re-zoning of the area as part of a newly established financial district in Guangzhou city. The Group is in negotiation with the government with respect to the amendments to the terms of the land grant contract, including the use of the land and payment terms, but the result is pending as at the date of the accountants' report. The Group has paid a deposit of RMB 130 million but has not paid the remaining land premium which was due in July 2008 according to the original land grant contract. However, The Group has not received any notice from relevant government authorities for violation of the terms of the land grant contract.

Should the Group be unable to reach an agreement in its favour, the Group may be subject to forfeiture of the deposit of RMB 130 million and penalty for delay payment of the land premium in accordance with the original land grant contract. The directors of the Company consider, based on their best estimation of the result of negotiation with the government, that the risk of forfeiture of the deposit and penalty of late payment would be low and therefore has not made any provision for the forfeiture of the deposit and penalty of late payment.



### 37. Subsequent events

- (i) In July 2009, the Group entered into a sale and purchase agreement with four independent third parties to acquire entire interest in Jiangxi Hongji Investment Company Limited (“Jiangxi Hongji”) from these four parties at an aggregate consideration of RMB 615,380,000. Jiangxi Hongji was established on 19 April 2004. As at 30 June 2009, the paid-in capital of Jiangxi Hongji was RMB 6,000,000. Jiangxi Hongji has not carried out any significant business transactions since its establishment other than acquisition of five pieces of lands in Jiangxi Province. As at 30 June 2009, the carrying value of the lands amounted to RMB 108,414,000.
- (ii) In July 2009, the Group has entered into a sale and purchase agreement with two independent third parties to acquire the entire interest in Changsha Xinlin Property Company Limited (“Changsha Xinlin”) from these parties at an aggregate consideration of RMB 600,000,000. Changsha Xinlin was established on 9 April 2003. As at 30 June 2009, the paid-in capital of Changsha Xinlin was RMB 8,000,000. Changsha Xinlin has not carried out any significant business transactions since its establishment other than acquisition of a piece of land in Changsha City. As at 30 June 2009, the carrying value of the land amounted to RMB 216,294,000.
- (iii) In July 2009, the Group has entered into a sale and purchase agreement with an independent third party, pursuant to which the Group will acquire a piece of land through acquisition of the entire interest in Taiyuan Mingdu Real Estate Development Company Limited (“Taiyuan Mingdu”) set up by the independent third party to hold this land at an aggregate consideration of RMB 445,000,000.
- (iv) In August 2009, the Group entered into a sale and purchase agreement with two independent third parties to acquire entire interest in Jiangxi Cuilin Shanzhuang Limited (“Jiangxi Cuilin”) from these two parties at an aggregate consideration of RMB 620,000,000. Jiangxi Cuilin was established on 7 July 2003. As at 30 June 2009, the paid-in capital of Jiangxi Cuilin was RMB 24,793,800. Jiangxi Cuilin has not carried out any significant business transactions since its establishment other than acquisition of a piece of land in Jiangxi Province. As at 30 June 2009, the carrying value of the land amounted to RMB 55,507,000.
- (v) In August 2009, the Group has entered into an agreement with Shijiazhuang State-owned Land Bureau to acquire a piece of land at a consideration of approximately RMB 1.9 billion.
- (vi) In September 2009, the Group entered into a sale and purchase agreement with two independent third parties to acquire entire interest in Anhui Sanlin Property Limited (“Anhui Sanlin”) from these two parties at an aggregate consideration of RMB 447,740,000. Anhui Sanlin was established on 2 November 2001. As at 30 June 2009, the paid-in capital of Anhui Sanlin was RMB 100,000,000. Anhui Sanlin has not carried out any significant business transactions since its establishment other than acquisition of a piece of land in Anhui Province. As at 30 June 2009, the carrying value of the land amounted to RMB 138,878,000.

### III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30 June 2009. In addition, no dividend or distribution has been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to 30 June 2009.

Yours faithfully  
**PricewaterhouseCoopers**  
*Certified Public Accountants*  
Hong Kong

The following Independent Auditor's Report on the consolidated financial statements of the Company is reproduced from the Company's Annual Report for the year ended 31 December 2009, with the page references included in such Independent Auditor's Report referring to pages set out in such annual report.



羅兵咸永道會計師事務所

PricewaterhouseCoopers  
22nd Floor, Prince's Building  
Central, Hong Kong

**Independent Auditor's Report**  
**To the shareholders of Evergrande Real Estate Group Limited**  
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Evergrande Real Estate Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 102 to 165, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditor's judgement, including the assessment of the risks 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 true 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 the directors, 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.

## **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 12 April 2010

## I. FINANCIAL INFORMATION

### (A) CONSOLIDATED BALANCE SHEET

	Note	31 December 2009 <u>(RMB'000)</u>	31 December 2008 <u>(RMB'000)</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment . . . . .	6	395,775	450,141
Land use rights . . . . .	7	279,498	250,868
Investment properties . . . . .	8	3,130,800	1,741,390
Other receivables . . . . .	20(c)	302,964	281,849
Deferred income tax assets . . . . .	17	<u>522,166</u>	<u>324,364</u>
		<u>4,631,203</u>	<u>3,048,612</u>
<b>Current assets</b>			
Land use rights . . . . .	7	15,923,120	8,644,245
Properties under development . . . . .	9	20,557,151	9,049,192
Completed properties held for sale . . . . .	10	2,004,932	2,240,713
Trade and other receivables and prepayments . . . . .	11	5,318,893	3,590,360
Income tax recoverable . . . . .		257,909	31,816
Restricted cash . . . . .	12	7,044,824	1,167,942
Cash and cash equivalents . . . . .	13	<u>7,333,232</u>	<u>749,718</u>
		<u>58,440,061</u>	<u>25,473,986</u>
<b>Total assets</b> . . . . .		<u><u>63,071,264</u></u>	<u><u>28,522,598</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to shareholders of the Company</b>			
Share capital . . . . .	14	1,044,079	209,332
Share premium . . . . .	14	7,958,022	6,000,560
Reserves . . . . .	15	1,219,385	389,837
Retained earnings . . . . .		<u>2,640,351</u>	<u>1,662,139</u>
		12,861,837	8,261,868
Minority interests . . . . .		<u>295,309</u>	<u>321,263</u>
<b>Total equity</b> . . . . .		<u><u>13,157,146</u></u>	<u><u>8,583,131</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings . . . . .	16	7,816,044	4,226,413
Deferred income tax liabilities . . . . .	17	<u>600,497</u>	<u>451,527</u>
		<u>8,416,541</u>	<u>4,677,940</u>
<b>Current liabilities</b>			
Borrowings . . . . .	16	6,359,745	6,213,843
Trade and other payables . . . . .	18	9,799,761	4,469,168
Receipts in advance from customers . . . . .		24,306,136	3,503,265
Financial guarantee liabilities . . . . .	31(b)	—	197,403
Current income tax liabilities . . . . .	19	<u>1,031,935</u>	<u>877,848</u>
		<u>41,497,577</u>	<u>15,261,527</u>
<b>Total liabilities</b> . . . . .		<u><u>49,914,118</u></u>	<u><u>19,939,467</u></u>
<b>Total equity and liabilities</b> . . . . .		<u><u>63,071,264</u></u>	<u><u>28,522,598</u></u>
<b>Net current assets</b> . . . . .		<u><u>16,942,484</u></u>	<u><u>10,212,459</u></u>
<b>Total assets less current liabilities</b> . . . . .		<u><u>21,573,687</u></u>	<u><u>13,261,071</u></u>

**(B) BALANCE SHEET**

		<u>31 December 2009</u>	<u>31 December 2008</u>
	Note	(RMB'000)	(RMB'000)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries . . . . .	36	14,196	2
Property and equipment . . . . .	6	<u>1,494</u>	<u>1,106</u>
		<u>15,690</u>	<u>1,108</u>
<b>Current assets</b>			
Amounts due from subsidiaries and other receivables . . . . .	11	9,419,426	6,351,153
Cash and cash equivalents . . . . .	13	<u>6,710</u>	<u>420</u>
		<u>9,426,136</u>	<u>6,351,573</u>
<b>Total assets</b> . . . . .		<u><u>9,441,826</u></u>	<u><u>6,352,681</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to shareholders of the Company</b>			
Share capital . . . . .	14	1,044,079	209,332
Share premium . . . . .	14	7,958,022	6,000,560
Reserves . . . . .	15	1,028,730	1,014,536
Accumulated losses . . . . .	26	<u>(709,770)</u>	<u>(1,083,267)</u>
<b>Total equity</b> . . . . .		<u>9,321,061</u>	<u>6,141,161</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial guarantee liabilities . . . . .	31(b)	—	197,403
Trade and other payables . . . . .	18	<u>120,765</u>	<u>14,117</u>
		<u>120,765</u>	<u>211,520</u>
<b>Total liabilities</b> . . . . .		<u>120,765</u>	<u>211,520</u>
<b>Total equity and liabilities</b> . . . . .		<u><u>9,441,826</u></u>	<u><u>6,352,681</u></u>
<b>Net current assets</b> . . . . .		<u>9,305,371</u>	<u>6,140,053</u>
<b>Total assets less current liabilities</b> . . . . .		<u><u>9,321,061</u></u>	<u><u>6,141,161</u></u>

(C) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2009	2008
		(RMB'000)	(RMB'000)
	Note		
Revenue . . . . .	5	5,722,657	3,606,791
Cost of sales . . . . .	21	<u>(3,776,308)</u>	<u>(2,124,420)</u>
<b>Gross profit</b> . . . . .		1,946,349	1,482,371
Fair value gains on investment properties . . . . .	8	842,570	77,415
Other gains . . . . .	20	347,554	531,090
Selling and marketing costs . . . . .	21	(1,075,142)	(665,299)
Administrative expenses . . . . .	21	(744,960)	(545,273)
Other operating expenses . . . . .	21	<u>(63,890)</u>	<u>(34,439)</u>
<b>Operating profit</b> . . . . .		1,252,481	845,865
Reversals/(provisions) of financial guarantees . .	31(b)	197,403	(65,997)
Finance (costs)/income, net . . . . .	24	<u>(3,709)</u>	<u>186,520</u>
<b>Profit before income tax</b> . . . . .		1,446,175	966,388
Income tax expenses . . . . .	25	<u>(329,371)</u>	<u>(333,958)</u>
<b>Profit for the year</b> . . . . .		<u>1,116,804</u>	<u>632,430</u>
<b>Other comprehensive income</b> . . . . .		<u>—</u>	<u>—</u>
<b>Total comprehensive income</b> <b>for the year</b> . . . . .		<u>1,116,804</u>	<u>632,430</u>
<b>Attributable to:</b>			
Shareholders of the Company . . . . .		1,046,428	524,760
Minority interests . . . . .		<u>70,376</u>	<u>107,670</u>
		<u>1,116,804</u>	<u>632,430</u>
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)			
Basic earnings per share . . . . .	27	<u>0.074</u>	<u>0.038</u>
Diluted earnings per share . . . . .	27	<u>0.074</u>	<u>0.038</u>
Dividends . . . . .	28	<u>105,000</u>	<u>125,651</u>

**(D) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to shareholders of the Company						Minority interests	Total
	Share capital	Share premium	Reserves	Retained earnings	Total			
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)		
<b>Balance as at 1 January 2008</b> . . .	125,000	—	(640,465)	1,153,145	637,680	213,593	851,273	
<b>Comprehensive income</b>								
Profit for the year . . . . .	—	—	—	524,760	524,760	107,670	632,430	
Other Comprehensive income . . . . .	—	—	—	—	—	—	—	
<b>Transactions with owners</b>								
Issuance of shares								
— Restructure of convertible preferred shares . . . . .	58,652	2,873,948	1,014,536	—	3,947,136	—	3,947,136	
— Issuance of new shares . . . . .	25,680	3,252,263	—	—	3,277,943	—	3,277,943	
Transfer to statutory reserves . . . . .	—	—	15,766	(15,766)	—	—	—	
Dividends . . . . .	—	(125,651)	—	—	(125,651)	—	(125,651)	
<b>Total transactions with owners</b> . . .	84,332	6,000,560	1,030,302	(15,766)	7,099,428	—	7,099,428	
<b>Balance as at 31 December 2008</b> . . .	209,332	6,000,560	389,837	1,662,139	8,261,868	321,263	8,583,131	
<b>Balance as at 1 January 2009</b> . . .	209,332	6,000,560	389,837	1,662,139	8,261,868	321,263	8,583,131	
<b>Comprehensive income</b>								
Profit for the year . . . . .	—	—	—	1,046,428	1,046,428	70,376	1,116,804	
Other Comprehensive income . . . . .	—	—	—	—	—	—	—	
<b>Transactions with owners</b>								
Deemed contribution by the shareholder of the Company (note 15(c)) . . . . .	—	—	747,138	—	747,138	—	747,138	
Transfer to statutory reserves . . . . .	—	—	68,216	(68,216)	—	—	—	
Capitalisation issue (note 14(d)) . . .	766,129	(766,129)	—	—	—	—	—	
Issuance of ordinary shares in connection with the listing (note 14(e)) . . . . .	68,618	3,082,024	—	—	3,150,642	—	3,150,642	
Share issuance costs . . . . .	—	(358,433)	—	—	(358,433)	—	(358,433)	
Employee share option scheme (note 15(d)) . . . . .	—	—	14,194	—	14,194	—	14,194	
Contribution from minority interests	—	—	—	—	—	2,470	2,470	
Additional gain from partial disposal of a subsidiary (note 20(a)) . . . . .	—	—	—	—	—	(98,800)	(98,800)	
<b>Total transactions with owners</b> . . .	834,747	1,957,462	829,548	(68,216)	3,553,541	(96,330)	3,457,211	
<b>Balance as at 31 December 2009</b> . . .	1,044,079	7,958,022	1,219,385	2,640,351	12,861,837	295,309	13,157,146	



**(E) CONSOLIDATED STATEMENT OF CASH FLOWS**

		<u>Year ended 31 December</u>	
		<u>2009</u>	<u>2008</u>
		<u>(RMB'000)</u>	<u>(RMB'000)</u>
	Note		
<b>Cash flows of operating activities</b>			
Cash generated from/(used in) operations . . . . .	29	3,294,700	(4,038,562)
PRC corporate income tax paid . . . . .		(233,080)	(198,713)
PRC land appreciation tax paid . . . . .		(217,129)	(81,575)
Interest paid . . . . .		(686,318)	(867,413)
<b>Net cash generated from/(used in) operating activities</b> . . . . .		<u>2,158,173</u>	<u>(5,186,263)</u>
<b>Cash flows of investing activities</b>			
Purchase of property and equipment . . . . .		(92,118)	(168,889)
Interest received . . . . .		36,093	34,495
Cash advances made to related parties . . . . .		(628)	(969)
Repayments of amounts due from related parties . . . . .		877	—
<b>Net cash used in investing activities</b> . . . . .		<u>(55,776)</u>	<u>(135,363)</u>
<b>Cash flows of financing activities</b>			
Dividends paid . . . . .		—	(651)
Proceeds from borrowings . . . . .		10,176,054	3,732,643
Repayments of borrowings . . . . .		(5,969,753)	(3,054,204)
Issue of shares . . . . .		3,150,642	3,386,121
Share issuance costs . . . . .		(358,433)	—
Restricted cash pledged for bank borrowings . . . . .		(2,518,045)	400,489
Contribution from minority interests . . . . .		2,470	—
Cash advances from related parties . . . . .		—	850
Repayments of amounts due to related parties . . . . .		(850)	—
<b>Net cash generated from financing activities</b> . . . . .		<u>4,482,085</u>	<u>4,465,248</u>
<b>Net increase/(decrease) in cash and cash equivalents</b> . . . . .		6,584,482	(856,378)
Cash and cash equivalents at beginning of year . . . . .		749,718	1,640,863
Exchange losses on cash and cash equivalents . . . . .		(968)	(34,767)
<b>Cash and cash equivalents at end of year</b> . . . . .		<u><u>7,333,232</u></u>	<u><u>749,718</u></u>

## II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Evergrande Real Estate Group Limited (the “Company”) was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and is engaged in investment holding. The Company and its subsidiaries (the “Group”) are principally engaged in the property development, property investment, property management, property construction, land leveling and other property development related services in the People’s Republic of China (the “PRC”).

The address of its registered office is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

For the preparation of listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company and its subsidiaries (the “Group”) has undertaken a group reorganisation (the “Reorganisation”) in 2006. Pursuant to the Reorganisation, the Company acquired the entire interests in the PRC subsidiaries comprising the Group from the controlling shareholder of the Group and became the holding company of the Group. Details of the Reorganisation are set out in the Prospectus of the Company dated 22 October 2009.

The Company has its primary listing on the Stock Exchange on 5 November 2009.

These consolidated financial statements are presented in Renminbi Yuan (“RMB”) thousands, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 12 April 2010.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied during the year.

#### (a) *Basis of preparation*

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, embedded financial derivatives and financial guarantees which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

- (i) The following new and amended HKFRSs are effective on 1 January 2009. The Group has consistently applied these new and amended HKFRSs when it prepared its consolidated financial statements for the three years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009 for preparing for the listing of the Company on the Stock Exchange.
  - HKFRS 7 “Financial Instruments — Disclosures” (amendment) (effective from 1 January 2009).

- HKAS 1 (revised), “Presentation of financial statements” (effective from 1 January 2009).
  - HKFRS 2 (amendment), “Share-based payment” (effective from 1 January 2009).
  - HKAS 23 (Revised), “Borrowing costs” (effective from 1 January 2009).
  - HKFRS 8, “Operating segments” (effective from 1 January 2009), which replaces HKAS 14, “Segment reporting”.
  - HKAS 40 (Amendment), “Investment property” (effective from 1 January 2009).
- (ii) *Standards, amendments and interpretations to existing standards relevant to the Group’s operation that are not yet effective and have not been early adopted by the Group*

The following standards and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 July 2009 or later periods, but the Group has not early adopted them.

- HKAS 27 (revised) “Consolidated and separate financial statements” (effective for annual period beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010.
- HKFRS 3 (revised) “Business combinations” (effective for annual period beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
- HKAS 1 (amendment) “Presentation of financial statements” (effective for annual period beginning on or after 1 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group’s financial statements.

- HKFRS 2 (amendment) “Group cash-settled share-based payment transactions” (effective for annual period beginning on or after 1 January 2010). In addition to incorporating HK(IFRIC)-Int 8, “Scope of HKFRS 2”, and HK(IFRIC)-Int 11, “HKFRS 2 — group and treasury share transactions”, the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group’s financial statements.

**(b) Consolidation**

*(i) Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group except for which has been accounted for under merger accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between the group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company’s balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

*(ii) Transaction with minority interests*

The Group applies a policy of treating transaction with minority interests as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group that are recorded in the income statement. Purchase from minority interests result in goodwill, being the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary being acquired.

**(c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM has been identified as the senior management at the headquarter level. The CODM is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments.

**(d) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each group entities are measured using the currency of the primary economic environment in which the entities operate (the “functional currency”). The consolidated financial statements are presented in RMB, which is the functional and presentation currency of the Company.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

*(iii) Group entities*

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet of the group entities are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement of the group entities are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders’ equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate.

**(e) Property and equipment**

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20–30 years
Machinery	5–10 years
Motor vehicles	4–10 years
Furniture, fitting and equipment	3–8 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains, in the income statement.

Assets under construction are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**(f) *Investment properties***

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Property that is currently being constructed or developed for future use as investment property is classified as investment property.

Investment property comprises land held under operating leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are performed at each balance sheet date by independent valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values of investment property are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement to the extent the impairment provision previous made.

**(g) *Impairment of investment in subsidiaries and non-financial assets***

Assets that are subject to amortisation are reviewed 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 carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating unit"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

**(h) *Financial assets***

*Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and reviews the designation at each reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as trade receivables, other receivables, cash and cash equivalents in balance sheet and carried at the amortised cost using the effective interest method.



### *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

#### **(i) *Impairment of financial assets***

##### **(i) *Assets carried at amortised cost***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

#### **(j) *Properties under development***

Properties under development are stated at the lower of cost and net realisable value. Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and anticipated cost to completion.

Development cost of property comprises construction costs, amortisation of land use rights, borrowing costs, and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

Properties under development are classified as current assets unless those will not be realised in one normal operating cycle.

**(k) *Completed properties held for sale***

Completed properties remaining unsold at the end of each relevant year are stated at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the estimated selling price in the ordinary course of business, less applicable estimated selling expenses to make the sale.

**(l) *Trade and other receivables***

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**(m) *Cash and cash equivalents***

Cash and cash equivalent includes cash in hand and at banks and deposits held at call with banks, other short-term high liquidity investment with original maturities of three months or less.

Bank deposits which are restricted to use are included in “restricted cash”. Restricted cash are excluded from cash and cash equivalents included in the cash flow statements.

**(n) *Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

**(o) *Trade and other payables***

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(p) *Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

**(q) *Current and deferred income tax***

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**(r) *Employee benefits***

**(i) *Employee leave entitlements***

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(ii) *Retirement benefits***

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated at a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

**(iii) *Termination benefits***

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

**(s) *Share-based payments***

The Group operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- (i) including any market performance conditions;

- (ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- (iii) excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revisits its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

**(t) *Provisions and contingent liabilities***

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

**(u) *Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown, net of discount and after eliminated sales with the group entities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, and type of transaction and the specifics of each arrangement.

(i) *Sales of properties*

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. To the extent that the Group has to perform further work on the properties already delivered to the purchasers, the relevant expenses shall be recognised simultaneously. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets under current liabilities.

(ii) *Property management*

Revenue arising from property management is recognised in the accounting period in which the services are rendered, using a straight-line basis over the term of the contract.

(iii) *Construction and decoration services*

Revenue arising from construction and decoration service is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iv) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cashflow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(v) *Rental income*

Rental income of property leasing under operating leases is recognised on a straight-line basis over the lease terms.

(v) **Leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) *The Group is the lessee*

Payments made under operating leases (net of any incentives received from the lessor), are charged to the income statement on a straight-line basis over the period of the lease.

The Group made upfront payments to obtain operating leases of land use rights on which properties will be developed. The upfront payments of the land use rights are recorded as assets and amortised over the lease periods. The unamortised upfront payments are recognised as cost of sales when the relevant properties are sold or transferred to the cost of investment properties upon completion of the relevant properties.

(ii) *The Group is the lessor*

Assets leased out under operating leases are included in investment properties in the balance sheets.

(w) ***Dividend distribution***

Dividend distribution to the equity holders of the Group is recognised the consolidated financial statements in the period in which the dividends are approved by the equity holders or the board of directors, where applicable, of relevant group entities.

(x) ***Financial guarantee liabilities***

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for property purchasers and to certain investors for the Company's holding company.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

### **3. FINANCIAL RISK MANAGEMENT**

The Group's major financial instruments include cash and bank deposits, trade and other receivables, trade and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) ***Financial risk factor***

(i) *Foreign exchange risk*

The Group's businesses are principally conducted in RMB, except that certain receipts of sales proceeds and borrowings are denominated in foreign currency. As at 31 December 2009, the non-RMB assets and liabilities of the Group are mainly cash proceeds from borrowings deposited in US\$ bank accounts and borrowings from a financial institute denominated in US\$. The Group has not entered into any significant forward exchange contract to hedge its exposure to foreign exchange risk.

As at 31 December 2009 and 2008, if RMB had strengthened/weakened by 5% against US\$, with all other variables held constant, post-tax profit for the years ended 31 December 2009 and 2008 would have been approximately RMB 86 million and RMB 163 million higher/lower.



(ii) *Interest rate risk*

The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its long term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk.

As at 31 December 2009 and 2008, if interest rate on borrowing had been 100 basis point higher/lower with all variables held constant, post-tax profit for the years ended 31 December 2009 and 2008 would have been approximately RMB 7 million and RMB 5 million lower/higher, respectively, mainly as a result of more/less interest expense on borrowings at variable rates.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) *Credit risk*

Cash transactions are limited to high-credit-quality institutions. The extent of the Group's credit exposure is represented by the aggregate balance of cash in bank, restricted cash, trade and other receivables.

For banks and financial institutions, deposits are only placed with reputable banks. For credit exposures to customers, generally, the Group requires full payment from customers before delivery of properties. Credit terms are granted to customers upon obtaining approval from the Company's senior management after assessing the credit history of those customers. The Group has set up policies to ensure follow-up action is taken to recover overdue debts and the Group reviews regularly the recoverable amount of each individual trade and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 31.

(iv) *Liquidity risk*

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans and increase in capital to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through available sources of financing.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date.

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>At 31 December 2009</b>					
Borrowings . . . . .	7,155,768	3,749,534	5,498,944	—	16,404,246
Trade and other payables . . . . .	9,799,761	—	—	—	9,799,761
Total . . . . .	<u>16,955,529</u>	<u>3,749,534</u>	<u>5,498,944</u>	<u>—</u>	<u>26,204,007</u>
<b>At 31 December 2008</b>					
Borrowings . . . . .	6,829,100	3,847,834	323,924	240,933	11,241,791
Trade and other payables . . . . .	4,469,168	—	—	—	4,469,168
Total . . . . .	<u>11,298,268</u>	<u>3,847,834</u>	<u>323,924</u>	<u>240,933</u>	<u>15,710,959</u>

**(b) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the consolidated balance sheets.

During the relevant years, the Group's strategy was to maintain a gearing ratio within 20% to 50%. The gearing ratios were as follows:

	<u>31 December</u>	
	<u>2009</u>	<u>2008</u>
	(RMB'000)	(RMB'000)
Total borrowings . . . . .	14,175,789	10,440,256
Total assets . . . . .	<u>63,071,264</u>	<u>28,522,598</u>
Gearing ratio . . . . .	<u>22%</u>	<u>37%</u>

**(c) Fair value estimation**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date, quoted market prices or dealer quotes for similar instruments or estimated discounted cash flows.

The nominal value less impairment provisions of trade and other receivables and the nominal value of trade and other payables approximate their fair value due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

**(a) *PRC corporate income taxes and deferred taxation***

The Group's subsidiaries that operate in the PRC are subject to income tax in the PRC. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

**(b) *PRC land appreciation taxes***

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

**(c) *Estimated fair value of investment properties***

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuers.

## 5. SEGMENT INFORMATION

The CODM of the Group are the directors of the Company who is responsible to review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management, property construction, land leveling and other property development related services. As CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

Revenue consists of sales of properties, rental income of investment properties, income from provision of property management services and property construction, land leveling and other property development related services. Revenue for the year ended 31 December 2009 consists of the following:

	<u>Year ended 31 December</u>	
	<u>2009</u>	<u>2008</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Sales of properties . . . . .	5,042,876	3,495,057
Rental income of investment properties . . . . .	37,595	25,758
Property management services . . . . .	79,507	78,694
Property construction, land leveling and other property development related services . . . . .	<u>562,679</u>	<u>7,282</u>
	<u><u>5,722,657</u></u>	<u><u>3,606,791</u></u>

The segment results and other segment items included in the consolidated income statement for the year ended 31 December 2009 are as follows:

	<u>Property development</u>	<u>Property investment</u>	<u>Property management services</u>	<u>Property construction, land leveling and other services</u>	<u>Elimination</u>	<u>Group</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Gross segment revenue . . . . .	5,042,876	44,324	79,507	3,075,048		8,241,755
Inter-segment revenue . . . . .	—	(6,729)	—	(2,512,369)		(2,519,098)
Revenue . . . . .	<u>5,042,876</u>	<u>37,595</u>	<u>79,507</u>	<u>562,679</u>		<u>5,722,657</u>
Segment results . . . . .	163,067	878,735	(112,982)	543,356	(219,695)	1,252,481
Reversals of financial guarantees . . . . .						197,403
Finance costs, net . . . . .						<u>(3,709)</u>
Profit before income tax . . . . .						1,446,175
Income tax expenses . . . . .						<u>(329,371)</u>
Profit for the year . . . . .						<u><u>1,116,804</u></u>
Depreciation ( <i>note 6</i> ) . . . . .	53,736	—	2,100	6,323		62,159
Amortisation of land use rights recognised as expenses ( <i>note 7</i> ) . . . . .	10,757	—	—	—		10,757
Fair value gains on investment properties . . . . .	<u>—</u>	<u>842,570</u>	<u>—</u>	<u>—</u>		<u><u>842,570</u></u>

The segment results and other segment items included in the consolidated income statement for the year ended 31 December 2008 are as follows:

	<u>Property development</u>	<u>Property investment</u>	<u>Property management services</u>	<u>Property construction, land leveling and other services</u>	<u>Elimination</u>	<u>Group</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Gross segment revenue . . . . .	3,495,057	33,800	78,694	2,165,392		5,772,943
Inter-segment revenue . . . . .	—	(8,042)	—	(2,158,110)		(2,166,152)
Revenue . . . . .	<u>3,495,057</u>	<u>25,758</u>	<u>78,694</u>	<u>7,282</u>		<u>3,606,791</u>
Segment results . . . . .	698,195	109,525	(25,044)	266,185	(202,996)	845,865
Provisions of financial guarantees . . . . .						(65,997)
Finance income, net . . . . .						<u>186,520</u>
Profit before income tax . . . . .						966,388
Income tax expenses . . . . .						<u>(333,958)</u>
Profit for the year . . . . .						<u>632,430</u>
Depreciation (note 6) . . . . .	19,016	—	871	4,171	—	24,058
Amortisation of land use rights recognised as expenses (note 7) . . . . .	17,404	—	—	—	—	17,404
Fair value gains on investment properties . . . . .	<u>—</u>	<u>77,415</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>77,415</u>

Segment assets and liabilities as at 31 December 2009 are as follows:

	<u>Property development</u>	<u>Property investment</u>	<u>Property management services</u>	<u>Property construction, land leveling and other services</u>	<u>Elimination</u>	<u>Group</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Segment assets . . . . .	58,507,063	3,130,800	262,943	3,958,358	(3,567,975)	62,291,189
Unallocated . . . . .						780,075
Total assets . . . . .						<u>63,071,264</u>
Segment liabilities . . . . .	34,805,748	—	201,849	2,122,878	(3,024,578)	34,105,897
Unallocated . . . . .						15,808,221
Total liabilities . . . . .						<u>49,914,118</u>
Capital expenditure . . . . .	<u>66,521</u>	<u>—</u>	<u>13,004</u>	<u>12,593</u>	<u>—</u>	<u>92,118</u>

Segment assets and liabilities as at 31 December 2008 are as follows:

	<u>Property development</u>	<u>Property investment</u>	<u>Property management services</u>	<u>Property construction, land leveling and other services</u>	<u>Elimination</u>	<u>Group</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Segment assets . . . . .	26,521,654	1,741,390	239,393	1,535,377	(1,871,396)	28,166,418
Unallocated . . . . .						356,180
Total assets . . . . .						<u>28,522,598</u>
Segment liabilities . . . . .	8,531,098	—	78,313	910,716	(1,547,694)	7,972,433
Unallocated . . . . .						11,967,034
Total liabilities . . . . .						<u>19,939,467</u>
Capital expenditure . . . . .	<u>249,673</u>	<u>5,068</u>	<u>1,903</u>	<u>4,058</u>	<u>—</u>	<u>260,702</u>

Sales between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated income statement.

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They exclude deferred tax assets and income tax recoverable.

Segment liabilities consist of operating liabilities.

Capital expenditure comprises additions to property and equipment.

Reportable segments' assets are reconciled to total assets as follows:

	<b>31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Segment assets . . . . .	62,291,189	28,166,418
Unallocated:		
Income tax recoverable . . . . .	257,909	31,816
Deferred income tax assets . . . . .	<u>522,166</u>	<u>324,364</u>
Total assets per balance sheet . . . . .	<u><u>63,071,264</u></u>	<u><u>28,522,598</u></u>

Reportable segments liabilities are reconciled to total liabilities as follows:

	<b>31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Segment liabilities . . . . .	34,105,897	7,972,433
Unallocated:		
Current income tax liabilities . . . . .	1,031,935	877,848
Deferred income tax liabilities. . . . .	600,497	451,527
Borrowings. . . . .	14,175,789	10,440,256
Financial guarantee liabilities . . . . .	<u>—</u>	<u>197,403</u>
Total liabilities per balance sheet. . . . .	<u><u>49,914,118</u></u>	<u><u>19,939,467</u></u>

## 6. PROPERTY AND EQUIPMENT

### *The Group*

	<b>Buildings</b>	<b>Machinery</b>	<b>Motor vehicles</b>	<b>Furniture, fitting and equipment</b>	<b>Construction in progress</b>	<b>Total</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
At 1 January 2008						
Cost . . . . .	46,814	31,017	77,525	30,494	83,727	269,577
Accumulated depreciation . . . . .	(3,699)	(6,825)	(31,272)	(9,803)	—	(51,599)
Net book amount . . . . .	<u>43,115</u>	<u>24,192</u>	<u>46,253</u>	<u>20,691</u>	<u>83,727</u>	<u>217,978</u>
Year ended 31 December 2008						
Opening net book amount . . . . .	43,115	24,192	46,253	20,691	83,727	217,978
Additions . . . . .	35	2,761	19,650	29,062	209,194	260,702
Disposals . . . . .	—	(2,179)	(1,935)	(367)	—	(4,481)
Transfer to buildings . . . . .	291,795	—	—	—	(291,795)	—
Depreciation . . . . .	(2,030)	(3,618)	(11,088)	(7,322)	—	(24,058)
Closing net book amount . . . . .	<u>332,915</u>	<u>21,156</u>	<u>52,880</u>	<u>42,064</u>	<u>1,126</u>	<u>450,141</u>
At 31 December 2008						
Cost . . . . .	338,644	29,455	95,237	58,825	1,126	523,287
Accumulated depreciation . . . . .	(5,729)	(8,299)	(42,357)	(16,761)	—	(73,146)
Net book amount . . . . .	<u>332,915</u>	<u>21,156</u>	<u>52,880</u>	<u>42,064</u>	<u>1,126</u>	<u>450,141</u>
Year ended 31 December 2009						
Opening net book amount . . . . .	332,915	21,156	52,880	42,064	1,126	450,141
Additions . . . . .	—	8,456	11,240	72,422	—	92,118
Disposals . . . . .	—	(6,147)	(1,090)	(11,361)	—	(18,598)
Transfer to investment properties . . . . .	(64,601)	—	—	—	(1,126)	(65,727)
Depreciation . . . . .	(10,374)	(4,643)	(23,676)	(23,466)	—	(62,159)
Closing net book amount . . . . .	<u>257,940</u>	<u>18,822</u>	<u>39,354</u>	<u>79,659</u>	<u>—</u>	<u>395,775</u>
At 31 December 2009						
Cost . . . . .	274,043	30,445	104,319	116,646	—	525,453
Accumulated depreciation . . . . .	(16,103)	(11,623)	(64,965)	(36,987)	—	(129,678)
Net book amount . . . . .	<u>257,940</u>	<u>18,822</u>	<u>39,354</u>	<u>79,659</u>	<u>—</u>	<u>395,775</u>

Depreciation charge of the Group was included in the following categories in the consolidated income statements:

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Cost of sales . . . . .	23,782	3,576
Selling and marketing costs . . . . .	6,641	253
Administrative expenses . . . . .	31,736	20,229
	<u>62,159</u>	<u>24,058</u>

There is no interest capitalised in assets under construction for the year ended 31 December 2009 (2008: RMB 21,149,000).



As at 31 December 2009, property and equipment of RMB 141,089,000 were pledged as collateral for the Group's bank borrowings (2008: nil) (note16).

<u>The Company</u>	<u>Motor vehicles</u> (RMB'000)	<u>Furniture, fitting and equipment</u> (RMB'000)	<u>Total</u> (RMB'000)
At 1 January 2008			
Cost . . . . .	1,336	387	1,723
Accumulated depreciation . . . . .	(266)	(54)	(320)
Net book amount . . . . .	<u>1,070</u>	<u>333</u>	<u>1,403</u>
Year ended 31 December 2008:			
Opening net book amount . . . . .	1,070	333	1,403
Additions . . . . .	—	52	52
Depreciation . . . . .	(268)	(81)	(349)
Closing net book amount . . . . .	<u>802</u>	<u>304</u>	<u>1,106</u>
At 31 December 2008			
Cost . . . . .	1,336	439	1,775
Accumulated depreciation . . . . .	(534)	(135)	(669)
Net book amount . . . . .	<u>802</u>	<u>304</u>	<u>1,106</u>
Year ended 31 December 2009:			
Opening net book amount . . . . .	802	304	1,106
Additions . . . . .	714	32	746
Depreciation . . . . .	(267)	(91)	(358)
Closing net book amount . . . . .	<u>1,249</u>	<u>245</u>	<u>1,494</u>
At 31 December 2009			
Cost . . . . .	2,050	471	2,521
Accumulated depreciation . . . . .	(801)	(226)	(1,027)
Net book amount . . . . .	<u>1,249</u>	<u>245</u>	<u>1,494</u>

## 7. LAND USE RIGHTS — GROUP

	<u>Year ended 31 December</u>	
	<u>2009</u> (RMB'000)	<u>2008</u> (RMB'000)
Opening net book amount . . . . .	8,895,113	6,984,912
Additions . . . . .	8,066,643	2,855,403
Amortisation . . . . .	(181,454)	(121,024)
— Capitalised in properties under development . . . . .	(170,697)	(103,620)
— Recognised as expenses . . . . .	(10,757)	(17,404)
Transfer to cost of sales . . . . .	(474,515)	(270,381)
Transfer to investment properties . . . . .	(103,169)	(4,543)
Transfer of project development rights . . . . .	—	(549,254)
Closing net book amount . . . . .	<u>16,202,618</u>	<u>8,895,113</u>
Amounts to be realised within one normal operating cycle and included under current assets . . . . .	15,923,120	8,644,245
Amounts included under non-current assets . . . . .	<u>279,498</u>	<u>250,868</u>
	<u>16,202,618</u>	<u>8,895,113</u>

Land use rights comprise cost of acquiring rights to use certain land, which are located in different area of the PRC other than Hong Kong, for property development over fixed periods. Land use rights are held on leases of between 50 to 70 years.

As at 31 December 2009, land use rights of RMB 1,026,851,000 were pledged as collateral for third parties' bank borrowings (2008: nil), which will be released upon the Group's settlement of the remaining considerations for acquisition of the related land use rights amounting to RMB 900,000,000.

As at 31 December 2009, land use rights of RMB 7,330,700,000 were pledged as collateral for the Group's bank borrowings (2008: RMB 3,238,778,000) (note 16).

As at 31 December 2009, with respect to land use rights of RMB 279,498,000 (2008: RMB 250,868,000), the Group needs to obtain further governmental approvals and pay additional land premium before sale of the properties on the land.

## 8. INVESTMENT PROPERTIES — GROUP

	<b>Completed properties</b>	<b>Investment properties under construction</b>	<b>Total</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
At 1 January 2008 . . . . .	1,571,468	—	1,571,468
Addition . . . . .	92,507	—	92,507
— Transfer from land use rights . . . . .	4,543	—	4,543
— Transfer from properties under development . . . . .	87,964	—	87,964
Fair value gains . . . . .	77,415	—	77,415
At 31 December 2008 . . . . .	<u>1,741,390</u>	<u>—</u>	<u>1,741,390</u>
Addition . . . . .	500,123	65,727	565,850
— Transfer from land use rights . . . . .	103,169	—	103,169
— Transfer from property and equipment . . . . .	—	65,727	65,727
— Transfer from properties under development . . . . .	396,954	—	396,954
Transfers . . . . .	65,727	(65,727)	—
Disposal of investment properties . . . . .	(19,010)	—	(19,010)
Fair value gains . . . . .	842,570	—	842,570
At 31 December 2009 . . . . .	<u>3,130,800</u>	<u>—</u>	<u>3,130,800</u>

The fair values of the Group's completed investment properties as at 31 December 2009 were assessed by CB Richard Ellis Limited, an independent qualified valuer. Valuations were based on either: (i) capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; or (ii) direct comparison approach assuming sale of each of these properties in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

The following amounts have been recognised in the consolidated income statement:

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Rental income . . . . .	37,595	25,758
Direct operating expenses arising from investment properties that generate rental income . . . . .	(5,943)	(4,081)
Direct operating expenses that did not generate rental income . . . . .	<u>(2,216)</u>	<u>(1,690)</u>

As at 31 December 2009, investment properties of RMB 427,383,000 were pledged as collateral for the Group's bank borrowings (2008: RMB 628,036,000) (note 16).

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	<u>31 December</u>	
	<u>2009</u>	<u>2008</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Not later than one year . . . . .	38,651	30,632
Later than one year and not later than five years . . . . .	83,979	82,129
Later than five years . . . . .	<u>18,278</u>	<u>19,343</u>
	<u>140,908</u>	<u>132,104</u>

The Group owned 100% interests in the investment properties, which are all in the PRC and have lease periods of between 10 years to 50 years.

**9. PROPERTIES UNDER DEVELOPMENT — GROUP**

	<u>31 December</u>	
	<u>2009</u>	<u>2008</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Properties under development include:		
Construction costs and capitalised expenditures . . . . .	18,414,187	7,432,993
Interests capitalised . . . . .	<u>2,142,964</u>	<u>1,616,199</u>
	<u>20,557,151</u>	<u>9,049,192</u>

The properties under development are located in the PRC.

As at 31 December 2009, properties under development of approximately RMB 1,074,698,000 were pledged as collateral for the Group's bank borrowings (2008: RMB 969,068,000) (note 16).

The capitalisation rate of borrowings for the year ended 31 December 2009 is 9.58% (2008: 11.23%).

**10. COMPLETED PROPERTIES HELD FOR SALE — GROUP**

All completed properties held for sale are located in the PRC.

As at 31 December 2009, completed properties held for sale of approximately RMB 289,415,000 were pledged as collateral for the Group's bank borrowings (2008: RMB 30,898,000) (note 16).

## 11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	31 December		31 December	
	2009	2008	2009	2008
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade receivables ( <i>note (a)</i> ): . . . . .	58,469	16,389	—	—
— related parties ( <i>note 33(d)</i> ) . . . . .	5,332	2,537	—	—
— third parties . . . . .	53,137	13,852	—	—
Other receivables due from: . . . . .	921,865	473,324	9,418,494	6,333,532
— related parties ( <i>note 33(d)</i> ) . . . . .	—	877	—	—
— a shareholder ( <i>note 33(d)</i> ) . . . . .	719	91	719	91
— subsidiaries . . . . .	—	—	9,415,103	6,332,413
— third parties . . . . .	921,146	472,356	2,672	1,028
Prepaid business taxes and other taxes . . . . .	1,045,920	128,387	—	—
Prepayments — third parties . . . . .	3,292,639	2,972,260	932	17,621
— for acquisition of land use rights . . . . .	2,433,244	2,528,633	—	—
— others . . . . .	859,395	443,627	932	17,621
	<u>5,318,893</u>	<u>3,590,360</u>	<u>9,419,426</u>	<u>6,351,153</u>

As at 31 December 2009 and 2008, the fair value of trade and other receivables approximated their carrying amounts.

- (a) Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

The ageing analysis of trade receivables at respective balance sheet dates is as follows:

	31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Within 90 days . . . . .	50,188	5,532
Over 90 days and within 180 days . . . . .	1,524	4,390
Over 180 days and within 365 days . . . . .	6,757	6,467
	<u>58,469</u>	<u>16,389</u>

The trade and other receivables do not contain significant past due or impaired assets.

The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group has retained the legal titles of the properties sold to these customers at each balance sheet date.

## 12. RESTRICTED CASH — GROUP

	31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Guarantee deposit for construction of projects ( <i>note (a)</i> ) . . . . .	4,058,489	644,609
Guarantee deposit for bank acceptance notes and loans ( <i>note (b)</i> ). . . . .	2,985,646	467,601
Guarantee deposit for payments of cost of relocation ( <i>note (c)</i> ) . . . . .	689	55,732
	<u>7,044,824</u>	<u>1,167,942</u>
— Denominated in RMB . . . . .	7,044,824	794,147
— Denominated in other currencies . . . . .	—	373,795
	<u>7,044,824</u>	<u>1,167,942</u>

- (a) In accordance with relevant documents issued by the PRC local State-Owned Land and Resource Bureau, certain property development companies of the Group were required to place the proceeds received from pre-sale of properties as guarantee deposits for construction of properties. The deposits can only be used to pay for construction fees and purchase of construction materials of the relevant projects when approvals are obtained from the PRC local State-Owned Land and Resource Bureau. The restriction will be released after the construction is completed or real estate ownership certificate of the pre-sold properties is issued, whichever is earlier.
- (b) The Group placed certain cash deposits with designated banks as security for bank acceptance notes and bank loans.
- (c) Pursuant to the policy of the PRC Bureau of Land Resources and Housing Management, the Group should place certain deposits with designated bank accounts to guarantee the payments to original occupants of the land acquired by the Group for compensating their relocation costs.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Restricted cash earns interest at floating daily bank deposit rates.

## 13. CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December		31 December	
	2009	2008	2009	2008
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Cash at bank and in hand:				
— Denominated in RMB . . . . .	7,082,137	745,870	—	—
— Denominated in other currencies . . . . .	251,095	3,848	6,710	420
	<u>7,333,232</u>	<u>749,718</u>	<u>6,710</u>	<u>420</u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Cash at banks earns interest at floating daily bank deposit rates.

## 14. SHARE CAPITAL AND PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares (US\$)	Number of convertible preferred shares	Nominal value of convertible preferred shares (US\$)
Authorised:					
As at 1 January 2008 . . . . .		4,200,000,000	42,000,000	800,000,000	8,000,000
Cancellation of convertible preferred shares and increase in authorised ordinary shares. . . . .	(a)	800,000,000	8,000,000	(800,000,000)	(8,000,000)
Increase in authorised share capital . . . . .	(b)	95,000,000,000	950,000,000	—	—
As at 31 December 2008 and 2009 . . . . .		<u>100,000,000,000</u>	<u>1,000,000,000</u>	<u>—</u>	<u>—</u>
		Number of ordinary shares	Nominal value of ordinary shares (US\$)	Equivalent nominal value of ordinary share (RMB'000)	Share premium (RMB'000)
Issued and fully paid:					
As at 1 January 2008 . . . . .		1,600,000,000	16,000,000	125,000	—
Restructure of convertible preferred shares. . . . .	(a)	800,000,000	8,000,000	58,652	2,873,948
Issuance of new shares. . . . .	(c)	374,104,266	3,741,043	25,680	3,252,263
Dividends. . . . .		—	—	—	(125,651)
As at 31 December 2008 . . . . .		2,774,104,266	27,741,043	209,332	6,000,560
Capitalisation issue . . . . .	(d)	11,220,895,734	112,208,957	766,129	(766,129)
Issuance of ordinary shares in connection with the listing . . . . .	(e)	1,005,000,000	10,050,000	68,618	3,082,024
Share issuance costs. . . . .		—	—	—	(358,433)
As at 31 December 2009 . . . . .		<u>15,000,000,000</u>	<u>150,000,000</u>	<u>1,044,079</u>	<u>7,958,022</u>

- (a) On 24 January 2008, 800,000,000 convertible preferred shares were cancelled and the authorised ordinary shares were increased by an equivalent number.

Pursuant to the agreement entered into by the Company and the holders of convertible preferred shares (the “Financial Investors”) on 11 December 2007, the Company has repurchased and cancelled the 800,000,000 convertible preferred shares for an aggregate consideration of US\$400 million in January 2008. The repurchase was financed by a loan of the same amount lent by the Financial Investors to Xin Xin (BVI) Limited (“Xin Xin”), the controlling shareholder of the Company, which has been injected into the Company by Xin Xin to subscribe 800,000,000 newly issued ordinary shares of the Company.

As a result of the above transactions, liability portion and embedded financial derivatives of the convertible preferred shares totalling approximately RMB 3,970 million were derecognised in 2008, simultaneously share capital plus premium of approximately RMB 2,933 million (equivalent to the subscription price of 800,000,000 newly issued ordinary shares of US\$400 million), reserves of approximately RMB 1,014 million and financial guarantee liability of approximately RMB 23 million have been recognised, no gain or loss was recognised in the financial statements.

- (b) On 3 March 2008, the authorised share capital of the Company was increased from US\$50,000,000 to US\$1,000,000,000 by the creation of an additional 95,000,000,000 shares.
- (c) On 25 June 2008, 374,104,266 ordinary shares of the Company were allotted and issued to certain investors at subscription price of US\$1.35 per share (the “New Investment”).
- (d) On 22 October 2009, 11,220,895,734 ordinary shares of the Company were allotted and issued, credited as fully paid at par value of US\$0.01 each to the entities whose name appear on the register of members of the Company in proportion to their then existing shareholdings in the Company, by capitalisation of US\$112,208,957 from the share premium account. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the new shares issued in connection with the listing of the Company’s shares on the Stock Exchange.
- (e) On 5 November 2009, 1,005,000,000 ordinary shares of the Company were allotted and issued at the price of HK\$3.5 per share in connection with the listing.

## 15. RESERVES

### *The Group*

	<u>Merger reserve</u>	<u>Other reserves</u>	<u>Statutory reserves</u>	<u>Share option reserve</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Balance at 1 January 2008 . . . . .	(986,474) <i>(note (a))</i>	147,240	198,769 <i>(note (b))</i>	—	(640,465)
Transfer to statutory reserves . . . . .	—	—	15,766	—	15,766
Deemed contribution by the shareholder of the Company <i>(note 14(a))</i> . . . . .	—	1,014,536	—	—	1,014,536
Balance at 31 December 2008 . . . . .	(986,474)	1,161,776	214,535	—	389,837
Transfer to statutory reserves . . . . .	—	—	68,216	—	68,216
Deemed contribution by the shareholder of the Company <i>(note (c))</i> . . . . .	—	747,138	—	—	747,138
Employee share option scheme <i>(note (d))</i> . . . . .	—	—	—	14,194	14,194
Balance at 31 December 2009 . . . . .	<u>(986,474)</u>	<u>1,908,914</u>	<u>282,751</u>	<u>14,194</u>	<u>1,219,385</u>

#### (a) *Merger reserve*

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company less considerations paid and payable to the then shareholders of the Group during the Reorganisation undertaken in 2006 for preparing listing of the Company on the Stock Exchange (note 1).

#### (b) *Statutory reserves*

In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the group entities established in the PRC, these group entities were required to appropriate 10% of the profit for the year after setting off the accumulated losses brought forward (based on the figures reported in the statutory financial statements) to the statutory surplus reserve. The subsidiaries which are foreign investment enterprises are required to appropriate 10% of the profit for the year after setting off the accumulated losses brought forward (based on the figures reported in the statutory financial statements) to the statutory reserve fund and a certain percentage of the profit for the year to enterprise expansion fund at the discretion of the board of directors of the respective companies.

The statutory surplus reserve and statutory reserve fund can only be used to make good of losses of previous years or to increase the capital of respective companies upon the approval of relevant authority, the enterprise expansion fund can only be used to increase capital of respective companies or to expand their production scale upon approval by the relevant authorities.

#### (c) *Other reserves*

Pursuant to the agreement of structured secured loans with a financial institution (the “Structured Secured Loan”) (note 16(a)(i)), Xin Xin has paid a redemption premium for the Group upon the listing of the Company’s shares on the Stock Exchange on 5 November 2009. The repayment after netted off by related expenses incurred by the Group was deemed as a contribution from shareholder of the Company.



(d) *Share option reserve*

Movements of share options are as follows:

	<b>Number of share options</b>
At 1 January 2009 and 31 December 2009 . . . . .	—
Granted on 14 October 2009 . . . . .	<u>208,000,000</u>
At 31 December 2009 . . . . .	<u><u>208,000,000</u></u>

Particulars of share options as at 31 December 2009 are as follows:

<b>Date of grant</b>	<b>Vesting period</b>	<b>Excise period</b>	<b>Exercise price</b>	<b>Number of outstanding shares as at 31 December 2009</b>
14 October 2009 . . . . .	1 year	5 November 2010–5 November 2013	HK\$3.5	62,000,000
14 October 2009 . . . . .	2 years	5 November 2011–5 November 2014	HK\$3.5	62,000,000
14 October 2009 . . . . .	3 years	5 November 2012–5 November 2015	HK\$3.5	84,000,000
				<u><u>208,000,000</u></u>

Pursuant to a board resolution dated 14 October 2009, the Company has conditionally adopted a share option scheme (the “Pre-IPO Share Option Scheme”) for the purpose of recognising the contribution to the Group by the directors, certain senior management staff and employees of the Group and to retain them whose contributions are important to the long-term growth and profitability of the Group.

On 14 October 2009, the Company conditionally granted share options under the Pre-IPO Share Option Scheme under which the option holders are entitled to acquire aggregate of 208,000,000 shares of the Company at the offer price of the Company’s shares upon the listing date. All the options under the Pre-IPO Share Option Scheme will be exercisable within 36 months after vesting.

The cost of the Pre-IPO Share Option Scheme is amortised over the vesting period of the share options.

The weighted average fair value of options granted is HK\$0.74 per option, which was determined by reference to valuation prepared by an independent valuer, Real Actuarial Consulting Limited, using the Binomial Model. The valuation of the options is subject to a number of assumptions. The significant inputs into the model were estimated share price at the date of grant, annual risk free rate, expected volatility, life of the option and expected dividend yield.

***The Company***

	<b>Other reserve</b>	<b>Share option reserve</b>	<b>Total</b>
	<b>(RMB’000)</b>	<b>(RMB’000)</b>	<b>(RMB’000)</b>
Balance at 1 January 2008 . . . . .	—	—	—
Deemed contribution by the shareholder of the Company (note 14(a)) . . . . .	<u>1,014,536</u>	—	<u>1,014,536</u>
Balance at 31 December 2008 . . . . .	1,014,536	—	1,014,536
Employee share option scheme . . . . .	—	<u>14,194</u>	<u>14,194</u>
Balance at 31 December 2009 . . . . .	<u><u>1,014,536</u></u>	<u><u>14,194</u></u>	<u><u>1,028,730</u></u>

## 16. BORROWINGS — GROUP

	31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Borrowings included in non-current liabilities:		
Bank borrowings — secured . . . . .	12,027,329	9,779,323
Borrowing from a related party . . . . .	—	240,933
	<u>12,027,329</u>	<u>10,020,256</u>
Less: current portion of long-term borrowings — secured . . . . .	(4,211,285)	(5,793,843)
	<u>7,816,044</u>	<u>4,226,413</u>
Borrowings included in current liabilities:		
Bank borrowings — secured . . . . .	2,148,460	420,000
Current portion of long-term borrowings — secured . . . . .	4,211,285	5,793,843
	<u>6,359,745</u>	<u>6,213,843</u>
Total borrowings . . . . .	<u>14,175,789</u>	<u>10,440,256</u>
The total borrowings are denominated in the following currencies:		
RMB . . . . .	12,465,923	7,172,193
US dollar ( <i>note (a)</i> ) . . . . .	1,709,866	3,268,063
	<u>14,175,789</u>	<u>10,440,256</u>

- (a) On 27 August 2007, the Group and a financial institution entered into the Structured Secured Loan with a maximum principal of US\$500,000,000. Up to 31 October 2007, US\$430,000,000 and RMB 20,000,000 have been drawn down, respectively. The Structured Secured Loan matures on 31 October 2010 and bears interests at LIBOR plus a margin (“Annual Margin”).

The other key terms of the Structured Secured Loan are as follows:

- (i) Mandatory prepayment: the Group is required to repay one-third of the outstanding principal of the Structured Secured Loan and Xin Xin has undertaken to pay a premium, which together with the Annual Margin paid by the Group, provides an agreed annual return to the financial institution upon a qualified initial public offering (“QIPO”);
- (ii) Security: the Structured Secured Loan is secured by the equity interests and land use rights of certain subsidiaries of the Group, the Company’s shares held by Xin Xin and guaranteed by Xin Xin and Dr. Hui Ka Yan (“Dr. Hui”), the ultimate controlling shareholder of the Group;
- (iii) Structuring fee and shares in the Company held by Xin Xin: structuring fee is payable to the financial institution upon each draw down of the Structured Secured Loan and certain number of shares in the Company held by Xin Xin should be transferred to the financial institution for each grant of commitment.

Certain events of default under the Structured Secured Loan occurred in 2008. On 17 September 2009, the Group has obtained waivers from the lenders of the Structured Secured Loan with respect to any existing or purported defaults, events of default or cross-default under the various investment and loan agreements, such waivers will remain valid until 31 March 2010.

A portion of the Structured Secured Loan with principal of US\$48,500,000 (equivalent to RMB 331,347,000) has been repurchased during the year ended 31 December 2009 (*note 20(b)*).

Upon the Company’s Listing on the Stock Exchange on 5 November 2009, one-third of the principal of the Structured Secured Loan amounting to US\$143,333,000 has been repaid.

As at 31 December 2009, the Group’s borrowings of RMB 14,175,789,000 (2008: RMB 10,199,323,000) were secured by its property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, cash in bank and equity interests of certain subsidiaries of the Group.

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	<u>6 months or less</u>	<u>6-12 months</u>	<u>1-5 years</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 31 December 2009 . . . . .	8,619,699	5,556,090	—	14,175,789
At 31 December 2008 . . . . .	<u>6,918,093</u>	<u>3,281,230</u>	<u>240,933</u>	<u>10,440,256</u>

The maturity of the borrowings included in non-current liabilities is as follows:

	<u>31 December</u>	
	<u>2009</u>	<u>2008</u>
	(RMB'000)	(RMB'000)
Bank borrowings:		
1-2 years . . . . .	2,487,870	3,605,480
2-5 years . . . . .	5,328,174	380,000
Borrowing from a related party:		
After 5 years ( <i>note (a)</i> ) . . . . .	—	240,933
	<u>7,816,044</u>	<u>4,226,413</u>

(a) The entrusted bank loans from a related party was settled before the listing of the Company's shares on the Stock Exchange.

The effective interest rates were as follows:

	<u>31 December</u>	
	<u>2009</u>	<u>2008</u>
	(RMB'000)	(RMB'000)
Bank borrowings . . . . .	<u>6.44%</u>	<u>10.92%</u>

The fair value of the Group's current borrowings approximates their carrying amounts at each of the balance sheet dates for the reason that the impact of discounting is not significant or the borrowings carry floating rate interests.

The fair values of the Group's non-current borrowings approximate their carrying amounts at each of the balance sheet dates as all the non-current borrowings carry floating rate interests.

## 17. DEFERRED INCOME TAX — GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts of deferred tax assets and liabilities of the Group are as follows:

	31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Deferred income tax assets to be recovered within 12 months . . .	(324,635)	(112,235)
Deferred income tax assets to be recovered after more than 12 months . . . . .	(197,531)	(212,129)
Deferred income tax assets . . . . .	(522,166)	(324,364)
Deferred income tax liabilities to be settled after more than 12 months . . . . .	600,497	451,527
	<u>78,331</u>	<u>127,163</u>

The net movements on the deferred taxation are as follows:

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Beginning of the year . . . . .	127,163	358,233
Recognised in consolidated income statements ( <i>note 25</i> ) . . . . .	(48,832)	(231,070)
End of the year . . . . .	<u>78,331</u>	<u>127,163</u>

Movements in gross deferred tax assets and liabilities are as follows:

### *Deferred income tax assets*

	Temporary difference on unrealised profit of inter-company transactions	Tax losses	Total
	(RMB'000)	(RMB'000)	(RMB'000)
As at 1 January 2008 . . . . .	(38,332)	(85,572)	(123,904)
Credited to the consolidated income statement	<u>(46,804)</u>	<u>(161,156)</u>	<u>(207,960)</u>
As at 31 December 2008 . . . . .	(85,136)	(246,728)	(331,864)
Credited to the consolidated income statement	<u>(41,783)</u>	<u>(156,019)</u>	<u>(197,802)</u>
As at 31 December 2009 . . . . .	<u>(126,919)</u>	<u>(402,747)</u>	<u>(529,666)</u>

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of RMB 71,003,000 (2008: RMB 21,177,000) in respect of tax losses amounting to RMB 284,013,000 (2008: RMB 84,709,000) in certain subsidiaries, which will expire in the following years.

Year	(RMB'000)
2012 . . . . .	35,045
2013 . . . . .	49,664
2014 . . . . .	<u>199,304</u>
	<u>284,013</u>

*Deferred income tax liabilities*

	Excess of carrying amount of land use right over the tax bases	Temporary difference on recognition of fair value gain of investment properties	Total
	(RMB'000)	(RMB'000)	(RMB'000)
As at 1 January 2008 . . . . .	159,103	323,034	482,137
(Credited)/charged to the consolidated income statement . . . . .	(39,145)	16,035	(23,110)
As at 31 December 2008 . . . . .	119,958	339,069	459,027
(Credited)/charged to the consolidated income statement . . . . .	(61,672)	210,642	148,970
As at 31 December 2009 . . . . .	<u>58,286</u>	<u>549,711</u>	<u>607,997</u>

**18. TRADE AND OTHER PAYABLES**

	Group 31 December		Company 31 December	
	2009	2008	2009	2008
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade payables				
— third parties . . . . .	5,841,260	2,786,243	—	—
Other payables: . . . . .	3,685,280	1,514,839	120,765	14,117
— related parties ( <i>note 33(d)</i> ) . . . . .	—	850	—	—
— subsidiaries . . . . .	—	—	120,765	14,117
— third parties . . . . .	745,917	347,316	—	—
— payables for acquisition of land use rights . . . . .	2,939,363	1,166,673	—	—
Accrued expenses . . . . .	119,425	94,013	—	—
Other taxes payable . . . . .	153,796	74,073	—	—
	<u>9,799,761</u>	<u>4,469,168</u>	<u>120,765</u>	<u>14,117</u>

The ageing analysis of trade payables of the Group as follows:

	31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Within 90 days . . . . .	5,678,940	2,642,391
Over 90 days and within 180 days . . . . .	54,046	41,343
Over 180 days and within 365 days . . . . .	44,818	79,700
Over 365 days . . . . .	63,456	22,809
	<u>5,841,260</u>	<u>2,786,243</u>

The carrying amounts of the Group's and the Company's trade and other payables are denominated in RMB.

## 19. CURRENT INCOME TAX LIABILITIES — GROUP

The current income tax liabilities are analysed as follows:

	31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Income tax payables		
— PRC corporate income tax payable . . . . .	310,023	230,325
— PRC land appreciation tax payable . . . . .	721,912	647,523
	<u>1,031,935</u>	<u>877,848</u>

## 20. OTHER GAINS

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Interest income from bank deposits . . . . .	36,093	34,495
Forfeited customer deposits. . . . .	10,601	5,338
Gain on partial disposal of a subsidiary ( <i>note (a)</i> ) . . . . .	98,800	—
Interest income from non-current receivables. . . . .	21,115	13,168
Gain from repurchase of loan ( <i>note (b)</i> ) . . . . .	172,475	—
Gain on the transfers of project development rights ( <i>note (c)</i> ) . . .	—	474,465
Others . . . . .	8,470	3,624
	<u>347,554</u>	<u>531,090</u>

- (a) In September 2007, the Group and a related party of a shareholder of the Company (“MI of Success Will”) entered into a share purchase agreement of which the Group disposed of 40% equity interest in Success Will Group Limited (“Success Will”) to the MI of Success Will. When this agreement was entered into, there was a land premium payable of approximately RMB 247 million in Success Will as the official invoice had not been obtained by that time. Pursuant to the share purchase agreement, it was agreed that the MI of Success Will would undertake its share (40%) of this land premium, only if the Group can obtain the official invoice for this land premium; if the invoice was not obtained, the Group would undertake to pay this land premium in full. The Group had assumed it would fully take up this payable of land premium when it recognised the gain of partial disposal of Success Will in 2007. In June 2009, the Group obtained the official invoice and therefore recognised an additional gain from this partial disposal of RMB 98,800,000 for the share of land premium now assumed by the MI of Success Will.
- (b) Pursuant to the agreement between Tianji Holding Limited (“Tianji”), a subsidiary of the Group, and independent third parties, Tianji repurchased a portion of the Structured Secured Loan of US\$48,500,000 (equivalent to RMB 331,347,000) and unpaid interest of RMB 73,069,000, at a consideration of US\$33,950,000 (equivalent to RMB 231,941,000), which resulted in a gain of RMB 172,475,000 for the year ended 31 December 2009.
- (c) Pursuant to the cooperative agreements entered into by the Group and a related party of a shareholder of the Company in April 2008, the Group transferred the controlling rights on the two property development projects to the counterparty. The counterparty guaranteed a return to the Group totaling RMB 1,100,000,000. The Group has recognised a gain from this cooperative arrangement of RMB 474,465,000, which represents the excess of guaranteed returns received and receivable over the net assets of the two projects. The guaranteed returns to be received upon the completion of property development projects are recognised as long-term other receivables.

## 21. EXPENSES BY NATURE

Major expenses included in cost of sales, selling and marketing costs, administration expenses and other operating expenses are analysed as follows:

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Cost of properties sold . . . . .	3,213,016	1,712,158
Business tax and other levies ( <i>note (a)</i> ) . . . . .	336,525	212,872
Staff costs — including directors' emoluments ( <i>note 22</i> ). . . . .	478,773	361,189
Advertising costs. . . . .	574,769	267,174
Sales commissions. . . . .	99,919	34,108
Consultancy fee ( <i>note (b)</i> ) . . . . .	127,174	257,213
Depreciation . . . . .	62,159	24,058
Amortisation of land use rights . . . . .	10,757	17,404
Auditors' remuneration. . . . .	6,985	2,442
Donations to governmental charity (included in other operating expenses) . . . . .	35,895	24,420

### (a) Business tax

The group entities with business operation in the PRC are subject to business taxes on their revenue at the following rates:

Category	Rate
Sales of properties . . . . .	5%
Property construction and decoration . . . . .	3%
Property management. . . . .	5%

### (b) Consultancy fee

The consultancy fee for the year ended 31 December 2009 and 2008 are mainly related to market promotion, planning and consultancy services provided by a real estate consulting firm.

## 22. STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Wages and salaries . . . . .	402,026	317,524
Pension costs — statutory pension ( <i>note 30</i> ) . . . . .	15,824	11,893
Staff welfare. . . . .	15,740	13,792
Medical benefits . . . . .	7,953	7,206
Share option ( <i>note 15(d)</i> ) . . . . .	14,194	—
Other allowances and benefits. . . . .	23,036	10,774
	478,773	361,189



## 23. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

The remuneration of the directors of the Company for the year ended 31 December 2009 is set out below:

	Fees	Salary	Contribution to pension scheme	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Dr. Hui . . . . .	40	—	—	40
Dr. Xia Haijun . . . . .	40	13,650	3	13,693
Mr. Li Gang . . . . .	40	11,115	25	11,180
Mr. Tse Wai Wah ( <i>note (iii)</i> ) . . . . .	40	4,337	81	4,458
Mr. Xu Xiangwu ( <i>note (iii)</i> ) . . . . .	40	3,571	18	3,629
Mr. Xu Wen ( <i>note (ii)</i> ) . . . . .	40	3,231	30	3,301
Ms. He Miaoling ( <i>note (iii)</i> ) . . . . .	40	3,868	22	3,930
Mr. Lai Lixin . . . . .	40	3,273	24	3,337
Mr. Yu Kam Kee, Lawrence ( <i>note (iii)</i> ) . . . . .	50	—	—	50
Mr. Chau Shing Yim, David ( <i>note (iii)</i> ) . . . . .	50	—	—	50
Mr. He Qi ( <i>note (iii)</i> ) . . . . .	50	—	—	50
Mr. Huang Xiangui ( <i>note (i)</i> ) . . . . .	—	720	13	733
Mr. Lionel Soh ( <i>note (i)</i> ) . . . . .	—	—	—	—
Mr. Don Lim Jung Chiat ( <i>note (i)</i> ) . . . . .	—	—	—	—
Mr. Wong Man Hoi ( <i>note (i)</i> ) . . . . .	—	—	—	—
Mr. Tommy Cheung ( <i>note (i)</i> ) . . . . .	—	—	—	—
Mr. Timothy Joseph Grady ( <i>note (i)</i> ) . . . . .	—	—	—	—
	<u>470</u>	<u>43,765</u>	<u>216</u>	<u>44,451</u>

(i) These directors resigned in the year ended 31 December 2009.

(ii) Mr. Xu Wen resigned in the year ended 31 December 2008 and was re-appointed as an executive director in October 2009.

(iii) These directors were appointed in October 2009.

The remuneration of the directors of the Company for the year ended 31 December 2008 is set out below:

	<u>Fees</u>	<u>Salary</u>	<u>Contribution to pension scheme</u>	<u>Total</u>
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Dr. Hui . . . . .	—	—	—	—
Mr. Lin Xiaohui ( <i>note (iv)</i> ) . . . . .	—	477	11	488
Mr. Huang Xiangui . . . . .	—	394	13	407
Ms. Wu Jianmei ( <i>note (iv)</i> ) . . . . .	—	—	—	—
Dr. Xia Haijun . . . . .	—	4,956	—	4,956
Mr. Tam Wai Ying ( <i>note (iv)</i> ) . . . . .	—	2,144	75	2,219
Mr. Xu Wen ( <i>note (iv)</i> ) . . . . .	—	1,586	24	1,610
Mr. Cai Chunmeng ( <i>note (iv)</i> ) . . . . .	—	2,566	11	2,577
Mr. Li Gang . . . . .	—	5,112	21	5,133
Mr. Lai Lixin . . . . .	—	1,554	19	1,573
Mr. Don Lim Jung Chiat . . . . .	—	—	—	—
Mr. Wong Man Hoi . . . . .	—	—	—	—
Mr. Timothy Joseph Grady . . . . .	—	—	—	—
Mr. Tommy Cheung . . . . .	—	—	—	—
Mr. Lionel Soh . . . . .	—	—	—	—
	<u>—</u>	<u>18,789</u>	<u>174</u>	<u>18,963</u>

(iv) These directors resigned in the year ended 31 December 2008.

(b) *Five highest paid individuals*

During the year ended 31 December 2009, the five highest paid individuals include 4 directors (2008: 4). The aggregate amounts of emoluments of the five highest paid individuals for the year ended 31 December 2009 are set out below:

	<u>Year ended 31 December</u>	
	<u>2009</u>	<u>2008</u>
	(RMB'000)	(RMB'000)
Salaries and other benefits . . . . .	36,828	16,698
Retirement scheme contributions . . . . .	153	131
	<u>36,981</u>	<u>16,829</u>

The emoluments fell within the following bands:

	<u>Year ended 31 December</u>	
	<u>2009</u>	<u>2008</u>
Nil to RMB 2,000,000 . . . . .	—	1
RMB 2,000,000 to RMB 4,000,000 . . . . .	2	2
RMB 4,000,000 to RMB 6,000,000 . . . . .	1	2
RMB 10,000,000 to RMB 12,000,000 . . . . .	1	—
RMB 12,000,000 to RMB 14,000,000 . . . . .	<u>1</u>	<u>—</u>

(c) During the year ended 31 December 2009, no emolument was paid by the group entities to any of the above directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2008: nil).

## 24. FINANCE (COSTS)/INCOME, NET

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Exchange gain . . . . .	4,395	201,944
Interest expenses from bank borrowings . . . . .	(1,207,117)	(1,232,297)
Less: interest capitalised . . . . .	1,199,013	1,216,873
	(8,104)	(15,424)
	<u>(3,709)</u>	<u>186,520</u>

## 25. INCOME TAX EXPENSES

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Current income tax		
— Hong Kong profits tax . . . . .	—	—
— PRC corporate income tax . . . . .	186,349	232,510
— PRC land appreciation tax . . . . .	191,854	332,518
Deferred income tax		
— PRC corporate income tax ( <i>note 17</i> ) . . . . .	(48,832)	(231,070)
	<u>329,371</u>	<u>333,958</u>

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the group entities as follows:

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Profit before income tax . . . . .	1,446,175	966,388
Calculated at PRC corporate income tax rate . . . . .	290,781	229,597
PRC land appreciation tax deductible for PRC corporate income tax purposes . . . . .	(47,964)	(83,130)
Income not subject to tax ( <i>note (a)</i> ) . . . . .	(116,490)	(208,202)
Reversal of provision of deferred tax liabilities of land use right having obtained invoice ( <i>note 20(a)</i> ) . . . . .	(67,807)	—
Expenses not deductible for tax purposes . . . . .	29,171	50,759
Tax losses for which no deferred income tax asset was recognised . . . . .	49,826	12,416
PRC corporate income tax . . . . .	137,517	1,440
PRC land appreciation tax . . . . .	191,854	332,518
	<u>329,371</u>	<u>333,958</u>

(a) Income not subject to tax for the year ended 31 December 2009 mainly comprised the additional gain from disposal of 40% equity interests in a subsidiary (note 20(a)), gain from partial repurchase of the Structured Secured Loan (note 20(b)) and reversal of provision for financial guarantee liabilities (note 31(b)).

Income not subject to tax for the year ended 31 December 2008 mainly comprised the exchange gains in the offshore group companies and the gain derived from the cooperative arrangements with a related party of one of the Company's shareholders of RMB 474,465,000 (note 20(c)).

The weighted average applicable tax rate for the year ended 31 December 2009 is 20% (2008: 24%).

### ***Overseas income tax***

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

### ***Hong Kong profits tax***

No Hong Kong profits tax has been provided for as there is no business operation that are subject to Hong Kong profits tax during the year ended 31 December 2009 (2008: nil).

### ***PRC corporate income tax***

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group's subsidiaries located in Mainland China from 1 January 2008 is 25%.

Pursuant to the Detailed Implementation Regulations for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding tax shall be levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 shall be subject to this withholding tax. As at 31 December 2009, the Group has not accrued any withholding income tax for the earnings of its PRC subsidiaries (2008: nil), because the Group does not have a plan to distribute earnings from its PRC subsidiaries generated in the period from 1 January 2008 to 31 December 2009 in the foreseeable future.

### ***PRC land appreciation tax***

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures.

## **26. ACCUMULATED LOSSES OF THE COMPANY**

	<u>2009</u>	<u>2008</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>
At 1 January . . . . .	(1,083,267)	(975,656)
Profit/(loss) for the year . . . . .	<u>373,497</u>	<u>(107,611)</u>
At 31 December . . . . .	<u><u>(709,770)</u></u>	<u><u>(1,083,267)</u></u>

## 27. EARNINGS PER SHARE

### (a) Basic

The basic earnings per share for the year ended 31 December 2009 are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Profit attributable to shareholders of the Company . . . . .	1,046,428	524,760
Weighted average number of ordinary shares in issue (thousands) . . . . .	14,149,192	13,745,299
Basic earnings per share (RMB per share) . . . . .	<u>0.074</u>	<u>0.038</u>

The weighted average number of ordinary shares for the year ended 31 December 2008 has taken into accounts the issuance of 11,220,895,734 ordinary shares by capitalisation of share premium account (note 14(d)).

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Profit attributable to shareholders of the Company . . . . .	1,046,428	524,760
Weighted average number of ordinary shares in issue (thousands) . . . . .	14,149,192	13,745,299
Adjustments for share options (thousands) . . . . .	<u>7,556</u>	<u>—</u>
Weighted average number of ordinary shares for calculating diluted earnings per share (thousands) . . . . .	14,156,748	13,745,299
Diluted earnings per share (RMB) . . . . .	<u>0.074</u>	<u>0.038</u>

## 28. DIVIDENDS

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Proposed final dividend of RMB 0.7 cents per ordinary share (note (a)) . . . . .	105,000	—
Special dividend . . . . .	<u>—</u>	<u>125,651</u>
	<u>105,000</u>	<u>125,651</u>

- (a) At a meeting held on 12 April 2010, the directors of the Company proposed a final dividend of RMB 0.7 cents per ordinary share out of share premium as at 31 December 2009. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of share premium for the year ending 31 December 2010.

## 29. CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Profit for the year . . . . .	1,116,804	632,430
Adjustments for:		
Income tax expense . . . . .	329,371	333,958
Interest income from bank deposits ( <i>note 20</i> ) . . . . .	(36,093)	(34,495)
Interest expense ( <i>note 24</i> ). . . . .	8,104	15,424
Interest income from non-current receivables ( <i>note 20</i> ). . . . .	(21,115)	(13,168)
Exchange gain ( <i>note 24</i> ). . . . .	(4,395)	(201,944)
Gain on partial disposal of a subsidiary ( <i>note 20</i> ) . . . . .	(98,800)	—
Gain from repurchase of loan ( <i>note 20</i> ) . . . . .	(172,475)	—
Depreciation ( <i>note 6</i> ). . . . .	62,159	24,058
Employee share option scheme . . . . .	14,194	—
Fair value gain on investment properties. . . . .	(842,570)	(77,415)
Loss on disposal of property and equipment ( <i>note (a)</i> ) . . . . .	18,598	4,481
(Reversals)/provisions of financial guarantees . . . . .	(197,403)	65,997
Changes in working capital:		
Properties under development and completed properties		
held for sale . . . . .	(10,470,119)	(5,903,962)
Land use rights . . . . .	(7,410,674)	(1,914,744)
Restricted cash . . . . .	(3,358,837)	157,418
Trade and other receivables and prepayments . . . . .	(1,728,782)	848,223
Trade and other payables and receipt in advance from customers . . . . .	26,086,733	2,025,177
Cash generated from/(used in) operations . . . . .	<u>3,294,700</u>	<u>(4,038,562)</u>

- (a) Loss on disposal of property and equipment during the year ended 31 December 2009 and 2008 represented the net book value of the property and equipment being disposed of.

## 30. PENSIONS — DEFINED CONTRIBUTION PLANS

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

Details of the retirement scheme contributions for the employees, which have been dealt with in the consolidated income statements of the Group, are as follows:

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Gross scheme contributions. . . . .	15,824	11,893

The Group also participates in a pension scheme under the rules and regulations of the MPF Scheme for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income.

### 31. FINANCIAL GUARANTEES

The Group had the following financial guarantees:

#### (a) *Guarantees in respect of mortgage facilities for purchasers of the Group's property units*

	31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units . . . . .	12,531,513	2,086,980

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value is immaterial.



**(b) Other financial guarantees**

The Group have provided the following financial guarantees for the obligations of Xin Xin and Dr. Hui.

	<b>Financial guarantee liability in relation to the restructure of convertible preferred shares</b>	<b>Financial guarantee liability in relation to the New Investment</b>	<b>Total</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Initial recognition of financial guarantee liability. . . . .	23,228	108,178	131,406
Charged to the income statement. . . . .	<u>56,388</u>	<u>9,609</u>	<u>65,997</u>
As at 31 December 2008 . . . . .	79,616	117,787	197,403
Credited to the income statement. . . . .	<u>(79,616)</u>	<u>(117,787)</u>	<u>(197,403)</u>
As at 31 December 2009 . . . . .	<u>—</u>	<u>—</u>	<u>—</u>

The Company provided guarantee and pledge of shares of certain of its subsidiaries for the obligation of Xin Xin in relation to:

- (i) the New Investment (note 14 (c));
- (ii) a loan amounting to US\$400 million lent to Xin Xin for repurchase of convertible preferred shares of the Company (note 14 (a)).

These guarantees have been released upon the listing of the Company's shares on the Stock Exchange on 5 November 2009.

**32. COMMITMENTS**

**(a) Operating leases commitments**

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Property and equipment:		
Not later than one year. . . . .	46,503	30,742
Later than one year and not later than five years . . . . .	77,026	71,749
Later than five years . . . . .	<u>5,870</u>	<u>7,141</u>
	<u>129,399</u>	<u>109,632</u>

**(b) Commitments for property development expenditure**

	<b>31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Contracted but not provided for. . . . .	<u>15,223,065</u>	<u>12,776,257</u>

(c) *Commitments for land expenditure*

	31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Contracted but not provided for. . . . .	12,315,356	10,235,592

33. RELATED PARTY TRANSACTIONS

(a) *Name and relationship with related parties*

<u>Name</u>	<u>Relationship</u>
許家印博士 Dr. Hui Ka Yan. . . . .	The ultimate controlling shareholder and also the director of the Company
廣州恒大實業集團有限公司 Guangzhou Hengda Industrial Group Company Limited. . . . .	Controlled by Dr. Hui and his associates
Xin Xin (BVI) Limited. . . . .	The controlling shareholder of the Company
廣州市金碧大世界飲食娛樂有限公司 Guangzhou Jinbi Dashijie Catering and Entertainment Company Limited. . . . .	Controlled by Ms. Ding Yumei, wife of Dr. Hui ("Mrs. Hui")

(b) *Transactions with related parties*

During the year ended 31 December 2009, the Group had the following significant transactions with related parties in addition to those disclosed elsewhere in the consolidated financial statements:

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Rental income ( <i>note (i)</i> ):		
Guangzhou Jinbi Dashijie Catering and Entertainment Company Limited. . . . .	3,062	2,617

(i) The rental fees were charged in accordance with the terms of the underlying agreements.

(c) *Key management compensation*

	Year ended 31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Salaries and other short-term employee benefits. . . . .	73,583	28,832
Retirement scheme contributions . . . . .	507	317
	74,090	29,149

**(d) Balances with related parties**

As at 31 December 2009, the Group had the following significant trade and non-trade balances with related parties:

	31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Amounts due from related parties		
Included in trade receivables:		
Guangzhou Jinbi Dashijie Catering and Entertainment Company Limited. . . . .	5,332	2,537
Included in other receivables ( <i>note (i)</i> ):		
Xin Xin (BVI) Limited. . . . .	719	91
Others . . . . .	—	877
	719	968
	6,051	3,505

	31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Amounts due to related parties included in other payables:		
Guangzhou Jinbi Dashijie Catering and Entertainment Company Limited. . . . .	—	850

(i) Amounts due from related parties are unsecured, interest-free and have no fixed terms of repayment, which are cash advances in nature.

**34. CONTINGENCY**

On 8 January 2008, the Group entered into a land grant contract with Guangzhou State-owned Land Bureau to acquire a piece of land located in Tianhe District of Guangzhou at a consideration of approximately RMB 4.1 billion. The land was originally designated for residential use, but has since been re-designated by Guangzhou city government as a result of its planned re-zoning of the area as part of a newly established financial district in Guangzhou city. The Group is in negotiation with the government with respect to the amendments to the terms of the land grant contract, including the use of the land and payment terms, but the result is pending as at the date of these consolidated financial statements. The Group has paid a deposit of RMB 130 million but has not paid the remaining land premium which was due in July 2008 according to the original land grant contract. However, The Group has not received any notice from relevant government authorities for violation of the terms of the land grant contract.

Should the Group be unable to reach an agreement in its favour, the Group may be subject to forfeiture of the deposit of RMB 130 million and penalty for delay payment of the land premium in accordance with the original land grant contract. The directors of the Company consider, based on their best estimation of the result of negotiation with the government, that the risk of forfeiture of the deposit and penalty of late payment would be low and therefore has not made any provision for the forfeiture of the deposit and penalty of late payment.

### 35. SUBSEQUENT EVENTS

On 27 January 2010, the Company issued 13%, 5 year senior notes with an aggregated principal amount of US\$750,000,000 at 100% of the face value. The senior notes are jointly guaranteed by certain subsidiaries and are secured by pledges of the shares of the subsidiaries.

### 36. INVESTMENTS IN SUBSIDIARIES — COMPANY

	31 December	
	2009	2008
	(RMB'000)	(RMB'000)
Investments in subsidiaries . . . . .	14,196	2

Particulars of principal subsidiaries are set out below:

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
<i>Incorporated in the BVI with limited liability and operating in the People's Republic of China (the "PRC")</i>					
ANJI (BVI) Limited	26 June 2006	US\$100	100%	—	Investment holding
ShengJian (BVI) Limited	29 January 2007	US\$100	—	100%	Investment holding
Ever Grace Group Limited	18 September 2008	US\$100	—	100%	Investment holding
<i>Incorporated in Hong Kong with limited liability and operating in the PRC</i>					
Success Will Group Limited	5 July 2007	HK\$1,000	—	60%	Investment holding
<i>Incorporated in the PRC with limited liability and operating in the PRC</i>					
恒大地產集團有限公司 Hengda Real Estate Group Company Limited	24 June 1996	RMB 2,500,000,000	—	100%	Property development
廣州市俊匯房地產開發有限公司 Guangzhou Junhui Real Estate Development Company Limited	23 February 1994	RMB 702,780,000	—	100%	Property development
廣州通瑞達房地產實業有限公司 Guangzhou Tongruida Real Estate Industrial Company Limited	31 December 1996	RMB 475,950,000	—	100%	Property development
佛山市南海新中建房地產發展有限公司 Foshan Nanhai Xinzhongjian Real Estate Development Company Limited	11 September 2001	RMB 30,000,000	—	60%	Property development
廣州市俊鴻房地產開發有限公司 Guangzhou Junhong Real Estate Development Company Limited	12 April 1993	RMB 362,550,000	—	100%	Property development
廣州恒大（增城）房地產開發有限公司 Guangzhou Hengda (Zengcheng) Real Estate Development Company Limited	18 July 2005	RMB 68,560,000	—	100%	Property development

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大地產集團重慶有限公司 Hengda Real Estate Group (Chongqing) Company Limited	17 July 2006	RMB 711,000,000	—	100%	Property development
恒大鑫源（昆明）置業有限公司 Hengda Xinyuan (Kunming) Property Company Limited	26 April 2007	US\$110,000,000	—	100%	Property development
南京恒大富豐置業有限公司 Nanjing Hengda Fufeng Real Estate Company Limited	10 April 2007	US\$59,900,000	—	100%	Property development
恒大地產集團天津薊縣有限公司 Hengda (Tianjin) Jixian Real Estate Group Company Limited	22 August 2006	RMB 437,000,000	—	100%	Property development
恒大地產集團江津有限公司 Hengda (Jiangjin) Real Estate Group Company Limited	27 July 2006	RMB 260,000,000	—	100%	Property development
鄂州恒大房地產開發有限公司 E'zhou Hengda Real Estate Development Company Limited	25 July 2006	RMB 390,000,000	—	100%	Property development
廣州市力拓土石方工程有限公司 Guangzhou Lituo Site Preparation Company Limited	9 May 2006	RMB 30,000,000	—	100%	Construction
成都恒大銀河新城置業有限公司 Chengdu Hengda Galaxy New City Property Company Limited	30 November 2006	RMB 296,000,000	—	100%	Property development
武漢東湖恒大房地產開發有限公司 Wuhan Donghu Hengda Real Estate Development Company Limited	22 December 2006	RMB 1,064,000,000	—	100%	Property development
恒大鑫隆（瀋陽）置業有限公司 Hengda Xinlong (Shengyang) Real Estate Company Limited	28 December 2006	US\$5,000,000	—	100%	Property development
恒大長基（瀋陽）置業有限公司 Hengda Changji (Shengyang) Property Company Limited	1 December 2006	US\$74,900,000	—	100%	Property development
恒大鑫源（瀋陽）置業有限公司 Hengda Xinyuan (Shengyang) Property Company Limited	1 December 2006	US\$119,000,000	—	100%	Property development
成都市溫江區鑫金康置業 有限責任公司 Chengdu Wenjiang Xinjinkang Property Company Limited	1 August 2006	RMB 495,500,000	—	100%	Property development
恒大鑫豐（彭山）置業有限公司 Hengda Xinfeng (Pengshan) Property Company Limited	13 March 2007	US\$70,600,000	—	100%	Property development

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
恒大盛宇（清新）置業有限公司 Hengda Shengyu (Qingxin) Company Limited	25 March 2007	US\$107,030,000	—	100%	Property development
武漢市金碧綠洲房地產開發有限公司 Wuhan Evergrande Oasis Real Estate Development Company Limited	21 March 2007	US\$29,900,000	—	100%	Property development
啟東譽豪飲食廣場有限公司 Qidong Yuhao Catering Court Company Limited	1 January 2007	US\$29,900,000	—	100%	Property development
啟東歡華大酒店有限公司 Qidong Huanhua Hotel Company Limited	1 January 2007	US\$15,000,000	—	100%	Property development
啟東勤盛遊樂有限公司 Qidong Qingshen Amusement Company Limited	1 January 2007	US\$29,900,000	—	100%	Property development
啟東衡美影視城有限公司 Qidong Hengmei Movie City Company Limited	1 January 2007	US\$29,900,000	—	100%	Property development
啟東鑫華娛樂有限公司 Qidong Xinhua Entertainment Company Limited	1 January 2007	US\$29,900,000	—	100%	Property development
啟東通譽健身俱樂部有限公司 Qidong Tongyu Gym Club Company Limited	1 January 2007	US\$29,900,000	—	100%	Property development
啟東寶豐康復保健有限公司 Qidong Baofeng Health Recovery Company Limited	1 January 2007	US\$29,900,000	—	100%	Property development
重慶恒大基宇置業有限公司 Hengda Chongqing Jiyu Property Company Limited	14 May 2007	US\$138,900,000	—	100%	Property development
湖北怡清雅築房地產開發 有限公司 Hubei Yiqingyazhu Real Estate Development Company Limited	20 March 2007	RMB 320,000,000	—	100%	Property development
金碧物業有限公司 Jinbi Property Management Company Limited	10 September 1997	RMB 177,600,000	—	60%	Property management and related consulting services
恒大地產集團洛陽有限公司 Hengda (Luoyang) Real Estate Group Company Limited	5 September 2007	RMB 20,000,000	—	100%	Property development
恒大地產集團太原有限公司 Hengda (Taiyuan) Real Estate Group Company Limited	11 September 2007	RMB 631,000,000	—	100%	Property development

Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
西安曲江投資建設有限公司 Xi'an Qujiang Investment Construction Company Limited	9 September 2002	RMB 453,462,000	—	65%	Property development
西安祺雲置業有限公司 Xi'an Qiyun Land Company Limited	28 August 2007	RMB 315,000,000	—	100%	Property development
合肥祺嘉置業有限公司 Hefei Qijia Property Company Limited	6 November 2007	US\$126,000,000	—	100%	Property development
南寧銀象房地產開發有限責任公司 Nanning Yinxiang Real Estate Development Company Liability limited	24 November 2005	RMB 10,000,000	—	80.05%	Property development
恒大地產集團貴陽置業有限公司 Hengda Real Estate Group Guiyang Property Company Limited	13 November 2007	RMB 219,100,000	—	100%	Property development
南京漢典房地產開發有限公司 Nanjing Handian Property development Company Limited	10 July 2002	RMB 371,000,000	—	100%	Property development
湖南雄震投資有限公司 Hunan Xiongzhen Investment Company Limited	7 August 2003	RMB 100,000,000	—	100%	Property development
恒大地產集團合肥有限公司 Hengda Hefei Real Estate Group Company Limited	9 November 2007	RMB 20,000,000	—	100%	Property development
恒大地產集團長沙置業有限公司 Hengda Changsha Property Company Limited	7 November 2007	RMB 20,000,000	—	100%	Property development
恒大園林集團有限公司 Hengda Landscaping Group Company Limited	24 January 2002	RMB 120,000,000	—	100%	Landscape and architecture
佛山市恒大金屬建築材料有限公司 Foshan Hengda Metallic Construction Material Company Limited	24 August 2005	RMB 1,000,000	—	100%	Sales of decoration materials
廣州市越秀住宅建設有限公司 Guangzhou Yuexiu Property Construction Company Limited	20 May 2005	RMB 53,280,000	—	100%	Construction
廣州市恒大材料設備有限公司 Hengda (Guangzhou) Material and Equipment Company Limited	30 April 2007	RMB 100,000,000	—	100%	Trading of construction materials
河南省軟件園實業發展有限公司 Henan Ruanjianyuan Industrial Development Company Limited	4 April 2000	RMB 20,000,000	—	80%	Property development



Name	Date of incorporation/ Establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest		Principal activities
			Directly	Indirectly	
湖南盛基置業有限公司 Hunan Shengji Property Company Limited	26 March 2008	US\$20,000,000	—	100%	Property development
長沙天璽置業有限公司 Changsha Tianxi Zhiye Property Company Limited	5 August 2008	RMB 20,000,000	—	100%	Property development
恒大地產集團包頭有限公司 Hengda (Baotou) Real Estate Group Company Limited	9 August 2008	RMB 35,000,000	—	100%	Property development
廣東恒大排球俱樂部有限公司 Guangdong Hengda volleyball Club Limited	24 April 2009	RMB 20,000,000	—	100%	Club Operation
陝西金泓投資有限公司 Shanxi Jinhong Investment Company Limited	2 November 2006	RMB 50,000,000	—	100%	Property development
長沙鑫霖置業有限公司 Changsha Xinlin Property Company Limited	4 September 2003	RMB 8,000,000	—	51%	Property development
江西宏吉投資有限公司 Jiangxi Hongji Investment Company Limited	19 April 2004	RMB 6,000,000	—	88%	Property development
恒大地產集團石家莊有限公司 Hengda (Shijiazhuang) Real Estate Group Company Limited	18 August 2009	RMB 200,000,000	—	100%	Property development
恒大地產集團濟南置業有限公司 Hengda (Jinan) Real Estate Group Company Limited	27 September 2009	RMB 20,000,000	—	100%	Property development
恒大地產集團天津有限公司 Hengda (Tianjin) Real Estate Group Company Limited	21 September 2009	RMB 100,000,000	—	100%	Property development
恒大地產集團佛岡有限公司 Hengda (Fogang) Real Estate Group Company Limited	14 October 2009	RMB 20,000,000	—	100%	Property development
江西省翠林山莊有限公司 Jiangxi Cuilin Manor Company Limited	7 July 2003	US\$20,000,000	—	100%	Property development
佛山市恒和木業有限公司 Foshan Henghe Forest Company Limited	23 July 2009	RMB 5,000,000	—	60%	Construction
安徽三林置業有限公司 Anhui Sanlin Property Company Limited	2 November 2001	RMB 100,000,000	—	70%	Property development

<b>Name</b>	<b>Date of incorporation/ Establishment</b>	<b>Nominal value of issued and fully paid share capital/ paid-in capital</b>	<b>Percentage of attributable equity interest</b>		<b>Principal activities</b>
			<b>Directly</b>	<b>Indirectly</b>	
河北大地蟠龍房地產開發有限公司 Hebei Dadi Fanlong Real Estate Development Company Limited	8 December 2005	RMB 120,000,000	—	85%	Property development
深圳市中心港房地產開發有限公司 Shenzhen Central Port Real Estate Development Company Limited	30 October 2009	RMB 10,000,000	—	100%	Property development
濟南裕中置業有限公司 Jinan Yuzhong Property Company Limited	24 July 2000	RMB 10,000,000	—	100%	Property development
佛岡縣遠拓土石方工程有限公司 Fogang Yuantuo Architecture Project Company Limited	10 July 2009	RMB 10,000,000	—	100%	Construction
海南東方明珠房地產有限公司 Hainan Oriental Pearl Real Estate Development Company Limited	8 May 1992	RMB 70,000,000	—	100%	Property development

The names of certain of the companies referred to in these consolidated financial statements represent management's best effort in translation of the Chinese names of these companies as no English names have been registered or available.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2010

(A) CONDENSED CONSOLIDATED BALANCE SHEET

	Note	30 June 2010 (RMB'000) (unaudited)	31 December 2009 (RMB'000) (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment . . . . .	5	766,892	395,775
Land use rights . . . . .	5	309,580	279,498
Investment properties . . . . .	5	4,400,305	3,130,800
Other receivables . . . . .		312,660	302,964
Deferred income tax assets . . . . .		337,824	522,166
		<u>6,127,261</u>	<u>4,631,203</u>
<b>Current assets</b>			
Land use rights . . . . .	5	22,430,758	15,923,120
Properties under development . . . . .	6	17,343,685	20,557,151
Completed properties held for sale . . . . .	7	3,854,866	2,004,932
Trade and other receivables and prepayments . . . . .	8	10,920,707	5,318,893
Income tax recoverables . . . . .		256,897	257,909
Restricted cash . . . . .	9	8,536,886	7,044,824
Cash and cash equivalents . . . . .	10	9,951,414	7,333,232
		<u>73,295,213</u>	<u>58,440,061</u>
<b>Total assets</b> . . . . .		<u><u>79,422,474</u></u>	<u><u>63,071,264</u></u>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital . . . . .	11	1,044,079	1,044,079
Share premium . . . . .	11	7,958,022	7,958,022
Reserves . . . . .	12	1,356,587	1,219,385
Retained earnings . . . . .		4,828,244	2,640,351
		<u>15,186,932</u>	<u>12,861,837</u>
Non-controlling interests . . . . .		466,698	295,309
<b>Total equity</b> . . . . .		<u>15,653,630</u>	<u>13,157,146</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings . . . . .	13	23,178,175	7,816,044
Deferred income tax liabilities . . . . .		779,359	600,497
		<u>23,957,534</u>	<u>8,416,541</u>
<b>Current liabilities</b>			
Borrowings . . . . .	13	2,094,990	6,359,745
Trade and other payables . . . . .	14	13,937,301	9,799,761
Advances from customers . . . . .		21,946,599	24,306,136
Current income tax liabilities . . . . .	15	1,832,420	1,031,935
		<u>39,811,310</u>	<u>41,497,577</u>
<b>Total liabilities</b> . . . . .		<u>63,768,844</u>	<u>49,914,118</u>
<b>Total equity and liabilities</b> . . . . .		<u>79,422,474</u>	<u>63,071,264</u>
<b>Net current assets</b> . . . . .		<u>33,483,903</u>	<u>16,942,484</u>
<b>Total assets less current liabilities</b> . . . . .		<u>39,611,164</u>	<u>21,573,687</u>

**(B) CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<u>Six months ended 30 June</u>	
		<u>2010</u>	<u>2009</u>
	Note	(RMB'000) (unaudited)	(RMB'000) (audited)
Revenue . . . . .	4	20,366,292	1,635,130
Cost of sales . . . . .	16	<u>(15,419,512)</u>	<u>(1,089,782)</u>
<b>Gross profit</b> . . . . .		4,946,780	545,348
Fair value gains on investment properties . . . . .	5	750,554	299,657
Other gains . . . . .		58,208	301,094
Selling and marketing costs . . . . .	16	(797,900)	(415,259)
Administrative expenses . . . . .	16	(542,392)	(349,034)
Other operating expenses . . . . .		<u>(44,240)</u>	<u>(6,187)</u>
<b>Operating profit</b> . . . . .		4,371,010	375,619
Reversals of financial guarantees . . . . .		—	146,341
Finance income/(costs), net . . . . .	17	<u>48,314</u>	<u>(12,308)</u>
<b>Profit before income tax</b> . . . . .		4,419,324	509,652
Income tax (expenses)/credit . . . . .	18	<u>(1,919,253)</u>	<u>12,708</u>
<b>Profit for the period</b> . . . . .		<u>2,500,071</u>	<u>522,360</u>
<b>Other comprehensive income</b> . . . . .		—	—
<b>Total comprehensive income for the period</b> . . . . .		<u>2,500,071</u>	<u>522,360</u>
<b>Attributable to:</b>			
Shareholders of the Company . . . . .		2,328,682	500,172
Non-controlling interests . . . . .		<u>171,389</u>	<u>22,188</u>
		<u>2,500,071</u>	<u>522,360</u>
<b>Earnings per share attributable to shareholders of the Company</b>			
Basic (RMB) . . . . .	19	<u>0.16</u>	<u>0.04</u>
Diluted (RMB) . . . . .	19	<u>0.15</u>	<u>0.04</u>
Dividends . . . . .	20	—	—

**(C) CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to shareholders of the Company					Non-controlling interests	
	Share capital	Share premium	Reserves	Retained earnings	Total	Non-controlling interests	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>Audited:</b>							
<b>Balance as at 1 January 2009</b>	209,332	6,000,560	389,837	1,662,139	8,261,868	321,263	8,583,131
<b>Total comprehensive income</b>	—	—	—	500,172	500,172	22,188	522,360
<b>Transactions with owners:</b>							
Additional gain from partial disposal of a subsidiary	—	—	—	—	—	(98,800)	(98,800)
<b>Total transactions with owners</b>	—	—	—	—	—	(98,800)	(98,800)
<b>Balance as at 30 June 2009</b>	<u>209,332</u>	<u>6,000,560</u>	<u>389,837</u>	<u>2,162,311</u>	<u>8,762,040</u>	<u>244,651</u>	<u>9,006,691</u>
<b>Unaudited:</b>							
<b>Balance as at 1 January 2010</b>	1,044,079	7,958,022	1,219,385	2,640,351	12,861,837	295,309	13,157,146
<b>Total comprehensive income</b>	—	—	—	2,328,682	2,328,682	171,389	2,500,071
<b>Transactions with owners:</b>							
Transfer to statutory reserves	—	—	35,789	(35,789)	—	—	—
Employee share option scheme (note 12(c))	—	—	101,413	—	101,413	—	101,413
Dividends (note 20)	—	—	—	(105,000)	(105,000)	—	(105,000)
<b>Total transactions with owners</b>	—	—	137,202	(140,789)	(3,587)	—	(3,587)
<b>Balance as at 30 June 2010</b>	<u>1,044,079</u>	<u>7,958,022</u>	<u>1,356,587</u>	<u>4,828,244</u>	<u>15,186,932</u>	<u>466,698</u>	<u>15,653,630</u>

**(D) CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	Six months ended 30 June	
	2010	2009
	(RMB'000)	(RMB'000)
	(unaudited)	(audited)
<b>Net cash (used in)/generated from operating activities</b>	(9,228,100)	2,368,200
<b>Net cash used in investing activities</b>	(341,881)	(24,343)
<b>Net cash generated from/(used in) financing activities</b>	12,197,215	(118,982)
<b>Net increase in cash and cash equivalents</b>	2,627,234	2,224,875
Cash and cash equivalents at the beginning of the period	7,333,232	749,718
Exchange losses	(9,052)	(405)
<b>Cash and cash equivalents as at the end of the period</b>	<u>9,951,414</u>	<u>2,974,188</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. General Information

Evergrande Real Estate Group Limited (the “Company”) was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and is engaged in investment holding. The Company and its subsidiaries (the “Group”) are principally engaged in the property development, property investment, property management, property construction, land leveling and other services related to property development in the People’s Republic of China (the “PRC”).

The address of its registered office is P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company had its primary listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 5 November 2009.

The condensed consolidated interim financial information are presented in Renminbi Yuan (“RMB”) thousands, unless otherwise stated. The condensed consolidated interim financial information have been approved for issue on 30 August 2010.

This condensed consolidated interim financial information has not been audited.

### 2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### 3. Accounting policies

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

- (a) *The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010*

HKFRS 3 (revised), ‘Business combinations’, and consequential amendments to HKAS 27, ‘Consolidated and separate financial statements’, HKAS 28, ‘Investments in associates’, and HKAS 31, ‘Interests in joint ventures’, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at

the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The Group will adopt HKFRS 3 (revised) to the business combination with acquisition date after 1 January 2010. There is no material impact on the Group's consolidated interim financial information as there is no business combination during the six months ended 30 June 2010.

As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

(b) *New standards, amendments to standards and interpretations to existing standards effective in 2010 not relevant to the Group*

HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group as it has not made any non-cash distributions.

Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group as it is an existing HKFRS preparer.

HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual periods on or after 1 July 2009. That is not currently applicable to the Group as it has no hedging transactions.

HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group as it has no such share-based payment transactions.

First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual periods on or after 1 July 2009.

Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

#### **4. Segment information**

The chief operating decision-maker ("CODM") of the Group has been identified as the directors of the Company who are responsible to review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments: property development, property investment, property management, property construction, land leveling and other services. As CODM of the Group considers most of the revenue and results of the Group are attributable to the market in the PRC, and only an immaterial part (less than 10%) of the Group's assets are located outside the PRC, no geographical segment information is presented.

The directors of the Company assess the performance of the operating segments based on a measure of segment results. Finance (costs)/income are not included in the result for each operating segment.



Transactions between segments are carried out at agreed terms amongst relevant parties. The revenue from external parties reported to the management is measured in a manner consistent with that in the consolidated income statement.

The segment results and other segment items included in the condensed consolidated income statement for the six months ended 30 June 2010 are as follows:

	<b>Property development</b>	<b>Property investment</b>	<b>Property management services</b>	<b>Property construction, land leveling and other services</b>	<b>Elimination</b>	<b>Group</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Gross segment revenue.	20,249,486	26,305	54,107	1,215,965		21,545,863
Inter-segment revenue .	—	(4,106)	—	(1,175,465)		(1,179,571)
Revenue. . . . .	<u>20,249,486</u>	<u>22,199</u>	<u>54,107</u>	<u>40,500</u>		<u>20,366,292</u>
Segment results. . . . .	3,438,055	775,543	(58,790)	47,281	168,921	4,371,010
Finance income, net. . .						48,314
Profit before income tax						4,419,324
Income tax expenses . .						(1,919,253)
Profit for the period. . .						<u>2,500,071</u>
Depreciation ( <i>note 5</i> ) . .	33,112	—	1,914	12,346	—	47,372
Fair value gains on investment properties	<u>—</u>	<u>750,554</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>750,554</u>

The segment results and other segment items included in the condensed consolidated income statement for the six months ended 30 June 2009 are as follows:

	<b>Property development</b>	<b>Property investment</b>	<b>Property management services</b>	<b>Property construction, land leveling and other services</b>	<b>Elimination</b>	<b>Group</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Gross segment revenue.	1,490,107	16,863	44,723	1,193,408		2,745,101
Inter-segment revenue .	—	(4,503)	—	(1,105,468)		(1,109,971)
Revenue. . . . .	<u>1,490,107</u>	<u>12,360</u>	<u>44,723</u>	<u>87,940</u>		<u>1,635,130</u>
Segment results. . . . .	34,161	311,399	(39,078)	202,897	(133,760)	375,619
Reversals of financial guarantees. . . . .						146,341
Finance costs, net . . . .						(12,308)
Profit before income tax						509,652
Income tax credit . . . .						12,708
Profit for the period. . .						<u>522,360</u>
Depreciation ( <i>note 5</i> ) . .	19,528	—	632	2,293	—	22,453
Amortisation of land use rights recognised as expenses ( <i>note 5</i> ) . . .	10,757	—	—	—	—	10,757
Fair value gains on investment properties	<u>—</u>	<u>299,657</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>299,657</u>

Segment assets as at 30 June 2010 are as follows:

	<u>Property development</u> (RMB'000)	<u>Property investment</u> (RMB'000)	<u>Property management services</u> (RMB'000)	<u>Property construction, land leveling and other services</u> (RMB'000)	<u>Elimination</u> (RMB'000)	<u>Group</u> (RMB'000)
Segment assets . . . . .	75,310,717	4,400,305	1,124,098	3,698,776	(5,706,143)	78,827,753
Unallocated . . . . .						<u>594,721</u>
Total assets . . . . .						<u><u>79,422,474</u></u>

Segment assets as at 31 December 2009 are as follows:

	<u>Property development</u> (RMB'000)	<u>Property investment</u> (RMB'000)	<u>Property management services</u> (RMB'000)	<u>Property construction, land leveling and other services</u> (RMB'000)	<u>Elimination</u> (RMB'000)	<u>Group</u> (RMB'000)
Segment assets . . . . .	58,507,063	3,130,800	262,943	3,958,358	(3,567,975)	62,291,189
Unallocated . . . . .						<u>780,075</u>
Total assets . . . . .						<u><u>63,071,264</u></u>

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, receivables, prepayments and cash balances. They exclude deferred tax assets and income tax recoverables.

## 5. Property and equipment, land use rights and investment properties

	<u>Property and equipment</u> (RMB'000)	<u>Land use rights</u> (RMB'000)	<u>Investment properties</u> (RMB'000)
<b>Six months ended 30 June 2009</b>			
Opening net book amount as at 1 January 2009 . . . . .	450,141	8,895,113	1,741,390
Additions . . . . .	36,740	1,895,089	—
Disposals . . . . .	(8,886)	—	(19,010)
Reclassification of property and equipment to investment properties . . . . .	(65,727)	—	65,727
Reclassification of land use rights to investment properties . . . . .	—	(30,706)	30,706
Reclassification of completed properties held for sale to investment properties . . . . .	—	—	29,638
Fair value gains on investment properties . . . . .	—	—	299,657
Depreciation/amortisation charge			
— Capitalised in properties under development	—	(65,761)	—
— Recognised as expenses . . . . .	(22,453)	(10,757)	—
Transfer to cost of sales . . . . .	—	(202,198)	—
Closing net book amount as at 30 June 2009 . . . . .	<u><u>389,815</u></u>	<u><u>10,480,780</u></u>	<u><u>2,148,108</u></u>

	<u>Property and equipment</u> (RMB'000)	<u>Land use rights</u> (RMB'000)	<u>Investment properties</u> (RMB'000)
<b>Six months ended 30 June 2010</b>			
Opening net book amount as at 1 January 2010 . . . . .	395,775	16,202,618	3,130,800
Additions . . . . .	368,461	9,350,941	—
Disposals . . . . .	(4,972)	—	—
Reclassification of land use rights to investment properties . . . . .	—	(301,320)	301,320
Reclassification of property under development and completed properties held for sale to investment properties . . . . .	—	—	272,631
Reclassification of investment properties to property and equipment. . . . .	55,000	—	(55,000)
Fair value gains on investment properties . . . . .	—	—	750,554
Depreciation/amortisation charge			
— Capitalised in properties under development	—	(117,684)	—
— Recognised as expenses . . . . .	(47,372)	—	—
Transfer to cost of sales . . . . .	—	(2,394,217)	—
Closing net book amount as at 30 June 2010. . . . .	<u>766,892</u>	<u>22,740,338</u>	<u>4,400,305</u>
Land use rights to be realised within one normal operating cycle and included under current assets . . . . .		22,430,758	
Land use rights included under non-current assets		<u>309,580</u>	
		<u>22,740,338</u>	

As at 30 June 2010, property and equipment of RMB 182,385,000 (31 December 2009: RMB 141,089,000), land use rights of RMB 7,958,759,000 (31 December 2009: RMB 7,330,700,000), investment properties of RMB 162,203,000 (31 December 2009: RMB 427,383,000), respectively, were pledged as collateral for the Group's bank borrowings.

As at 30 June 2010, land use rights of RMB 781,446,259 (31 December 2009: RMB 1,026,851,000) were pledged as collateral for third parties' bank borrowings.

## 6. Properties under development

	<u>30 June 2010</u> (RMB'000)	<u>31 December 2009</u> (RMB'000)
Properties under development include:		
— Construction costs and capitalised expenditures . . . . .	15,397,783	18,414,187
— Interests capitalised . . . . .	<u>1,945,902</u>	<u>2,142,964</u>
	<u>17,343,685</u>	<u>20,557,151</u>

The properties under development are located in the PRC.

As at 30 June 2010, properties under development of approximately RMB 1,294,217,000 (31 December 2009: RMB 1,074,698,000) were pledged as collateral for the Group's bank borrowings.

The capitalisation rate of borrowings for the six months ended 30 June 2010 is 8.37% (for the six months ended 30 June 2009: 10.41%)

## 7. Completed properties held for sale

All completed properties held for sale are located in the PRC.

As at 30 June 2010, completed properties held for sale of approximately RMB 345,260,000 (31 December 2009: RMB 289,415,000) were pledged as collateral for the Group's bank borrowings.

## 8. Trade and other receivables and prepayments

	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Trade receivables ( <i>note (a)</i> ): . . . . .	380,235	58,469
— related parties ( <i>note 23(c)</i> ) . . . . .	11,696	5,332
— third parties . . . . .	368,539	53,137
Other receivables due from: . . . . .	1,761,192	921,865
— a shareholder ( <i>note 23(c)</i> ) . . . . .	—	719
— third parties . . . . .	1,761,192	921,146
Prepaid business taxes and other taxes . . . . .	892,867	1,045,920
Prepayments — third parties . . . . .	7,886,413	3,292,639
— for acquisition of land use rights . . . . .	7,469,891	2,433,244
— others . . . . .	416,522	859,395
	<u>10,920,707</u>	<u>5,318,893</u>

As at 30 June 2010 and 31 December 2009, the fair value of trade and other receivables approximated their carrying amounts.

- (a) Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

The ageing analysis of trade receivables at respective balance sheet dates is as follows:

	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Within 90 days . . . . .	364,137	50,188
Over 90 days and within 180 days . . . . .	5,817	1,524
Over 180 days and within 365 days . . . . .	10,281	6,757
	<u>380,235</u>	<u>58,469</u>

No material trade receivables were impaired or past due as at 30 June 2010 and 31 December 2009.

## 9. Restricted cash

	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Guarantee deposits for construction of projects ( <i>note (a)</i> ) . . . . .	6,706,189	4,058,489
Guarantee deposits for bank acceptance notes and loans ( <i>note (b)</i> )	1,817,966	2,985,646
Guarantee deposits for payments of cost of relocation ( <i>note (c)</i> ). .	<u>12,731</u>	<u>689</u>
	<u><u>8,536,886</u></u>	<u><u>7,044,824</u></u>

- (a) In accordance with relevant documents issued by the PRC local State-Owned Land and Resource Bureau, certain property development companies of the Group were required to place the proceeds received from pre-sale of properties as guarantee deposits for construction of properties. The deposits can only be used to pay for construction fees and purchase of construction materials of the relevant projects when approvals are obtained from the PRC local State-Owned Land and Resource Bureau. The restriction will be released after the construction is completed or real estate ownership certificate of the pre-sold properties is issued, whichever is earlier.
- (b) The Group placed certain cash deposits with designated banks as security for bank acceptance notes or bank loans.
- (c) Pursuant to the policy of the PRC Bureau of Land Resources and Housing Management, the Group should place certain deposits with designated bank accounts to guarantee the payments to original occupants of the land acquired by the Group for compensating their relocation costs.

Restricted cash as at 30 June 2010 and 31 December 2009 are denominated in RMB. The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

## 10. Cash and cash equivalents

	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>(RMB'000)</b>	<b>(RMB'000)</b>
Cash at bank and in hand:		
— Denominated in RMB . . . . .	7,611,539	7,082,137
— Denominated in other currencies . . . . .	<u>2,339,875</u>	<u>251,095</u>
	<u><u>9,951,414</u></u>	<u><u>7,333,232</u></u>

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

## 11. Share capital and premium

	Number of shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
	(thousands)	(US\$'000)	(RMB'000)	(RMB'000)	(RMB'000)
<b>Six months ended</b>					
<b>30 June 2009</b>					
Balance as at					
1 January and					
30 June 2009 . . . . .	2,774,104	27,741	209,332	6,000,560	6,209,892
<b>Six months ended</b>					
<b>30 June 2010</b>					
Balance as at					
1 January and					
30 June 2010 . . . . .	15,000,000	150,000	1,044,079	7,958,022	9,002,101

## 12. Reserves

	Merger reserve	Other reserves	Statutory reserves	Share option reserve	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	<i>(note (a))</i>		<i>(note (b))</i>	<i>(note (c))</i>	
<b>Six months ended</b>					
<b>30 June 2009</b>					
Balance at 1 January and					
30 June 2009 . . . . .	(986,474)	1,161,776	214,535	—	389,837
<b>Six months ended</b>					
<b>30 June 2010</b>					
Balance at 1 January 2010 . .	(986,474)	1,908,914	282,751	14,194	1,219,385
Transfer to statutory reserves	—	—	35,789	—	35,789
Employee share option scheme <i>(note (c))</i> . . . . .	—	—	—	101,413	101,413
Balance at 30 June 2010 . . .	(986,474)	1,908,914	318,540	115,607	1,356,587

### (a) Merger reserve

The merger reserve represents the aggregate nominal value of the share capital/paid-in capital of the subsidiaries acquired by the Company less considerations paid and payable to the then shareholders of the Group during the reorganisation undertaken in 2006 for preparing the listing of the Company on the Stock Exchange.

### (b) Statutory reserves

In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the group entities established in the PRC, these group entities were required to appropriate 10% of the profit for the year after setting off the accumulated losses brought forward (based on the figures reported in the statutory financial statements) to the statutory surplus reserve.

The subsidiaries which are foreign investment enterprises are required to appropriate 10% of the profit for the year after setting off the accumulated losses brought forward (based on the figures reported in the statutory financial statements) to the statutory reserve fund.

The statutory surplus reserve and statutory reserve fund can only be used to make good of losses of previous years or to increase the capital of respective companies upon the approval of relevant authority.

(c) *Share option reserve*

Movements of share options are as follows:

	<u>Number of share options</u>
<b>Six months ended 30 June 2009</b>	
Balance at 1 January and 30 June 2009 . . . . .	—
<b>Six months ended 30 June 2010</b>	
Balance at 1 January 2010 . . . . .	208,000,000
Granted on 18 May 2010 . . . . .	713,000,000
Lapsed during the period . . . . .	<u>(8,000,000)</u>
Balance at 30 June 2010. . . . .	<u>913,000,000</u>

Particulars of share options as at 30 June 2010 are as follows:

<u>Date of grant</u>	<u>Vesting period</u>	<u>Exercise period</u>	<u>Exercise price</u>	<u>Number of outstanding shares options</u>	
				<u>30 June 2010</u>	<u>31 December 2009</u>
14 October 2009	1 year	5 November 2010– 5 November 2013	HK\$3.5	59,600,000	62,000,000
14 October 2009	2 years	5 November 2011– 5 November 2014	HK\$3.5	59,600,000	62,000,000
14 October 2009	3 years	5 November 2012– 5 November 2015	HK\$3.5	80,800,000	84,000,000
18 May 2010	7 months	31 December 2010– 31 December 2015	HK\$2.4	142,600,000	—
18 May 2010	19 months	31 December 2011– 31 December 2016	HK\$2.4	142,600,000	—
18 May 2010	31 months	31 December 2012– 31 December 2017	HK\$2.4	142,600,000	—
18 May 2010	43 months	31 December 2013– 31 December 2018	HK\$2.4	142,600,000	—
18 May 2010	55 months	31 December 2014– 13 October 2019	HK\$2.4	142,600,000	—
				<u>913,000,000</u>	<u>208,000,000</u>

The weighted average fair value of options granted was determined by reference to the valuation prepared by an independent valuer, Real Actuarial Consulting Limited, using the Binomial Model. The significant inputs into the model were share price at the date of grant, annual risk free rate, expected volatility, life of the option and expected dividend yield, which are based on the best estimate of the Company's directors. The value of an option varies with different variables of certain subjective assumption.



### 13. Borrowings

	<u>30 June 2010</u>	<u>31 December 2009</u>
	(RMB'000)	(RMB'000)
Borrowings included in non-current liabilities:		
Bank borrowings — secured ( <i>note (a)</i> ) . . . . .	15,313,180	12,027,329
Senior notes ( <i>note (b)</i> ) . . . . .	<u>8,949,905</u>	<u>—</u>
	24,263,085	12,027,329
Less: current portion of long-term borrowings — secured . . . . .	<u>(1,084,910)</u>	<u>(4,211,285)</u>
	<u>23,178,175</u>	<u>7,816,044</u>
Borrowings included in current liabilities:		
Bank borrowings — secured ( <i>note (a)</i> ) . . . . .	1,010,080	2,148,460
Current portion of long-term borrowings — secured ( <i>note (a)</i> ) . . . . .	<u>1,084,910</u>	<u>4,211,285</u>
	2,094,990	6,359,745
Total borrowings . . . . .	<u>25,273,165</u>	<u>14,175,789</u>

- (a) As at 30 June 2010, the Group's bank borrowings of RMB 16,323,260,000 (31 December 2009: RMB 14,175,789,000) were secured by its property and equipment, land use rights, investment properties, properties under development, completed properties held for sale, and cash in bank and equity interests of certain subsidiaries of the Group.

Movements of bank borrowings are analysed as follows:

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
	(RMB'000)	(RMB'000)
Opening amount as at 1 January . . . . .	14,175,789	10,440,256
Additions of borrowings . . . . .	9,054,131	1,979,268
Repayments of borrowings . . . . .	<u>(6,906,660)</u>	<u>(2,247,213)</u>
Closing amount as at 30 June . . . . .	<u>16,323,260</u>	<u>10,172,311</u>

- (b) On 27 January 2010, the Company issued 13%, five-year senior notes with an aggregated principal amount of US\$750,000,000 (equivalent to approximately RMB 5,120,400,000) at 100% of the face value. On 13 April 2010, the Company further issued additional senior notes with an aggregated principal amount of US\$600,000,000 (equivalent to approximately RMB 4,095,600,000) at 100% of the face value. The senior notes are jointly guaranteed by certain subsidiaries and secured by pledges of the shares of the subsidiaries. The net assets of these subsidiaries as at 30 June 2010 were approximately RMB 824,663,000.

Movements of senior notes recognised are analysed as follows:

	<u>Six months ended 30 June 2010</u>
	(RMB'000)
Issuance of senior notes of US\$750 million on 27 January 2010, net of issuance costs . . . . .	5,000,475
Issuance of senior notes of US\$600 million on 13 April 2010, net of issuance costs . . . . .	3,986,561
Amortisation of issuance costs . . . . .	11,154
Exchange gain . . . . .	<u>(48,285)</u>
Carrying amount as at 30 June 2010 . . . . .	<u>8,949,905</u>

#### 14. Trade and other payables

	<u>30 June 2009</u>	<u>31 December 2010</u>
	(RMB'000)	(RMB'000)
Trade payables		
— third parties . . . . .	6,563,965	5,841,260
Other payables: . . . . .	6,596,292	3,685,280
— third parties . . . . .	1,333,791	745,917
— payables for acquisition of land use rights . . . . .	5,262,501	2,939,363
Accrued expenses . . . . .	670,419	119,425
Other taxes payable . . . . .	106,625	153,796
	<u>13,937,301</u>	<u>9,799,761</u>

The aging analysis of trade payables of the Group is as follows:

	<u>30 June 2010</u>	<u>31 December 2009</u>
	(RMB'000)	(RMB'000)
Within 90 days . . . . .	5,195,648	5,678,940
Over 90 days and within 180 days . . . . .	611,442	54,046
Over 180 days and within 365 days . . . . .	683,303	44,818
Over 365 days . . . . .	73,572	63,456
	<u>6,563,965</u>	<u>5,841,260</u>

#### 15. Current income tax liabilities

The current income tax liabilities are analysed as follows:

	<u>30 June 2010</u>	<u>31 December 2009</u>
	(RMB'000)	(RMB'000)
Income tax payables		
— PRC corporate income tax payable . . . . .	535,240	310,023
— PRC land appreciation tax payable . . . . .	1,297,180	721,912
	<u>1,832,420</u>	<u>1,031,935</u>

#### 16. Expenses by nature

Major expenses included in cost of sales, selling and marketing costs and administration expenses are analysed as follows:

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
	(RMB'000)	(RMB'000)
Cost of properties sold — excluding staff costs . . . . .	14,080,253	909,852
Business tax and other levies ( <i>note (a)</i> ) . . . . .	1,117,162	108,361
Staff costs — including directors' emoluments . . . . .	501,683	204,291
Advertising costs . . . . .	399,593	128,933
Sales commissions . . . . .	230,397	80,326
Consultancy fee . . . . .	40,507	116,806
Depreciation . . . . .	47,372	22,453
Amortisation of land use rights . . . . .	—	10,757

(a) *Business tax*

The group entities with business operation in the PRC are subject to business taxes on their revenue at the following rates:

<u>Category</u>	<u>Rate</u>
Sales of properties . . . . .	5%
Property construction and decoration . . . . .	3%
Property management . . . . .	5%

**17. Finance income/(costs), net**

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Exchange gain/(loss) . . . . .	48,314	(4,204)
Interest expenses from borrowings . . . . .	(853,243)	(529,644)
Less: interest capitalised . . . . .	853,243	521,540
	—	(8,104)
	<u>48,314</u>	<u>(12,308)</u>

**18. Income tax expenses/(credit)**

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Current income tax		
— Hong Kong profits tax . . . . .	—	—
— PRC corporate income tax . . . . .	672,866	14,391
— PRC land appreciation tax . . . . .	883,183	59,538
Deferred income tax		
— PRC corporate income tax . . . . .	363,204	(86,637)
	<u>1,919,253</u>	<u>(12,708)</u>

*Overseas income tax*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (2009 Revision as consolidated and revised from time to time) of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The group companies in the British Virgin Islands were incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

*Hong Kong profits tax*

No Hong Kong profits tax has been provided for as there is no business operation that are subject to Hong Kong profits tax carried out by the Group during the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

### *PRC corporate income tax*

The income tax provision of the Group in respect of operations in the PRC has been mainly calculated at the applicable tax rate of 25% (six months ended 30 June 2009: 25%) on the estimated assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

### *PRC land appreciation tax*

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures.

## **19. Earnings per share**

Basic earnings per share arising from continuing operations is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares for the six months ended 30 June 2009 has taken into account the issuance of 11,220,895,734 ordinary shares by capitalisation of share premium account.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares consist of share options.

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
Basic earnings per share (RMB) . . . . .	0.16	0.04
Diluted earnings per share (RMB) . . . . .	<u>0.15</u>	<u>0.04</u>

## **20. Dividends**

The board of directors of the Company resolved not to declare any dividend in respect of the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

A final dividend in respect of 2009 of RMB 0.7 cents per ordinary share, totalling RMB 105,000,000 was paid on 3 June 2010.

## **21. Financial guarantees**

Guarantees in respect of mortgage facilities for purchasers of the Group's property units:

	<u>30 June</u>	<u>31 December</u>
	<u>2010</u>	<u>2009</u>
	(RMB'000)	(RMB'000)
Guarantees in respect of mortgage facilities for certain purchasers of the Group's property units . . . . .	<u>18,869,125</u>	<u>12,531,513</u>

The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value is immaterial.

## 22. Commitments

### (a) Operating leases commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>30 June 2010</u>	<u>31 December 2009</u>
	(RMB'000)	(RMB'000)
Property and equipment:		
Not later than one year. . . . .	66,065	46,503
Later than one year and not later than five years . . . . .	69,291	77,026
Later than five years . . . . .	<u>87,091</u>	<u>5,870</u>
	<u>222,447</u>	<u>129,399</u>

### (b) Commitments for property development expenditure

	<u>30 June 2010</u>	<u>31 December 2009</u>
	(RMB'000)	(RMB'000)
Contracted but not provided for. . . . .	<u>17,663,200</u>	<u>15,223,065</u>

### (c) Commitments for land expenditure

	<u>30 June 2010</u>	<u>31 December 2009</u>
	(RMB'000)	(RMB'000)
Contracted but not provided for. . . . .	<u>15,604,050</u>	<u>12,315,356</u>

## 23. Related party transactions

### (a) Name and relationship with related parties

<u>Name</u>	<u>Relationship</u>
許家印先生 Dr. Hui Ka Yan (“Dr. Hui”)	The ultimate controlling shareholder and also the director of the Company
廣州恒大實業集團有限公司 Guangzhou Hengda Industrial Group Company Limited	Controlled by Dr. Hui and his associates
Xin Xin (BVI) Limited	The controlling shareholder of the Company
廣州市金碧大世界飲食娛樂有限公司 Guangzhou Jinbi Dashijie Catering and Entertainment Company Limited	Controlled by Ms. Ding Yumei, wife of Dr. Hui

(b) *Transactions with related parties*

During the six months ended 30 June 2010, the Group had the following significant transactions with related parties in addition to those disclosed elsewhere in the financial statements:

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Rental income ( <i>note (i)</i> ):		
Guangzhou Jinbi Dashijie Catering and Entertainment Company Limited. . . . .	9,159	1,309

(i) The rental fees were charged in accordance with the terms of the underlying agreements.

(c) *Balances with related parties*

As at 30 June 2010 and 31 December 2009, the Group had the following significant trade and non-trade balances with related parties:

	<u>30 June</u>	<u>31 December</u>
	<u>2010</u>	<u>2009</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>
Amounts due from related parties		
Included in trade receivables:		
Guangzhou Jinbi Dashijie Catering and Entertainment Company Limited. . . . .	11,696	5,332
Included in other receivables:		
Xin Xin (BVI) Limited. . . . .	—	719
	<u>11,696</u>	<u>6,051</u>

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