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Glorious Property Holdings Limited

恒盛地產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 845)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to the announcements of Glorious Property Holdings Limited (the “**Company**”) dated 18 October 2010 and 19 October 2010 in relation to the Notes Issue (the “**Announcements**”). Unless otherwise defined, all terms used herein shall have the same meanings as those defined in the Announcements.

The board of directors (“**Board**”) of the Company is pleased to announce that all the conditions precedent under the Purchase Agreement have been fulfilled and the Notes Issue has been completed on 25 October 2010.

Please refer to the attached offering memorandum in relation to the Notes (the “**Offering Memorandum**”), which has been published on the website of the SGX-ST on 25 October 2010. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained therein.

The posting of the Offering Memorandum on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.09(2) of the Listing Rules, and not for any other purpose.

The Offering Memorandum does not constitute a prospectus, notice, circular, brochure, advertisement or document offering to sell any securities to the public in any jurisdiction, nor is it an invitation or solicitation to the public to make offers to acquire, subscribe for or purchase any securities, nor is it calculated to invite or solicit offers by the public to acquire, subscribe for or purchase any securities.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Memorandum.

By order of the board of
Glorious Property Holdings Limited
Zhang Zhi Rong
Chairman

Hong Kong, 25 October 2010

As at the date of this announcement, the executive directors of the Company are Messrs. Zhang Zhi Rong, Ding Xiang Yang, Cheng Li Xiong, Liu Ning, Xia Jing Hua, Li Xiao Bin and Yan Zhi Rong; the independent non-executive directors of the Company are Messrs. Yim Ping Kuen, Liu Shun Fai, Wo Rui Fang and Han Ping.

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum (the "Offering Memorandum") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation and your representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to any securities described therein, investors must be outside the United States. By accepting the e-mail and accessing this Offering Memorandum, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of the attached Offering Memorandum and any amendments or supplements by electronic transmission.

Within the United Kingdom, the attached Offering Memorandum is being directed solely at and may only be communicated to persons who: (i) fall within Article 19(5) or Article 49(2)(a)-(d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, (ii) are outside the United Kingdom, or (iii) are persons to whom an invitation or inducement to engage in an investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise be lawfully communicated or caused to be communicated (all such persons collectively being referred to as "Relevant Persons"). The attached Offering Memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the attached Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. The Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. Any person who is not a Relevant Person should not act or rely on the Offering Memorandum or any of its contents.

Restrictions: The Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Memorandum. You are reminded that the information in the attached Preliminary Offering Memorandum is not complete and may be changed. An investment decision should only be made on the basis of a complete final offering memorandum.

You are reminded that the attached Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the attached Offering Memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located. If this is not the case, you must return the Offering Memorandum to us immediately. You may not, nor are you authorized to, deliver or disclose the contents of this Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchaser or any affiliate of the initial purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchaser or such affiliate on behalf of the issuer in such jurisdiction. This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, neither Standard Chartered Bank (the "Lead Manager") nor any person who controls it nor any director, officer, employee nor agent thereof or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Lead Manager.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



恒盛地產
GLORIOUS PROPERTY

Glorious Property Holdings Limited

(incorporated with limited liability under the laws of the Cayman Islands)

US\$300,000,000

13.00% Senior Notes due 2015

The US\$300,000,000 13.00% Senior Notes due 2015 (the "Notes") will bear interest at the rate set forth above from and including October 25, 2010 to but excluding October 25, 2015, payable semi-annually in arrears, on April 25 and October 25 of each year, commencing April 25, 2011. The Notes will mature on October 25, 2015 if not redeemed earlier.

The Notes are senior obligations of Glorious Property Holdings Limited (the "Issuer"), guaranteed (the "Subsidiary Guarantees") by our existing subsidiaries (the "Subsidiary Guarantors") other than those subsidiaries organized under the laws of the People's Republic of China (the "PRC") and certain offshore subsidiaries designated by us as offshore non-guarantor subsidiaries (together, the "Non-Guarantor Subsidiaries"). Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Issuer may be replaced by a limited-recourse guarantee ("JV Subsidiary Guarantee"). We refer to the subsidiaries providing a JV Subsidiary Guarantee as "JV Subsidiary Guarantors".

We may at our option redeem the Notes, in whole or in part, at any time and from time to time, on or after October 25, 2013, at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, at any time and from time to time prior to October 25, 2013, we may redeem up to 35% in aggregate principal amount of the Notes, at a redemption price equal to 113.00% of their principal amount, plus accrued and unpaid interest, if any, using proceeds from sales of certain kinds of our capital stock. In addition, we may redeem the Notes at any time prior to October 25, 2013, in whole but not in part, at a price equal to 100% of the principal amount of such Notes plus (i) accrued and unpaid interest (if any) to (but not including) the redemption date and (ii) a premium set forth in this offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined herein), we must make an offer to repurchase all 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.

The Notes will be (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) at least *pari passu* with all our other unsecured, unsubordinated indebtedness (subject to any priority rights pursuant to applicable law), (3) effectively subordinated to our secured obligations and secured obligations of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), to the extent of the assets serving as security therefor and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries. The Notes and the Subsidiary Guarantees will be secured by first priority liens over the capital stock of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any). 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 "Risk Factors — Risks relating to the Subsidiary Guarantees, JV Subsidiary Guarantees and the Collateral".

For a more detailed description of the Notes, see "Description of the Notes" beginning on page 232.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 18.

Application has been made for the listing and quotation of the Notes on the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of Glorious Property Holdings Limited, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), their associated companies or the Notes.

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

The Notes will be represented by beneficial interests in a global note (the "Global Note") in registered form, without interest coupons attached, which will be registered in the name of a nominee of, and shall be deposited on or about October 25, 2010 with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking *société anonyme* ("Clearstream").

Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Notes will not be issued in exchange for beneficial interests in the Global Note.

Sole Bookrunner and Lead Manager

Standard Chartered Bank

October 18, 2010

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This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

IN CONNECTION WITH THE ISSUE OF NOTES, THE INITIAL PURCHASER (AS DEFINED UNDER “PLAN OF DISTRIBUTION”), OR ANY PERSON ACTING FOR THE INITIAL PURCHASER, MAY OVER-ALLOT, 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. HOWEVER, THERE IS NO ASSURANCE THAT THE INITIAL PURCHASER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE ANY STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE INITIAL PURCHASER (OR ANY PERSONS ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASER, AND NOT FOR OR ON OUR BEHALF.

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. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. We have provided the information contained in this offering memorandum. You may not reproduce or distribute this offering memorandum, in whole or in part, and you may not disclose any of the contents of this offering memorandum or use any information herein for any purpose other than considering an investment in the Notes. Distribution of this offering memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. You agree to the foregoing by accepting delivery of this offering memorandum.

Notwithstanding anything to the contrary contained herein, a prospective investor (and each employee, representative or other agent of a prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this offering memorandum and all materials of any kind that are provided to the prospective investor relating to such tax treatment and tax structure (as such terms are defined in United States Treasury Regulation section 1.6011-4). This authorization of tax disclosure is retroactively effective to the commencement of discussions with prospective investors regarding the transactions contemplated herein.

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 headed “Transfer Restrictions” below.

No representation or warranty, express or implied, is made by the Initial Purchaser or any of its affiliates or advisors or the Trustee, Paying Agent and Registrar or the agents as to the accuracy or completeness of the information set forth herein and you should not rely on anything contained in this offering memorandum as a promise or representation by the Initial Purchaser. The Initial Purchaser, the Trustee, Paying Agent, Registrar and the agents have not independently verified the information contained herein (financial, legal or otherwise) and, to the fullest extent permitted by law, assume no responsibility for the contents, accuracy or completeness of any such information or for any other statement, made or purported to be made by any Initial Purchaser or on its behalf in connection with the Issuer, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Restricted Subsidiaries (as defined under “Description of the Notes — Definitions”), or the issue and offering of the Notes. The Initial Purchaser, the Trustee, Paying Agent and Registrar accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this offering memorandum or any such statement.

Prospective investors in the Notes should rely only on the information contained in this offering memorandum. Neither we nor the Initial Purchaser have authorized the provision of information different from that contained in this offering memorandum, to give any information or to make any representation not contained in or not consistent with this offering memorandum or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by us or the Initial Purchaser. The information contained in this offering memorandum is accurate in all material respects only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or of any sale of the Notes. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has not been a change in our affairs and those of each of our respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof. The Initial Purchaser expressly do not undertake to review our financial condition or affairs during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

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 Purchaser or any person affiliated with the Initial Purchaser in connection with any investigation of the accuracy or completeness 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 (if any) (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 Purchaser.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

We are not, and the Initial Purchaser is not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the Notes may in certain jurisdictions be restricted by law. We and the Initial Purchaser does not represent that this offering memorandum may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by us or the Initial Purchaser which is intended to permit a public offering of the Notes or the distribution of this offering memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this offering memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchaser to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this offering memorandum, see “Transfer Restrictions” and “Plan of Distribution”.

Neither this offering memorandum nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by us or the Initial Purchaser that any recipient of this offering memorandum, or any other information supplied in connection with the offering of the Notes, should purchase the Notes. In making an investment decision, you must rely on your own independent examination of us and the terms of the offering, including the merits and risks involved. None of us, the Initial Purchaser, or any of our or its respective affiliates or representatives is or are 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 attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Notes or possesses or distributes this offering memorandum and must obtain any consent, approval, or permission required by it for the purchase, offer or sale by it of such Notes under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales and none of us, the Initial Purchaser, the Trustee, Paying Agent and Registrar shall have any responsibility therefore. We reserve the right to withdraw the offering of Notes at any time, and the Initial Purchaser reserves 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 Purchaser and certain of its related entities may acquire a portion of the Notes for its own account.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes “Forward-looking statements”. All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “will”, “may”, “anticipate”, “seek”, “should”, “estimate” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies and our ability to implement such strategies;
- our ability to further develop and manage our projects as planned;
- our dividend distribution plans;
- the performance of the property market in the areas of the PRC in which we engage in property development;
- future developments in the property market in the PRC;
- the global economic environment;
- the availability of and changes to bank loans and other forms of financing;
- changes in political, economic, legal and social conditions in the PRC, including the PRC government’s policies concerning land supply, the availability and cost of financing, pre-sales, the pricing and volume of our property developments, taxes and remittance of funds;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to manage our growth and our geographically diversified business;
- our ability to acquire and develop land;
- the cost and supply of construction materials;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- the timely repayment by purchasers of our properties of mortgage loans guaranteed by us;
- currency exchange rate fluctuations and restrictions;
- any significant delay in obtaining proper legal titles for our properties or necessary government approvals for our operations; and

- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this offering memorandum. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this offering memorandum. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this offering memorandum might not occur in the way we expect, or at all.

ENFORCEMENT OF CIVIL LIABILITIES

We are an exempted company incorporated under the laws of the Cayman Islands with limited liability, and each Subsidiary Guarantor and each JV Subsidiary Guarantor (if any) is incorporated in either the British Virgin Islands or Hong Kong. Protections for investors in these jurisdictions may differ from those in your jurisdiction.

All of our assets and the assets of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) are located in either the British Virgin Islands or Hong Kong. In addition, substantially all of our directors and officers and the Subsidiary Guarantors’ directors and officers are nationals or residents of the PRC, and all or a substantial portion of such persons’ assets are located in the PRC. As a result, it may be difficult for investors to effect service of process upon us, any of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or such persons or to enforce against us or any of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or such persons judgments obtained in other jurisdictions, including judgments predicated upon the civil liability provisions of the securities laws of such other jurisdictions.

We and each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) expect to appoint Corporation Service Company as our and their respective agent to receive service of process with respect to any action brought against us, the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) in the United States federal courts located in the Borough of Manhattan, The City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or the Subsidiary Guarantors in the courts of the State of New York in the Borough of Manhattan, The City of New York under the securities laws of the State of New York.

Conyers Dill & Pearman, our counsel as to Cayman Islands law, has advised us that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the federal or state courts in the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that: (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

We have been advised by Paul, Hastings, Janofsky & Walker, our Hong Kong legal counsel, that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States.

There is therefore doubt as to the enforceability in Hong Kong in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States or the securities laws of any State or territory within the United States.

Furthermore, we have been advised by our PRC legal counsel, Commerce and Finance Law Offices, and our counsel as to Cayman Islands law, Conyers Dill & Pearman, that there is uncertainty as to whether the courts of the PRC or the Cayman Islands, respectively, would (a) recognize or enforce judgments of U.S. courts obtained against us or our directors and officers predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory within the United States or (b) entertain original actions brought in the courts of the PRC and the Cayman Islands, respectively, against us or our directors and officers predicated upon the securities laws of the United States.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which differ in certain material respects from generally accepted accounting principles in the United States (“U.S. GAAP”). Our reporting currency is the Renminbi.

EXCHANGE RATE INFORMATION

PRC

The People's Bank of China ("PBOC") sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of the Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of the Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the State Administration of Foreign Exchange ("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 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day and makes it the central parity for the trading against the Renminbi on the following working day. In May 2007, the 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. 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 the PBOC. On June 20, 2010, the PBOC announced its intention to further reform the Renminbi exchange rate system by allowing greater flexibility in the Renminbi exchange rate.

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

Period	Noon Buying Rate			
	Low	Average ⁽¹⁾	High	Period End
	(RMB per US\$1.00)			
2005	8.0702	8.1826	8.2765	8.0702
2006	7.8041	7.9579	8.0702	7.8041
2007	7.2946	7.5806	7.8127	7.2946
2008	6.7800	6.9193	7.2946	6.8225
2009	6.8176	6.8295	6.8470	6.8259
2010				
January	6.8258	6.8269	6.8295	6.8268
February	6.8258	6.8285	6.8330	6.8258
March	6.8254	6.8262	6.8270	6.8258
April	6.8229	6.8256	6.8275	6.8247
May	6.8245	6.8275	6.8310	6.8305
June	6.7815	6.8184	6.8323	6.7815
July	6.7709	6.7762	6.7807	6.7735
August	6.7670	6.7873	6.8069	6.8060
September	6.6869	6.7396	6.8102	6.8069
October (up to October 11, 2010) ...	6.6710	6.6870	6.6912	6.6710

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant period, except for the average rate of the relevant periods in 2010, which is determined by averaging the daily rates during that period.

On October 11, 2010, the noon buying rate for U.S. dollars in New York City for cable transfers in the Renminbi was US\$1.00 to RMB6.6710 as certified for customs purposes by the Federal Reserve Bank of New York.

Hong Kong

The H.K. dollar is freely convertible into the U.S. dollar. Since 1983, the H.K. dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The Basic Law of Hong Kong (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the H.K. dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. Under the Basic Law, the H.K. dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the H.K. dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link at HK\$7.80 to US\$1.00 or at all.

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

Period	Noon Buying Rate			
	Low	Average ⁽¹⁾	High	Period End
		(HK\$ per US\$1.00)		
2005	7.7514	7.7755	7.7999	7.7533
2006	7.7506	7.7685	7.7928	7.7771
2007	7.7497	7.8008	7.8289	7.7984
2008	7.7497	7.7814	7.8159	7.7499
2009	7.7495	7.7513	7.7618	7.7536
2010				
January	7.7539	7.7624	7.7752	7.7665
February	7.7619	7.7670	7.7716	7.7619
March	7.7574	7.7612	7.7648	7.7647
April	7.7565	7.7627	7.7675	7.7637
May	7.7626	7.7865	7.8030	7.7850
June	7.7690	7.7880	7.8040	7.7865
July	7.7651	7.7753	7.7962	7.7672
August	7.7605	7.7702	7.7788	7.7781
September	7.7561	7.7643	7.7738	7.7599
October (up to October 11, 2010) ...	7.7527	7.7559	7.7579	7.7567

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant period, except for the average rate of the relevant periods in 2010, which is determined by averaging the daily rates during that period.

On October 11, 2010, the noon buying rate for U.S. dollars in New York City for cable transfers in H.K. dollars was US\$1.00 to HK\$7.7567 as certified for customs purposes by the Federal Reserve Bank of New York.

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 Glorious Property Holdings Limited itself, or to Glorious Property Holdings Limited and its consolidated subsidiaries, as the context requires.

Market data and certain industry forecast and 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 Purchaser or our or its respective directors and advisors, and neither we, the Initial Purchaser nor our or its respective directors and advisors make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This offering memorandum summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Notes, including the merits and risks involved.

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

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 RMB6.7815 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 amounts referred to herein have been, could have been or could be converted into U.S. at any particular rate or at all. For further information relating to the exchange rates, see “Exchange Rate Information”.

References to “the PRC” and “China” are to the People’s Republic of China and, for the purposes of this offering memorandum, except where the context otherwise requires, do not include Hong Kong, the Macau Special Administrative Region of the PRC (“Macau”) or Taiwan. “PRC government” or the “State” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

In this offering memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency, the Chinese name prevails.

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 (“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 non-wholly owned project companies included in our consolidated financial statements.

Additional terms used in this offering memorandum are defined below.

Term	Definition
“commodity properties”	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion.
“GFA”	gross floor area.
“IPO”	our initial public offering in October 2009. References to the “Reorganization” are to the corporate reorganization we underwent shortly before the IPO.
“Land Bank”	constitutes all of the following: (i) projects for which the relevant governmental authorities have granted us land use rights certificates; (ii) projects for which we have entered into land grant contracts or successfully tendered but have not yet obtained land use rights certificates; (iii) projects for which we have signed an acquisition agreement or investment agreement with a third party, the consummation of which is subject to the satisfaction of conditions precedent including the obtaining of land use rights certificates by such third party; and (iv) projects we plan to acquire and develop based upon our master agreements with local governments. Master agreements provide us with an opportunity to participate in the early stages of the development or zoning process but do not confer land use rights, land title or development rights or approvals. We plan to acquire projects subject to master agreements by participating in the public tender, auction or listing for bidding process, as applicable, paying the relevant land premium and entering into a land grant contract. Signing a master agreement does not guarantee that we will secure the land grant contracts and obtain the relevant land use rights in respect of projects for which we have signed

master agreements, or that we will obtain the necessary development approvals in accordance with our expected development schedule or at all. Our acquisition agreements and investment agreements are subject to conditions precedent and do not confer land title or development rights until such acquisition or investment is consummated. We cannot guarantee that the conditions precedent set forth in such acquisition and investment agreements will be satisfied or that such acquisitions or investments will be consummated on the terms set forth in such agreements or at all. Our use of the term “Land Bank”, and our presentation of GFA figures for projects subject to master agreements and acquisition or investment agreements, may not be comparable to disclosures provided by other companies.

“land grant contract”	an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer.
“land use rights certificate”	a certificate issued by a local property and land resources bureau in the PRC with respect to land use rights.
“land use rights transfer agreement”	an agreement in respect of the transfer of the land use rights of a parcel of land by the previous grantee of the land use rights in the secondary market.
“LAT”	land appreciation tax.
“Nantong Trust Arrangements”	a series of related agreements as described in “Description of Other Material Indebtedness — Nantong Trust Arrangements” pursuant to which, among other things, Jiangsu International Trust Corporation Limited (江蘇省國際信託有限責任公司) effectively provided us with financing.
“pre-sale”	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations.
“Shanghai Bay”	our project, Shanghai Bay (尚海灣) located in Shanghai on the west bank of the Huangpu River as described in “Business — Our Property Development Projects”.
“Shanghai Bay Arrangements”	a series of related agreements as described in “Description of Other Material Indebtedness — Shanghai Bay Arrangements” pursuant to which, among other things, Shanghai Industrial Group effectively provided us with financing in the amount of RMB2.0 billion (US\$0.3 billion) in aggregate.

“Shanghai Industrial Group”	Shanghai Industrial Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited that is unrelated to us, together with its subsidiaries.
“sq.km.”	square kilometer(s).
“sq.m.”	square meter(s).
“urbanization rate”	the percentage of a given population of a defined area that lives in an urban area.
“Term Loans”	One or more separate credit facilities that we expect to enter into with the Term Loan Lenders in an aggregate principal amount of US\$95.0 million.
“Term Loan Lenders”	The lenders under the Term Loans.

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 the financial statements and related notes thereto, before making an investment decision. To understand the terms of the Notes, you should carefully read the section of this offering memorandum entitled "Description of the Notes".

OVERVIEW

We are one of the leading property developers focused on the development and sale of high quality properties in key economic cities in the PRC. Our Land Bank is highly diversified and is located in prime locations. As of June 30, 2010, it comprised a total planned GFA of 17,682,726 sq.m. Approximately 15.7% of our total planned GFA was located in Shanghai, 25.3% was located in Tianjin and Beijing as of June 30, 2010 and the remaining 58.9% of our total planned GFA was located in eight other key economic cities in the PRC.

We offer a wide range of products, including apartments, townhouses, retail properties, offices and hotels. We develop and sell our premium residential properties while seeking to selectively retain long-term ownership of certain commercial properties to benefit from potential capital appreciation as well as to diversify our future income stream.

Since we commenced our business in 1996, we have been dedicated to developing property in key economic cities in China. During the past 14 years, we have developed, sold and delivered more than 3.5 million sq.m. of GFA in China. As of June 30, 2010, we had developed or were developing projects in eleven different cities across the PRC: three municipalities (Shanghai, Tianjin, Beijing), five provincial capitals (Hefei, Shenyang, Harbin, Changchun, Nanjing) and three key regional economic cities in the Yangtze River Delta (Wuxi, Suzhou, Nantong). From 2007 through 2009, the GDP growth rates of each of these cities except Shanghai exceeded the national average, and the combined economic contribution of these ten cities to national GDP was 19.4%, 18.7% and 18.9% in 2007, 2008 and 2009, respectively. In 2008, the average per capita GDP of these cities was approximately three times the PRC per capita GDP. The urbanization rates in 2009 in each of these cities also exceeded the urbanization rate of the PRC.

During the past 14 years, we have developed, sold and delivered more than 2.1 million sq.m. of GFA in Shanghai. As of June 30, 2010, we had nine projects in Shanghai in various stages of development. Our flagship project, Shanghai Bay, is situated along the west bank of the Huangpu River and faces the Shanghai World Expo site. Shanghai Bay was among the top three real estate development projects in Shanghai in terms of total sales contract value achieved in 2008, based on sales data collected and compiled by www.soufun.com (a leading real estate portal in China), and was recognized as a 2009-2010 Real Estate New Landmark in China Shanghai City by China Index Research Institute and China Real Estate Association in 2009.

For the year ended December 31, 2009 and the six months ended June 30, 2010, our total revenue was RMB6,171.1 million (US\$910.0 million) and RMB2,497.9 million (US\$368.3 million), respectively. For the same periods, our Adjusted EBITDA (as defined herein) was RMB2,571.6 million (US\$379.2 million) and RMB1,128.0 million (US\$166.3 million), respectively. Our shares have been listed on the Hong Kong Stock Exchange since October 2, 2009 under stock code 845.HK. Our market capitalization as of October 15, 2010 was HK\$22.2 billion.

COMPETITIVE STRENGTHS

Leading developer in key economic cities in China, such as Shanghai and Tianjin, positioned to benefit from future economic growth.

The growth potential of a city's property market is to a significant extent driven by the development and prospects of the city's economy, and we are of the view that certain key economic cities are at the forefront of China's economic development. We believe that our established strong presence and leading role in these key economic cities have and will continue to position us, to benefit from the expected strong economic growth in these cities and their active property markets.

Shanghai is an economic and financial center of China and had one of the highest GDPs per capita in China in 2009. We have successfully established ourselves as a leading property developer in Shanghai over the past 14 years. During that time Shanghai has grown from a city having a less mature property market in 1996 when the average property price was RMB2,968.0 per sq.m. to one of the most appealing cities in China with an average property price of RMB12,840 per sq.m. for 2009. We have high quality Land Bank at prime locations in Shanghai. The PRC government has made it a high-level strategic objective to develop Shanghai into an international financial and shipping center. The Shanghai Municipal Government also has a clear aim to develop Shanghai into a domestic and international trade center. In addition, we expect that the Shanghai World Expo 2010 will have a positive effect on the urban development of Shanghai and provide further support to Shanghai's real estate market.

After Shanghai, Tianjin is the second city into which we ventured. We started developing our business in Tianjin in 2003 and have established a solid foothold after seven years of well recognized efforts. Tianjin is one of the four municipalities administered directly by the PRC central government. We believe that our achievements in Tianjin have demonstrated that we have the capability of replicating our success in Shanghai in other cities. We believe that, by leveraging on our success and strength in Shanghai and Tianjin, we are well positioned to continue to benefit from the strong growth in these cities while further expanding and strengthening our position in other strategically selected key economic cities.

Large, low-cost, high-quality Land Bank, providing us with long-term development opportunities in key economic cities, including Shanghai, Tianjin and Beijing.

As of June 30, 2010, we had a Land Bank of 7,260,007 sq.m. located in Shanghai, Tianjin and Beijing, representing 41.1% of our total Land Bank (of which, 1,444,306 sq.m. was GFA for which we have signed master agreements). We believe that our projects in Shanghai, Tianjin and Beijing are strategically located either in well established prime locations or in areas which have high growth potential. We believe that the prime location of the properties in our Land Bank is difficult for our competitors to replicate and has laid a strong foundation for the success of our future property development.

Our flagship project, Shanghai Bay, in Shanghai is situated along the west bank of the Huangpu River and faces the Shanghai World Expo site. The project has a total planned GFA of approximately 896,555 sq.m. and is one of the largest integrated comprehensive developments along the Huangpu River, which includes two high quality hotels, one shopping mall, offices and high-end residential units. The hotels and offices are expected to commence operations in 2012 and 2013, respectively, in anticipation of the increasing demand for hotels and offices that the Shanghai World Expo in 2010 may bring. We expect that the Shanghai World Expo site and its surrounding area will become a symbol for the modernization of Shanghai and attract domestic and international tourists, boosting the demand for hotels, high-end residential properties, recreational centers and shopping malls in the area and providing a suitable environment for high-end office buildings.

For the year ended December 31, 2009, our average unit land cost based on GFA was less than 10% of our average unit selling price. We believe our low-cost Land Bank not only supports our future profitability but also gives us greater flexibility to diversify our product portfolio, to cater to a broader customer base, and to respond more effectively to changing market conditions.

Prudent and strategic approaches to replenish our low-cost Land Bank.

We have acquired a portion of our current Land Bank by participating directly in the tender process held by local governments. By adopting this direct acquisition approach in building up our Land Bank, we are able to acquire land at early stages of its appreciation cycle.

We also cooperate with various local governments in their urban development programs which lead to a number of master agreements with such local governments for land sites. This approach has yielded a total planned GFA of 4,963,608 sq.m. in Shanghai, Tianjin, Beijing, Nantong and Shenyang as of June 30, 2010. Under these master agreements, we may obtain a right to be involved in the urban development or government zoning process at an early stage. In this manner we are able to gain more insight into a particular land parcel and development plans of local governments, which we believe increases our chances of obtaining the relevant land use rights in the subsequent public tender process. We have developed numerous projects using this approach, including Bashangjie Project and Hefei Villa Glorious Project in Hefei, Anhui Province. We also have a successful track record of acquiring small to medium size property development companies that have already obtained suitable land grant contracts or land use rights.

Wide product offering, innovative design and effective product positioning help our projects stand out in a competitive marketplace.

We offer a wide range of products including apartments, townhouses, retail properties, offices and hotels in ten different cities across the PRC. We develop both high quality apartments in prime locations such as Shanghai Bay in Shanghai and large-scale residential or complex developments in suburban areas such as Sunshine Bordeaux in Beijing. We believe that we are able to use innovative designs to differentiate our projects from our competitors and our projects have been well received by our target customers.

We believe that quality product design and positioning is crucial to our business. For this reason, we have been innovative and flexible in developing our projects in order to cater to the different needs of our customers. For example, in 2004, we acquired the land for Shanghai Bay in anticipation of the Shanghai World Expo and to take advantage of its unique view of the Huangpu River. This high quality project now features a view of the Shanghai World Expo site and the Huangpu River. The areas surrounding Shanghai Bay have been re-developed by the Shanghai Municipal Government in an effort to prepare it as a showcase for the Shanghai World Expo. As a result, we have experienced increased demand for our products in Shanghai Bay.

We have engaged domestically and internationally renowned designers who are experienced in planning and landscaping large-scale properties during the concept design phase of property developments. We also have an in-house development and design center which is responsible for our product development and design and consists of experienced research and design staff with strong knowledge in the local market. In recognition of the high quality and innovative design of our projects, we have received numerous awards from different organizations. For example, in 2007, our No.1 City Promotion project in Wuxi was designated by the Friends of the United Nations (聯合國友好理事會) and the United Nations

Human Settlement Programme (聯合國人居署) as an “International Culture Community” (國際文化社區) and recognized as one of the Top 10 Famous Properties in China (中國房地產十大名盤) in 2007 in the China Property Market Development Annual Forum 2007 (2007 中國房地產發展年會) hosted by Enterprise Research Institution of Development Research Center of the State Council, Institute of Real Estate Studies of Tsinghua University and SouFun China Index Institute. Our Sunshine Holiday project in Tianjin was awarded “The Most Suitable for Marriage Real Estate” (天津房地產網路人氣榜最適婚房樓盤) in 2009 by Tianjin Real Estate Internet Ranking List.

Highly experienced management team with a proven track record supported by a well-trained workforce.

Our management team has a strong track record in the property development industry and has developed, sold and delivered projects with more than 3.5 million sq.m. of GFA since 1996. Our management team has adopted a forward looking approach in identifying target land and has strong execution capabilities. The strategic vision of our management team is demonstrated by the timing of our entry into Shanghai, Tianjin and Harbin in 1996, 2003 and 2008, respectively. In all three cities, we have benefited from the upward trend of local property prices. Over the past three years, our key management members have remained substantially unchanged and they share our core corporate values and operating philosophy.

Our management team is also supported by a well-trained workforce. We are highly selective in our hiring process and endeavour to recruit and train employees who have the potential to become long-term effective management staff. We have implemented an incentive scheme combining both a performance-based bonus and an individually tailored career development platform. We believe that recruiting and retaining top talent with local knowledge and overseas experience have enabled us to capitalize on their collective expertise in both the local and international property markets.

BUSINESS STRATEGIES

Our principal business strategies are to:

Strengthen our market position in Shanghai while expanding our operations in Tianjin, Beijing and other key cities with high-growth potential.

We plan to continue to strengthen our market positions in Shanghai, Tianjin and Beijing as we believe property developments in these cities will continue to be profitable given their expected strong economic growth. By maintaining a strong presence in these cities, we believe we can enhance our brand profile, increase our pricing power and attract more industry talent.

While we expect to benefit from the continued economic expansion in Shanghai, Tianjin and Beijing, we also intend to increase our focus on other key economic cities in China with a view to capturing the economic growth in these cities and to geographically broaden our revenue base. A key part of our expansion strategy is to build a successful business model in regional hubs including Shanghai, Tianjin and Beijing and then expand into other key economic cities in these regions. Our success in Shanghai, for example, has led to our gradual expansion to the cities in the Yangtze River Delta area including Wuxi, Nantong, Suzhou, Nanjing and Hefei. Our position in Tianjin and Beijing has also presented opportunities for us to enter the property markets in the neighboring cities in the Pan Bohai Rim area.

Increase our focus on integrated, high quality developments in prime locations.

Our long-term strategy is to focus on developing integrated, high quality projects in prime locations and positioning our “Glorious Property” brand as a premier brand across the PRC. We have already acquired and will continue to replenish our premium Land Bank which is suitable for our project strategies.

We intend to continue to promote our “Glorious Property” brand by engaging internationally renowned architects and expanding our experienced in-house design team, creating innovative and distinctive products, using premium materials and fittings in the construction and furnishing of our properties, delivering top quality products to our customers and providing strong after-sales support. We have established the Huangpu Customers Club (皇蒲蒼客戶俱樂部) to provide quality after-sales services to our customers and enhance the nationwide recognition of our brand. We are confident that we will be able to develop “Glorious Property” into a brand name synonymous with excellence, quality and trust in the property industry in China.

Selectively grow our Land Bank.

Our management team will continue applying our strategic vision to explore different ways to acquire and replenish our Land Bank. We have adopted a strategy of gradual and prudent Land Bank expansion, taking into account our financial capacity before making new acquisitions. In addition to acquiring land by entering into land grant contracts with the PRC government, we will continue to leverage our proven expertise to acquire project companies that have access to suitable sites. We will also continue to collaborate with various local governments in urban development, as this will give us an opportunity to be involved in the early stages of development plans, help us gain insights into the relevant land and place us in a competitive position to bid for the cleared land. We base our land acquisition decisions on thorough research and analysis of a project’s expected return in the context of forecasted future property and economic trends in the relevant city.

Maintain prudent financial management policies.

We will continue to monitor closely our capital and cash positions and gauge our development scale and time our land acquisition and development schedule accordingly. We have financial planning and cash management at the individual project level as well as the group level. We will continue to manage our development cost for each project during the course of its development, with an emphasis on cost reduction and cost efficiency. We will actively manage our sale and pre-sales for adequate cash flow for our ongoing capital requirements. We will also remain disciplined in our capital commitments and seek to maintain a balanced capital structure.

Diversify income streams through the holding of investment properties.

We intend to expand gradually into the hotel, retail and office property sectors in China to diversify and to enhance the stability of our revenue streams. We aim to achieve a diversified earnings base balanced between development activities, which generate profits from selling completed development projects, and holding of investment properties, which generate recurring rental income through our retention of office, retail and hotel assets for long-term investment purposes. With our increasing exposure to investment properties, we expect that our revenues from rental income will increase in the future.

As part of our integrated and diversified business model, we are also in the process of developing, and plan to develop, several hotels. We have entered into long-term management agreements with internationally renowned hotel management companies for the management and operations of the hotels in Shanghai Bay and No. 1 City Promotion, respectively. We believe that the management of our hotels by such internationally renowned hotel management companies can enhance the profile and prospects of our hotel properties.

General Information

We were incorporated in the Cayman Islands on July 27, 2007, as an exempted company with limited liability, with the registered number CT-192221. Our principal place of business in the PRC is at 23/F, New World Commercial Center, No. 6009 Yi Tian Road, Fu Tian District, Shenzhen, 518026, PRC. Our principal place of business in Hong Kong is at Suites 2501-2504, 25th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is www.gloriousphl.com.cn. Information contained on our website does not constitute part of this offering memorandum.

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this offering memorandum. Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes".

Issuer.....	Glorious Property Holdings Limited (the "Company").
Notes Offered.....	US\$300,000,000 aggregate principal amount of 13.00% Senior Notes due 2015 (the "Notes").
Offering Price	100.00% of the principal amount of the Notes.
Maturity Date.....	October 25, 2015.
Interest.....	The Notes will bear interest from and including October 25, 2010 at the rate of 13.00% per annum, payable semi-annually in arrears.
Interest Payment Dates	April 25 and October 25 of each year, commencing April 25, 2011.
Ranking of the Notes	The Notes are: <ul style="list-style-type: none">• 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 <i>pari passu</i> in right of payment with 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 and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the caption "Description of the Notes — The Subsidiary Guarantees" and in "Risk Factors — Risks relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral";• effectively subordinated to any other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any (other than Permitted <i>Pari Passu</i> Secured Indebtedness), to the extent 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 “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 Shared Collateral and entry into the Intercreditor Agreement as described below under the caption “Description of the Notes — Security” and will:

- be entitled to a first priority lien on the Shared Collateral (subject to any Permitted Liens) shared on a *pari passu* basis with (i) the Term Loan Lenders, if any, and (ii) holders of any other Permitted *Pari Passu* Secured Indebtedness; and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Shared Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Subsidiary Guarantees.....

Each of the Subsidiary Guarantors and the 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.

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. See “Description of the Notes — The Subsidiary Guarantees — Release of the Subsidiary Guarantees”.

The initial Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) that will execute the Indenture on the Original Issue Date will consist of all of the Company’s Restricted Subsidiaries, as defined under “Description of the Notes — Definitions”, other than the Restricted Subsidiaries organized under the laws of the PRC (the “PRC Non-Guarantor Subsidiaries”) and certain subsidiaries designated by us as offshore non-guarantor subsidiaries (the “Offshore Non-Guarantor Subsidiaries”, and together with the PRC Non-Guarantor Subsidiaries, the “Non-Guarantor Subsidiaries”). All of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) are holding companies that do not have significant operations. None of the PRC Non-Guarantor Subsidiaries will be a Subsidiary Guarantor on the Original Issue Date or will at any time in the future provide a Subsidiary Guarantee or a JV Subsidiary Guarantee. See “Risk Factors — Risks relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — Our initial Subsidiary Guarantors do not currently have significant operations”. None of our Offshore Subsidiaries will be designated as an Offshore Non-Guarantor Subsidiary on the Original Issue Date.

Any future Restricted Subsidiary (other than any Non-Guarantor Subsidiary) will provide a guarantee of the Notes 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 all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

Subject to the limitations described in “Risk Factors — Risks relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral”, the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a Lien on the Shared Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption “Description of the Notes — Security”, shared on a *pari passu* basis with the Term Loan Lenders, if any, and holders of any other Permitted *Pari Passu* Secured Indebtedness; 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 Shared Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Ranking of JV Subsidiary
Guarantee

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

- will be a general obligation of such JV Subsidiary Guarantor;
- will be limited as to enforceability to the JV Entitlement Amount;
- 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, 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, will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law).

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, the Capital Stock of the initial Subsidiary Guarantors (subject to Permitted Liens) 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 Pledgor under its Subsidiary Guarantee.

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 pledge the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Trustee. The JV Subsidiary Guarantees of each JV Subsidiary Guarantor will not be secured.

The Shared 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 Collateral will be shared on a *pari passu* basis by the Term Loan Lenders, if any, and holders of any other Permitted *Pari Passu* Secured Indebtedness. See “Description of the Notes — Security”.

Intercreditor Agreement Upon the incurrence by the Company of any Term Loans or of any other Permitted *Pari Passu* Secured Indebtedness, the Company, the Trustee on behalf of the Holders, the Trustee, in its capacity as collateral agent, and the holders of such Permitted *Pari Passu* Secured Indebtedness (or their agents or representatives) will enter into an intercreditor agreement in respect of the Shared Collateral. See “Description of the Notes — Security — Intercreditor Agreement”.

Use of Proceeds..... We intend to use the net proceeds to finance new and existing projects (including construction costs and land costs) and for general corporate purposes.

We may adjust the foregoing acquisition and development plans in response to changing market conditions and, thus, reallocate the use of the net proceeds. See “Use of Proceeds”.

Optional Redemption At any time and from time to time on or after October 25, 2013, the Company at its option may redeem the Notes, in whole or in part, at the redemption prices set forth in “Description of the Notes — Optional Redemption” plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to October 25, 2013, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest (if any), if any, to (but not including) the redemption date.

At any time and from time to time prior to October 25, 2013, 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 113.00% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

Repurchase of Notes Upon a Change of Control Triggering Event	<p>Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.</p>
Redemption for Taxation Reasons.....	<p>Subject to certain exceptions and as more fully described herein, the Notes may be redeemed, at the option of the Company, as a 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, a Subsidiary Guarantor or a JV Subsidiary Guarantor (if any) would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws or certain other circumstances. See “Description of the Notes — Redemption for Taxation Reasons”.</p>
Covenants	<p>The Notes, the Indenture governing the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • declare dividends on its 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 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 are subject to a number of important qualifications and exceptions described in "Description of the Notes — Certain Covenants".

Transfer Restrictions.....	The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions".
Form, Denomination and Registration.....	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$100,000 and integral multiples of US\$1,000 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 "Description of the 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 October 25, 2010, which the Company expects will be the fifth business day following the date of this offering memorandum referred to as "T+5". You should note that initial trading of the Notes may be affected by the "T+5" settlement. See "Plan of Distribution".
Trustee and Paying Agent.....	The Bank of New York Mellon, London Branch.
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Collateral Agent.....	The Bank of New York Mellon.
Listing and Trading	Application has been made for the listing and quotation of the Notes on the Official List of the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) so long as the Notes are listed on the SGX-ST.

ISIN/Common Code	ISIN	Common Code
	XS0552084849	055208484
Governing Law	The Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Intercreditor Agreement and the Indenture 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 "Risk Factors".	

SUMMARY CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following tables present our summary consolidated financial and other data. The summary consolidated financial information and other data as of and for each of the fiscal years ended December 31, 2007, 2008 and 2009 (except for Adjusted EBITDA data) are derived from our audited consolidated financial statements included elsewhere in this offering memorandum. The summary financial data as of June 30, 2010 and for the six months ended June 30, 2009 and 2010 (except for Adjusted EBITDA data) are derived from our unaudited interim financial information reviewed in accordance with Hong Kong Standard on Review Engagements 2410 included elsewhere in this offering memorandum. Results of interim periods are not indicative of results for the full year.

The financial information has been prepared and presented in accordance with HKFRS, which differ in certain material respects from U.S. GAAP. The summary financial data below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial information and the related notes included elsewhere in this offering memorandum.

Summary of consolidated income statement information

	For the year ended December 31,				For the six months ended June 30,		
	2007	2008	2009	2009	2009	2010	2010
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000 (unaudited)	RMB'000 (unaudited)	US\$'000 (unaudited)
Revenue	1,791,942	3,948,959	6,171,127	909,994	1,471,781	2,497,946	368,347
Cost of sales	(1,164,818)	(2,293,339)	(3,201,760)	(472,131)	(747,816)	(1,156,588)	(170,550)
Gross profit	627,124	1,655,620	2,969,367	437,863	723,965	1,341,358	197,797
Other income	17,194	21,405	27,366	4,035	10,861	33,649	4,962
Other (losses)/gains, net ⁽¹⁾	(34,513)	825,563	1,218,817	179,727	745,884	(36,850)	(5,434)
Selling and marketing expenses	(77,426)	(150,494)	(151,333)	(22,316)	(53,929)	(71,097)	(10,484)
Administrative expenses	(105,666)	(214,818)	(351,397)	(51,817)	(142,876)	(216,752)	(31,962)
Finance costs	(97,225)	(54,479)	(27,068)	(3,991)	(16,966)	(7,640)	(1,127)
Profit before income tax	329,488	2,082,797	3,685,752	543,501	1,266,939	1,042,668	153,752
Income tax expenses	(221,394)	(827,806)	(1,319,608)	(194,589)	(417,053)	(676,571)	(99,767)
Profit for the year/period	108,094	1,254,991	2,366,144	348,912	849,886	366,097	53,985
Attributable to:							
- the Company's equity holders	108,094	1,254,991	2,366,144	348,912	849,886	366,420	54,032
- minority interest	—	—	—	—	—	(323)	(47)
	<u>108,094</u>	<u>1,254,991</u>	<u>2,366,144</u>	<u>348,912</u>	<u>849,886</u>	<u>366,097</u>	<u>53,985</u>
Other comprehensive income:							
Gain/loss recognized directly in equity	—	—	—	—	—	—	—
Total comprehensive income for the year/period attributable to the Company's equity holders	<u>108,094</u>	<u>1,254,991</u>	<u>2,366,144</u>	<u>348,912</u>	<u>849,886</u>	<u>366,420</u>	<u>54,032</u>
Other Financial Data (unaudited)							
Adjusted EBITDA ⁽²⁾	434,873	1,300,710	2,571,593	379,207	545,635	1,128,031	166,340
Adjusted EBITDA Margin ⁽³⁾	24.3%	32.9%	41.7%	41.7%	37.1%	45.2%	45.2%

Notes:

- (1) Other gains, net included fair value gains on investment properties of RMB846.1 million and RMB1,027.0 million (US\$151.4 million) for the years ended December 31, 2008 and 2009, respectively. These fair value gains are unrealized. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Factors Affecting Our Results of Operations — Changes in fair value of investment properties". Other gains, net included gain on extinguishment of financial liability of RMB198.7 million (US\$29.3 million) for the year ended December 31, 2009. Other losses, net also included loss on redemption of the promissory notes of RMB33.8 million (US\$5.0 million) for the six months ended June 30, 2010.
- (2) Adjusted EBITDA consists of net profit for the year/period plus finance costs, income tax expenses, share-based compensation expenses, depreciation and amortization and minus fair value gains on investment properties, gain on extinguishment of financial liability and loss on redemption of the promissory notes. Adjusted EBITDA is not a standard measure under HKFRS. Adjusted EBITDA is a widely used financial indicator of a company's ability to service and incur debt. Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Adjusted EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating Adjusted EBITDA, we believe that investors should consider, among other things, the components of Adjusted EBITDA such as sales and operating expenses and the amount by which Adjusted EBITDA exceeds capital expenditures and other charges. We have included Adjusted 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 service debt and pay taxes. Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our Adjusted EBITDA to Adjusted EBITDA presented by other companies because not all companies use the same definition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our net profit under HKFRS to our definition of Adjusted EBITDA. Investors should also note that Adjusted EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (3) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue.

Summary consolidated balance sheet information

	As of December 31,			As of June 30,		
	2007	2008	2009	2009	2010	2010
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
	(unaudited)					
ASSETS						
Non-current assets						
Property, plant and equipment	16,400	392,313	497,653	73,384	524,494	77,342
Investment properties	—	1,103,500	2,485,200	366,468	2,518,830	371,427
Intangible assets	—	—	2,087	308	3,626	535
Investment in an associate	—	4,500	4,500	664	4,500	664
Deferred income tax assets	58,960	26,820	202,970	29,930	242,862	35,812
	<u>75,360</u>	<u>1,527,133</u>	<u>3,192,410</u>	<u>470,754</u>	<u>3,294,312</u>	<u>485,780</u>
Current assets						
Properties under development	5,829,489	7,345,976	11,130,003	1,641,230	14,734,251	2,172,713
Completed properties held for sale	357,893	1,201,268	1,390,132	204,989	984,577	145,186
Inventories	—	—	6,165	909	6,432	948
Trade and other receivables and prepayments	3,107,299	2,595,899	4,538,191	669,202	7,696,415	1,134,913
Prepaid taxes	71,378	106,257	58,430	8,616	133,708	19,717
Financial assets at fair value through profit or loss	21,091	—	—	—	—	—
Restricted cash	66,690	84,468	1,039,058	153,219	1,442,360	212,690
Cash and cash equivalents	3,199,105	297,221	5,013,296	739,261	3,555,751	524,331
	<u>12,652,945</u>	<u>11,631,089</u>	<u>23,175,275</u>	<u>3,417,426</u>	<u>28,553,494</u>	<u>4,210,498</u>
Total assets	<u>12,728,305</u>	<u>13,158,222</u>	<u>26,367,685</u>	<u>3,888,180</u>	<u>31,847,806</u>	<u>4,696,278</u>
EQUITY						
Capital and reserves attributable to the Company's equity holders						
Share capital	962	962	68,745	10,137	68,745	10,137
Share premium	—	—	7,822,982	1,153,578	7,822,982	1,153,578
Reserves	(336,935)	918,056	3,462,125	510,525	3,633,455	535,789
	<u>(335,973)</u>	<u>919,018</u>	<u>11,353,852</u>	<u>1,674,240</u>	<u>11,525,182</u>	<u>1,699,504</u>
Minority interest	—	—	492,825	72,672	492,502	72,624
Total (deficit)/equity	<u>(335,973)</u>	<u>919,018</u>	<u>11,846,677</u>	<u>1,746,912</u>	<u>12,017,684</u>	<u>1,772,128</u>
LIABILITIES						
Non-current liabilities						
Borrowings	2,317,730	537,000	5,041,084	743,358	9,186,737	1,354,676
Deferred income tax liabilities	—	172,937	486,037	71,671	533,901	78,729
Obligation under finance lease	—	—	17,074	2,518	17,153	2,530
	<u>2,317,730</u>	<u>709,937</u>	<u>5,544,195</u>	<u>817,547</u>	<u>9,737,791</u>	<u>1,435,935</u>
Current liabilities						
Advanced proceeds received from customers	4,480,950	3,742,816	3,627,603	534,926	4,440,545	654,803
Trade and other payables	1,438,661	1,185,235	1,871,174	275,923	1,845,249	272,100
Income tax payable	277,782	664,091	1,670,365	246,312	2,230,987	328,981
Borrowings	4,549,155	5,937,125	1,806,860	266,440	1,574,682	232,203
Obligation under finance lease	—	—	811	120	868	128
	<u>10,746,548</u>	<u>11,529,267</u>	<u>8,976,813</u>	<u>1,323,721</u>	<u>10,092,331</u>	<u>1,488,215</u>
Total liabilities	<u>13,064,278</u>	<u>12,239,204</u>	<u>14,521,008</u>	<u>2,141,268</u>	<u>19,830,122</u>	<u>2,924,150</u>
Total equity and liabilities	<u>12,728,305</u>	<u>13,158,222</u>	<u>26,367,685</u>	<u>3,888,180</u>	<u>31,847,806</u>	<u>4,696,278</u>
Net current assets	<u>1,906,397</u>	<u>101,822</u>	<u>14,198,462</u>	<u>2,093,705</u>	<u>18,461,163</u>	<u>2,722,283</u>
Total assets less current liabilities	<u>1,981,757</u>	<u>1,628,955</u>	<u>17,390,872</u>	<u>2,564,459</u>	<u>21,755,475</u>	<u>3,208,063</u>

RISK FACTORS

You should carefully consider the following risk factors, together with all other information contained in this offering memorandum, before purchasing the Notes. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties of which we are not aware 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

We are dependent on the performance of the PRC property sector.

Our business is subject to the conditions of the real estate market in the PRC. Any adverse development in national and local economic conditions as a result of employment levels, consumer confidence, interest rates or other monetary and economic factors may significantly reduce the demand for PRC real estate and affect property prices in the PRC. As a result, our financial condition and results of operations would be materially adversely affected. The PRC government adjusts its monetary and economic policies from time to time to manage the rate of growth of the PRC economy and the economies of local areas within the PRC. Such economic adjustments may affect the real estate market in the parts of China where our projects are located. In the past two years, the PRC government announced a series of measures designed to stabilize the rapid growth of the PRC economy and to stabilize the growth of specific sectors, including the property market, to a more sustainable level.

The property market in the PRC is still considered to be volatile and there can be no assurance that our property development and investment activities will continue to grow at a rate similar to past levels or that we will always be able to capitalize on the future growth, if any, of the property market of the PRC. If we cannot adapt timely to future changes in market conditions or customer preferences, our results of operations may be materially and adversely affected.

Increasing competition among property developers, particularly in first-tier PRC cities, may adversely affect our business and financial condition.

Over the past few years a large number of property developers have undertaken property development and investment projects in first-tier cities and elsewhere in the PRC, intensifying the competition in the domestic property development market. Our major competitors include large national and regional property developers and overseas developers (including a number of leading Hong Kong and Singapore property developers), some of whom have a longer track record and greater financial and other resources than we do. In certain markets, we also compete with small local property developers. The intense competition among property developers in Shanghai, Tianjin and Beijing and other parts of the PRC for land, financing, raw materials and skilled management and labor may result in increased cost of land acquisition, a decrease in development margins and a slowdown in the rate at which new property developments are approved and/or reviewed by the relevant government authorities. An oversupply of properties available for sale could also depress the prices of the properties we sell. Any of the above outcomes may materially and adversely affect our business, financial position and results of operations.

We cannot assure you that construction companies will perform construction services for us on terms comparable to those provided to us by Shanghai Ditong prior to our IPO.

Prior to our IPO, substantially all our construction work was performed by Shanghai Ditong Construction (Group) Co., Ltd. (上海地通建設(集團)有限公司) (“Shanghai Ditong”), a company 98.7% owned by Mr. Zhang Zhi Rong’s parents and 1.3% owned by Mr. Zhang Zhi Rong, and such construction work constituted substantially all the overall construction services performed by Shanghai Ditong during such periods. In addition, in connection with our IPO and the satisfaction of the Hong Kong Stock Exchange requirements, we agreed that the annual construction fees payable to Shanghai Ditong with respect to new development projects for each of the three years ending December 31, 2009, 2010 and 2011 will not exceed more than 40%, 30% and 20%, respectively, of the total construction fees payable by us with respect to such projects. As a result, our business relationship with Shanghai Ditong may be affected, and there can be no assurance that Shanghai Ditong will continue to provide us with construction services on terms comparable to those provided to us prior to our IPO. For the year ended December 31, 2009, the total construction costs related to construction services provided to us by Shanghai Ditong amounted to RMB816.8 million (US\$120.4 million), accounting for 33.5% of our total construction fees payable during that period. For the six months ended June 30, 2010, such construction costs amounted to RMB352.3 million (US\$52.0 million).

Because our fees payable to Shanghai Ditong for construction services are now subject to the annual capped amounts described above, we must engage the services of other construction companies with respect to a portion of our new development projects. There can be no assurance that the terms offered to us by such other construction companies will be comparable to those previously provided to us by Shanghai Ditong.

Prior to our IPO, we did not work with many different external general contractors and we may not be able to achieve the same level of efficiency and could experience other difficulties working with many different external general contractors. Any of the above factors could have a material adverse effect on our business, financial condition or results of operations. For a description of our transactions with Shanghai Ditong and the limitations on our use of Shanghai Ditong for new development projects, see the section headed “Related Party Transactions — Construction Services Agreement.”

We rely on the performance of external contractors and suppliers, including Shanghai Ditong, an affiliated company, to deliver our projects on time and up to our specified quality standards.

We do not perform our own construction work. We rely on external construction contractors, certified engineering supervisory companies, service providers and suppliers for construction and related services and various types of construction materials as well as other services such as design and interior decoration which we monitor through our project management department in each project company.

We cannot assure you that the services rendered or materials supplied by any of these external contractors and suppliers, including Shanghai Ditong or any of our other existing or new construction contractors, will always be satisfactory to us or meet our quality requirements. In the event that the performance any of our contractors or suppliers falls short of quality standards or such contractor or supplier encounters financial, operational or managerial difficulties, our construction progress of our property developments may be disrupted and we may incur additional costs in respect of remedial actions to be taken (including the replacement of such contractors) as well as potential compensation payable to our customers in the event of any delay in completion of our property developments. Moreover, we may suffer reputational loss and additional financial costs as a result of such delay of our property developments.

Any of the above factors could have a material adverse effect on our business, financial condition and results of operations.

We are party to master agreements and land grant contracts with PRC government entities, which may not be implemented as agreed.

As of June 30, 2010, we had entered into master agreements with PRC government entities for projects with a total planned GFA of 4,963,608 sq.m., representing 28.07% of our total Land Bank. Notwithstanding such master agreements, we are still required by the relevant PRC laws and regulations to go through the public tender, auction or listing for bidding process, and, if successful, enter into a land grant contract and pay the relevant land premium before we may obtain land use rights certificates relating to such projects. We cannot assure you that these master agreements will be implemented as agreed and that we will be successful in securing the relevant land grant contracts and obtaining the relevant land use rights certificates in respect of such projects.

We enter into a significant number of contracts in connection with our land acquisitions, including various land grant contracts and master agreements with PRC government entities. Once we enter into a contract in connection with our land acquisitions, we may be required to pay substantial amounts of money, although there may be a period of time before formal title to the land is transferred to us or land use rights certificates are delivered to us. There are risks with respect to the enforcement of these agreements, particularly in light of their relatively long execution periods, in some cases, and potential changes in PRC government policies. We cannot assure you that PRC government policies related to our projects will not change in the future or there will not be changes in the manner of implementation of these agreements. Further, we cannot assure you there will not be any modifications to these agreements as to terms that are favorable to us, including changes in the price of the land use rights to the land parcel concerned. In addition, the law and practice relating to enforcement of contracts and master agreements against PRC government entities involves uncertainty, and we cannot assure you that such agreements can be enforced as contemplated or at all. Furthermore, we cannot assure you that title to the land parcels subject to these land grant contracts and master agreements can be eventually obtained. If any of these land grant contracts or master agreements is not implemented as agreed, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may not be able to obtain adequate funding for our property developments or funding may not be available on attractive terms.

The property development business is capital intensive. We have funded our projects primarily through bank borrowings, other third party financings, capital contributions from our shareholders, including proceeds from the IPO, and internal cash flows, including proceeds from the pre-sale of our properties. We cannot assure you that we will always have sufficient funds available to fund all our future property developments or that the funding available will be on attractive terms.

As of June 30, 2010, our borrowings amounted to RMB10,761.4 million (US\$1,586.9 million), of which RMB1,574.7 million (US\$232.2 million) was due within one year, and RMB8,617.1 million (US\$1,270.7 million) was due within a period of more than one year but not exceeding five years, and the remaining balance of RMB569.6 million (US\$84.0 million) was due after more than five years.

We obtain commercial bank financing for our projects through credit lines extended on a case-by-case basis. Our ability to secure sufficient financing, including for land use rights acquisition and property development and repayment of our existing onshore and offshore debt obligations, depends on a number of factors that are beyond our control, including lenders' perceptions of our creditworthiness, market conditions in the capital markets, investors' perception of our securities, the PRC economy and the PRC government regulations that affect the availability and cost of financing for real estate companies. We cannot assure

you that we will be able to obtain bank loans or other third party financing, or that we will be able to repay or renew existing credit facilities granted by financial institutions or repay or refinance other third party financings in the future on reasonable terms or at all, or that any fluctuation in interest rates will not affect our ability to fund our property developments.

Since 2003, commercial banks have been prohibited under guidelines of the PBOC from advancing loans to fund the payment of land use rights and generally no more than 70% of a project can be funded with debt. In addition, for projects under the affordable housing program, no more than 40% of the project can be funded with debt. In January 2010, the PRC State Council issued a circular to control the recent rapid increase in housing prices. The circular instructed the PBOC and the China Banking Regulatory Commission to tighten the supervision of bank lending to the real estate sector. In addition, the PBOC has adjusted the reserve requirement ratio for commercial banks three times since January 2010. The reserve requirement ratio currently ranges from 13.5% to 17.0%, which took effect on May 10, 2010. In October 2010, there was news that the PBOC would further increase the reserve requirement ratio for six large commercial banks in China to 17.5% for a period of two months. The increase in the reserve requirement ratio may reduce the amount of commercial bank credit available to businesses in China, including ours.

We generate significant cash flow through pre-sales, which are subject to government restrictions. Among other things, the PRC regulations on the pre-sales of properties provide that the proceeds from the pre-sales of a real estate project may only be used for the construction of such project until the project is completed and its completion acceptance certificate has been issued. Any new or further government restrictions on pre-sales or the use of pre-sales proceeds could significantly increase our financing needs. Further government measures tightening bank credit could adversely affect our customers' ability to obtain mortgage financing, which would in turn substantially reduce pre-sales of our properties and our cash flow from operations and substantially increase our financing needs. In addition, our ability to move cash through inter-company transfers or to transfer funds from an onshore subsidiary to an offshore parent company is restricted by PRC government regulations, limiting our ability to use excess cash resources in one subsidiary to fund the obligations of another subsidiary or an offshore parent company.

Our substantial capitalized interest expense may adversely affect our gross profit margin.

We have incurred and will incur a significant amount of interest expense in relation to our existing financing, particularly the promissory notes issued to certain pre-IPO investors and the Shanghai Bay Arrangements. See "Description of Other Material Indebtedness". Substantially all of this interest expense has been or will be capitalized as properties under development rather than being expensed in our consolidated income statement at the time it is incurred. The amounts of capitalized interest under completed properties held for sale were RMB7.4 million, RMB57.3 million and RMB95.0 million (US\$14.0 million) as of December 31, 2007, 2008 and 2009, respectively. The amounts of capitalized interest under properties under development were RMB608.7 million, RMB1,488.5 million and RMB2,520.3 million (US\$371.6 million) as of December 31, 2007, 2008 and 2009, respectively. In future periods, such capitalized interest expense will be expensed in the consolidated income statements as a portion of cost of sales upon the sale of such properties. As a result, such capitalized interest expense may adversely affect our gross profit margin upon the sales of such properties in future periods. The amounts of capitalized interest included in cost of sales for the years ended December 31, 2007, 2008 and 2009 were RMB34.0 million, RMB74.7 million and RMB135.8 million (US\$20.0 million), respectively.

Our business depends on the availability of an adequate supply of suitable sites, and our ability to obtain the land use rights and other necessary PRC government approvals for these sites for our future developments.

We derive our revenue principally from the sale of properties that we have developed. As a result, our revenue is not of a recurring nature but is dependent on our ability to obtain prime land sites, to complete construction of, and to sell our property developments. We must replenish and increase our Land Bank in order to maintain the growth of our business.

The supply of land in the PRC is generally controlled by the PRC government, and our ability to acquire land use rights for future developments and our land acquisition costs will be affected by government policies governing the supply of land for development. In addition, the PRC government may limit the supply of land available for development in the cities in which we have or intend to have an interest. In May 2002, the PRC government introduced regulations requiring that land use rights for residential and commercial property developments be sold only by public tender, auction or listing for bidding.

As an alternative to acquiring land from the PRC government, we also secure land use rights through acquisition of equity interests in property project companies or the acquisition of land use rights from independent third parties in the market. Our ability to acquire suitable property project companies from other property developers is dependent on a number of uncertainties, including the availability of acquisition targets, our price negotiation with the vendors, the outcome of our due diligence exercises and third party and regulatory consents and approvals. There is no assurance that we will always be able to identify and successfully acquire suitable land use rights through acquisition of equity interests in property project companies.

The PRC government also regulates the manner in which land can be developed. For example, following announcements by the State Council of the PRC (中華人民共和國國務院) (“State Council”) and other related government bodies in late May 2006 concerning new directives to adjust the structure of the PRC residential housing market, the Ministry of State Land and Resources made a detailed announcement on May 30, 2006 concerning the restriction on overall land supply for high quality residential property developments, including, in particular, the discontinuation of new land supply for villa projects.

To develop and sell real estate in the PRC, property developers are required to obtain land use rights certificates from the relevant PRC government authorities. There can be no assurance that we will successfully obtain all necessary land use rights certificates for our projects in a timely manner, or at all. In order to develop and complete a property development, we must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of our property development projects, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates of confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. We cannot assure you that we will not encounter problems in fulfilling the conditions precedent to the receipt of approvals, or that we will be able to adapt to any new laws, regulations or policies that may come into effect from time to time with respect to the granting of such approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. We may be subject to periodic delays in our property development projects due to building moratoria imposed by the relevant PRC government authorities in any of the areas in which we operate or plan to operate.

If changes in government policy lead to a reduction in land supply for our future projects, or we are not successful in acquiring land from the PRC government or other project companies, or we experience delays or encounter problems in obtaining the land use rights certificates or the other necessary PRC government approvals for our projects, our future financial condition and results of operations may be materially and adversely affected.

We have experienced periods of net cash outflow from operating activities in the past and we cannot assure you that we will not experience periods of net cash outflow from operating activities in the future.

We had net cash outflows from operating activities of RMB2,726.4 million in the year ended December 31, 2008, RMB3,035.8 million (US\$447.7 million) in the year ended December 31, 2009 and RMB5,026.2 million (US\$741.2 million) in the six months ended June 30, 2010. Due to the nature of the property development business, we may from time to time experience net operating cash outflow, when imbalances occur between the timing of our cash inflows relating to the pre-sale of properties and our cash outflows relating to the construction of properties and the purchases of land. Our historical net cash outflows from operating activities were primarily due to the increase in properties under development and projects held for future development while other major developments were being prepared for pre-sale.

We cannot assure you that we will not experience periods of net operating cash outflow in the future. If we experience sustained periods of net operating cash outflow in the future, our financial condition may be materially and adversely affected.

Because we derive our revenues principally from the sale of property, our results of operations may vary significantly from period to period depending on the amount of GFA sold and timing of delivery of the properties we sell.

At present, we derive substantially all of our revenues from the sale of properties. Our results of operations may fluctuate in the future due to a combination of factors, including the overall schedules of our property development projects, the level of acceptance of our properties by prospective customers, the timing of the sale of properties and fluctuation in expenses such as land costs and construction costs.

Furthermore, according to our accounting policy for revenue recognition, we recognize revenue from sale and pre-sale of our properties upon delivery, which normally takes place 1-2 years after the commencement of pre-sales. Because the timing of delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties we sell. Periods in which we deliver more GFA typically generate higher levels of revenue. Periods in which we pre-sell a large aggregate GFA, however, may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period. The effect of the timing of project delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisition and construction costs as well as a limited supply of land.

Our business is subject to seasonality. Winter weather conditions can hinder construction and sales of development projects, especially in northern China. Our revenue and profits, recognized upon the delivery of properties, may be affected by such seasonal effects.

We face significant property development risks before we realize any benefit from a project.

Property developments typically require substantial capital outlays during construction periods, and it may take months or years before positive cash flows, if any, can be generated by pre-sales of properties to be completed or sales of completed properties. The time and cost required to complete a property development may increase substantially due to many factors beyond our control, including the shortage, or increased cost of material, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities, delays in relocation which may result in increased relocation compensation, and other unforeseen problems or circumstances. Any of these factors, individually or in the aggregate, may lead to a delay in, or the failure of, the completion of a property development

and may result in costs that substantially exceed those costs originally forecasted. Failure to complete a property development according to its original plan, if at all, may have an adverse effect on our reputation and could give rise to potential liabilities. As a result, our returns on investments, if any, may not be recognized in a timely manner or may be lower than originally expected.

Our results of operations include estimated fair value gains on investment properties, which are unrealized.

For the years ended December 31, 2008 and 2009, we recorded fair value gains on our investment properties amounting to RMB846.1 million and RMB1,027.0 million (US\$151.4 million), respectively, in our consolidated income statements, representing 40.6% and 27.9% of our profit before tax for those periods, respectively. No fair value gain on investment properties was recognized for the six months ended June 30, 2010. Prospective investors should be aware that these upward fair value adjustments reflect primarily unrealized capital gains in the value of our investment properties at the relevant reporting dates, are not profit generated from day-to-day rental income from our investment properties and are largely dependent on the conditions prevailing in the property markets. These fair value gains do not generate cash inflow to us and will not unless such investment properties are actually sold at or above such estimated fair values. Moreover, prospective investors should be aware that property values are subject to market fluctuations and we cannot assure you that we will be able to continue to record favorable fair value adjustments on investment properties in similar amounts, or at all, in the future or that the fair value of our investment properties will not decrease in the future. Any such decrease in the fair value of our investment properties will reduce our profits and could have a material adverse effect on our results of operations.

We do not conduct independent credit checks when providing short-term guarantees over mortgages taken out by our customers. If a significant number of such guarantees are called upon, our financial condition could be adversely affected.

We enter into arrangements with banks to facilitate the provision of mortgage facilities to purchasers of our properties. In accordance with industry practice, we are required to provide guarantees to these banks in respect of mortgages offered to our customers until completion of construction and submission of the relevant property ownership certificates and certificates of other interests in the property to the relevant banks. If a purchaser defaults under the mortgage loan and the bank calls on the guarantee, we are required to repay all debt owed by the purchaser to the mortgagee bank under the loan, the mortgagee bank will assign its rights under the loan and the mortgage to us, and we will have full recourse to the property.

In accordance with industry practice, we do not conduct independent credit checks on our customers, but rely instead on the credit checks conducted by the mortgage banks. As of December 31, 2007, 2008 and 2009 and June 30, 2010, our outstanding guarantees over the mortgage loans of our customers amounted to RMB1,860.8 million, RMB2,662.1 million, RMB2,749.8 million (US\$405.5 million) and RMB3,790.1 million (US\$558.9 million), respectively.

If a significant number of purchasers default on their mortgages and our guarantees are called upon, our results of operations and financial condition could be adversely affected to the extent that either there is a material depreciation in the value of the relevant properties from the price paid by the purchaser or we cannot sell such properties due to unfavorable market conditions or other reasons.

We are subject to legal and business risks if our project companies fail to obtain or renew their qualification certificates.

Real estate developers in the PRC must obtain and maintain a qualification certificate in order to carry out the business of property development in the PRC. In addition, real estate developers in the PRC must hold valid qualification certificates when applying for pre-sale permits.

In reviewing an application to grant or renew a qualification certificate, the relevant government authority considers the real estate developer's registered capital, property development investments, history of property development and quality of property construction, as well as the expertise of the developer's management and whether the developer has any illegal or inappropriate operations.

Qualification certificates are granted for an initial term of one year and, if renewed, are renewed for two-year periods. If any of our project companies is unable to continue to renew its qualification certificates or obtain formal qualification certificates in a timely manner or at all, as and when they expire, such project company may not be permitted to continue to engage in real estate development or to conduct any pre-sales for that development, which could in turn have a material adverse impact on our operational and financial conditions.

The relevant PRC tax authorities may enforce the payment of LAT and may challenge the basis on which we calculate our LAT obligations.

Under PRC tax laws and regulations, our properties developed for sale are subject to LAT, which is collectible by the local tax authorities. All income from the sale or transfer of state-owned land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as defined by the relevant tax laws. No LAT is payable on the sale of ordinary standard residences if the appreciation does not exceed 20% of the total deductible items. Deductible items include acquisition cost of land use rights, development cost of land, construction cost of new buildings and facilities or assessed value for used properties and buildings, taxes related to the transfer of real estate and other deductible items as stipulated by the Ministry of Finance. Sales of commercial properties are not eligible for such exemption. Pursuant to the Detailed Rules for the Implementation of Provisional Regulations of the People's Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》) for property developers, an additional 20% of deductible expenses may be deducted in the calculation of the land appreciation amount. On December 28, 2006, the State Administration of Taxation issued a Notice on Issues Relevant to Administration of Settlement of Land Appreciation Tax of Real Estate Development Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題的通知》) with the intention of strengthening the collection of LAT. This Notice requires real estate developers to settle the final LAT payable in respect of their development projects that meet certain criteria, such as 85% of a development project having been pre-sold or sold. Local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with this Notice in consideration of local conditions.

We only prepay a portion of such provisions each year as required by the local tax authorities. For the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, we made provisions for LAT in the amount of RMB114.6 million, RMB363.1 million, RMB722.0 million (US\$106.5 million) and RMB475.3 million (US\$70.1 million), respectively. In the event that the LAT we have provided for is actually collected by the PRC tax authorities, our cash flow and financial position will be adversely affected. Furthermore, in the event that LAT eventually collected by the PRC tax authorities (due to changes in local practices and interpretations of related regulations of local tax authorities) exceeds the amount we have provided for, our net profits after tax and financial position will be adversely affected.

We may be deemed a Chinese resident enterprise under the new PRC Enterprise Income Tax Law and be subject to the corresponding PRC taxation on our worldwide income.

Under the new PRC Enterprise Income Tax Law that took effect on January 1, 2008, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. In accordance with the new implementation rules relating to the new PRC Enterprise Income Tax Law, "de facto

management body” is defined as the institution which has substantial overall management and control of the daily operation, personnel, financial accounts and properties of an enterprise. Substantially all of our management is currently based in China, and may remain in China after the effectiveness of the new PRC Enterprise Income Tax Law. Therefore, we may be treated as a Chinese resident enterprise for enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on how local tax authorities apply or enforce the new PRC Enterprise Income Tax Law or the implementation regulations.

Our operations may be adversely affected if any key member of our management leaves.

We depend on the services provided by our management and other qualified and experienced staff. Competition for such talented employees is intense in the property development sector in the PRC. If any core management team member leaves and we fail to find suitable substitutes, our business may be adversely affected. Moreover, as our business continues to grow and we expand into other regional markets in the PRC, we will need to employ, train and retain employees on a larger geographical scale. If we cannot attract and retain suitable human resources, our business and prospects will be negatively affected.

The interests of our controlling shareholders may differ from yours.

Mr. Zhang Zhi Rong indirectly holds 64.7% of our issued share capital as of June 30, 2010, and is our largest shareholder. Accordingly, subject to our memorandum of association and our articles of association and the laws of the Cayman Islands, Mr. Zhang Zhi Rong, by virtue of his significant ownership of our share capital as well as his position on our Board, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and our other shareholders by voting at the general meetings of shareholders and at the Board of Directors’ meetings. The interests of Mr. Zhang Zhi Rong may differ from yours and from the interests of our public shareholders.

Potential liability for environmental problems could result in substantial costs.

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations, which apply to any given project development site, vary greatly according to the site’s location, the site’s environmental condition, the present and former uses of the site, and the status and use of adjoining properties. Compliance with environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas.

In accordance with PRC laws and regulations, each project we develop must undergo an environmental impact assessment and we need to submit the relevant environmental impact assessment report to the competent authority for its approval before the construction of these projects commence. We cannot ensure that environmental impact assessments will reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware. In the event that we are subject to any regulatory action as a result of our failure to carry out such environmental impact assessments fully or at all, our reputation, business and financial condition may be adversely affected.

We may encounter delays in delivering title documents after sale or in delivering properties within time periods specified.

Property developers in the PRC are typically required to deliver to each purchaser the relevant state-owned land use rights certificate and property ownership certificate within 90 days after delivery of the relevant property or such other time period provided in the sales contract. Under our sales contracts, we are required to compensate our customers for delays in completing our deliverables. Pursuant to a typical sales and purchase agreement, if we fail to deliver the property on the delivery day stipulated in the sale and purchase agreement, we

will, depending on the length of delay, be liable to pay a monetary penalty ranging from 0.005% to 0.02% of the property price on a daily basis until the delivery of the property. For the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, we incurred penalties of RMB35.0 million, RMB59.8 million (US\$8.8 million) and RMB2.4 million (US\$0.4 million), respectively, due to late deliveries. If the delay in delivering a property exceeds a certain number of days, which, depending on the particular contract ranges from 30 days to 180 days, the relevant purchaser may have the right to repudiate the contract in addition to claiming the penalty fee. There may also be factors beyond our control that cause delay in the delivery of property ownership certificates, such as examination and approval processes conducted by various government agencies. In the case of serious delays on one or more property projects, our business and reputation may be materially and adversely affected.

Our business may be adversely affected by future increases in interest rates.

Interest rates in China were relatively stable from July 1995 to October 2004. However, on October 28, 2004, the PBOC raised both its benchmark lending and deposit interest rates by 0.27% to 5.58% for one-year Renminbi loans and 2.25% for one-year deposits with effect from October 29, 2004. This was the first time lending and deposit interest rates had been raised since July 1995 and July 1993, respectively. The PBOC also abolished the upper limit on Renminbi lending rates and permitted banks to offer deposit rates below the PBOC benchmark rate. In March 2005, the PBOC cancelled the preferential mortgage loan rate for individuals and restricted the minimum mortgage loan rate to 0.9 times of the benchmark-lending rate. The PBOC further raised its benchmark lending interest rates on a number of times from April 2006 through December 21, 2007 when it reached 7.47%. The lending rates for other various terms were also raised accordingly. The PBOC then maintained interest rates unchanged until September 2008, when it took action to reduce interest rates in the wake of the global financial crisis. The PBOC cut rates five times in the last quarter of 2008 reducing the one-year benchmark lending rate by a total of 189 basis points. By the end of 2008, the one-year benchmark lending rate was 5.31%, which has remained unchanged since December 31, 2009.

Increases in interest rates introduced by the PBOC will make mortgage financing more expensive for potential purchasers of our properties. Our cost of borrowing would also increase as a result of interest rate increases, which in turn could adversely affect our results of operations.

We cannot assure you that we will be successful when expanding our commercial and residential property development and operation businesses into other cities in China.

We are currently developing most of our projects in Shanghai, Tianjin and Beijing, while also actively expanding into other high growth cities in China, such as Wuxi, Suzhou, Nantong, Nanjing, Hefei, Shenyang, Changchun and Harbin. Our active expansion into other areas in China may place a strain on our managerial, operational and financial resources, and will further contribute to an increase in our financing requirements. There is no assurance that we will be successful in expanding into other areas in China and that our revenue from residential and commercial developments in other areas of China will grow at the rate we anticipate or at all. In addition, we could face considerable reputational and financial risks if our development projects outside of Shanghai are mismanaged or do not meet the expectations of customers. If we fail to generate revenue from developments in other areas of China in line with our expectations or suffer loss of reputation or significant financial losses in connection with our planned expansion into other areas of China, it could have a material adverse effect on our business, financial condition or results of operations.

Disputes with joint venture partners or our project development partners may adversely affect our business.

Historically, we have developed our property projects primarily through our wholly owned subsidiaries. However, recently, we have begun to develop certain projects through joint venture arrangements with independent third parties.

Our joint venture partners or project development partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture or cooperation agreements; or
- have financial difficulties and expose us to potential credit risk.

Furthermore, any actual or perceived deterioration in the reputation of such partners could have an adverse impact on our business operations, profitability and prospects.

In addition, a disagreement with any of our joint venture partners or project development partners in connection with the scope or performance of our respective obligations under the project or joint venture or cooperation arrangement could affect our ability to develop or operate a property. Our joint venture partners or project development partners may be unable or unwilling to perform their obligations under the relevant agreements, including their obligation to make required capital contributions and shareholder loans, whether as a result of financial difficulties or otherwise. A serious dispute with our joint venture partners or project development partners or the early termination of our joint venture or cooperation arrangements could adversely affect our business, financial condition and results of operations and would divert resources and management's attention.

Should a situation arise in which we cannot complete a project being jointly developed with our joint venture partners or property development partners, due to one of the above reasons or for any other reason, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture or cooperation agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or, failing that, litigation, which could have an adverse effect on our business, results of operations and financial condition.

In the event that we encounter any of the foregoing problems with respect to our joint venture partners or project development partners, our business operations, profitability and prospects may be materially and adversely affected.

We do not have insurance to cover potential losses and claims in our operations.

We do not maintain insurance coverage on our properties developed for sale except for 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 generally do not carry insurance against personal injuries that may occur during the construction of our properties except for our own employees. The general contractors and construction companies we contract with are responsible for safety control during the course of construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations.

We do not take out insurance coverage for non-performance of contracts during construction and other risks associated with construction and installation work during the construction period. Moreover, there are certain contingent liabilities for which insurance is not available on commercially practicable terms, such as losses caused by earthquake, typhoon, flooding, war or civil disorder. There may be instances when we will have to incur losses, damages and liabilities because of our lack of insurance coverage, which could have a material adverse effect on our business, financial condition, or results of operations.

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

We may be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction workers, partners and purchasers. These disputes may lead to legal or other proceedings and may result in substantial costs, diversion of resources and management's attention, which could have a material adverse impact on our business, financial condition or results of operations. As most of our projects consist of multiple phases, purchasers of our properties in earlier phases may file 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 disagreements with local communities and regulatory bodies in the course of our operations that may subject us to administrative proceedings. Unfavorable decrees could result in liabilities and cause delays to our property developments. See "Business — Legal Proceedings".

Any non-compliant GFA of our current uncompleted and future property developments may be subject to governmental approval and additional payments.

The local government authorities inspect property developments after their completion and issue Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Reports (驗收備案表) if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the GFA originally authorized in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that do not conform with the plan authorized by the construction works planning permit, the property developer may be required to pay additional amounts or take corrective actions with respect to such non-compliant GFA before a Construction of Properties and Municipal Infrastructure Completed Construction Works Certified Report can be issued for the property development.

We cannot ensure that local government authorities will not find that the total constructed GFA of our existing projects under development or any future property developments exceeds the relevant authorized GFA upon completion of their construction or that any of our projects contain built-up areas that do not conform with the authorized plan or if the completed property contains built-up areas that do not conform with the plan authorized by the construction works planning permit. Any finding that a substantial portion of such GFA does not comply with the relevant contracts or permits could have a material adverse affect on our business, financial condition, results of operations and/or prospects.

Our remittance of offshore funds into China is subject to approval by the PRC government, as a result of which we may encounter delays in respect of the use of our net proceeds raised from this Offering.

In recent years, in an effort to stabilize the growth of its economy, the PRC government has introduced a series of austerity measures, including measures aimed at controlling the inflow of offshore funds into the property development industry or for property speculative activities. In particular, as advised by Commerce and Finance Law Offices, our PRC legal counsel, the notice issued on May 23, 2007 jointly by MOFCOM and SAFE "Notice 50",

requires that foreign invested real estate companies newly approved and established after the date of issuance of the Notice must comply with certain registration requirements of MOFCOM. In addition, Notice 50 also requires that foreign invested real estate companies with property projects or property business newly added must also comply with the relevant approval requirements. As advised by Commerce and Finance Law Offices, none of our foreign invested real estate companies involved in the Reorganization was newly approved and established after May 23, 2007, and therefore Commerce and Finance Law Offices is of the view that such requirements stipulated by Notice 50 do not apply to us in this regard. As advised by Commerce and Finance Law Offices, our PRC legal counsel, all of our current existing ten foreign invested real estate companies have obtained the relevant approvals in respect of their newly added projects and businesses or increase of paid-up capital, and have also obtained the updated Foreign Invested Enterprises Approval Certificates, therefore Commerce and Finance Law Offices is of the view that we have also complied with such relevant approval requirement. In light of a further notice issued by SAFE on July 10, 2007, "Notice 130", if we propose to establish new foreign-invested real estate enterprises in the PRC going forward, and/or intend to use offshore funds to increase the paid up capital of existing foreign invested real estate enterprises or establish new foreign-invested real estate enterprises, we must complete the requisite filing procedures with MOFCOM before we can apply for foreign exchange registration to allow the proceeds to be remitted into the PRC for such purposes. Furthermore, if we intend to use the offshore funds to provide shareholder loans to such foreign-invested enterprises, local branches of SAFE will no longer be permitted to register such foreign-invested loans or allow the proceeds to be remitted into the PRC as a foreign loan. On July 1, 2008, MOFCOM implemented the Circular on the Proper Handling of the Record Filing for Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業審批工作的通知), delegating provincial-level commerce authorities the authority to filing procedures concerning foreign investment in real property projects after approving the legality, authenticity and accuracy of the project.

Because of our offshore holding company status, we typically conduct our property development operations in the PRC through project companies established as foreign invested real estate companies. Any offshore funds, that we use to finance our future projects, including financing using the net proceeds from this offering, will need to be initially funded as registered capital contributions to our foreign invested real estate companies. As a result, we will be required to file with provincial-level commerce authorities and wait until such filing is complete before we may transfer such proceeds into the PRC for use of our development of future projects and potential acquisition of new lands. We cannot assure you whether this process will be long or will not cause delays, or whether the investment approval and the provincial-level commerce authorities filing will be successful. Failure to obtain such government approvals and filings, or any material delays in the approval or filing process, will adversely affect our development and expansion plans, as a result of which, our results of operations may be adversely affected. In addition, under the new policies pursuant to Notice 130 as stated above, we believe that going forward, it may be difficult for us to obtain funding by way of foreign shareholders' loans.

In addition, any capital contributions made to our PRC operating subsidiaries, including from the proceeds of this Offering, are also subject to the foreign investment regulations and foreign exchange regulation in the PRC. For example, in accordance with a circular promulgated by SAFE in August 2008 with respect to the administration of conversion of foreign exchange capital contribution of foreign invested enterprises into Renminbi, unless otherwise permitted by PRC laws or regulations, Renminbi converted from foreign exchange capital contributions can only be applied to the activities within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition. Pursuant to this circular, we may encounter difficulties in increasing the capital contribution to our project companies or equity investee and subsequently converting such capital contribution into Renminbi for equity investment or acquisition in China. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail

to obtain such approvals, our ability to make equity contributions to our PRC project companies as their general working capital or to fund their operations may be negatively affected, which could materially and adversely affect our operational results.

RISKS RELATING TO THE PROPERTY SECTOR IN THE PRC

Oversupply of real estate could drive down property prices.

The property market in the PRC is still at an early stage of development, and social, political, economic, legal and other factors may affect its development. For example, the lack of a mature and active secondary market for private properties and the limited amount of mortgage loans available to individuals in the PRC have been cited as factors that may inhibit demand for residential properties. Many of our development projects are targeted towards residents with high levels of disposable income who demand modern and high-quality living environments. Such residents are also among the consumers of the products and services provided by the tenants of our retail shops and commercial properties. A significant downturn in the PRC economy could adversely affect such demand, as well as the demand among corporations and other professional firms for our office properties.

In addition, the PRC property market is volatile and may experience under-supply or over-supply resulting in property price fluctuations. The central and local governments frequently adjust monetary and other economic policies to prevent the overheating of the PRC and local economies. Such economic adjustments may affect the real estate market in the PRC. The central and local governments make policy adjustments from time to time and adopt new regulatory measures in a direct effort to control unbalanced development of the real estate market in the PRC. In the last three years, the central and local governments have taken a variety of measures to discourage speculation in the residential property market and to increase the supply of affordable housing. Such policies may lead to changes in market conditions, including price instability and imbalance of supply and demand in respect of office, residential, retail, entertainment and cultural properties. This may have a material adverse effect on our business, financial condition and results of operations. We cannot ensure that there will not be over-development in the property sector in the PRC in the future. Any future overdevelopment in the property sector in the PRC may result in an oversupply of properties and a decrease in property prices, as well as an undersupply of available sites for future development and an increase in the cost of acquiring land in our markets. This could materially and adversely affect our business, financial condition and results of operations.

We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of the property development in China.

Our business is subject to extensive governmental regulation. Like other PRC property developers, we must comply with various requirements mandated by 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, foreign exchange, property financing, taxation and foreign investment.

Between 2004 and the first half of 2008, in response to concerns over the scale of the increase in property investment and the overheating of the property sector in the PRC, the PRC government introduced policies to restrict development in the property sector, including:

- suspending or restricting land grants and development approvals for villas and larger-sized units;

- charging idle land fees for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed for two years or more;
- prohibiting any onward transfer of pre-sold properties before the ownership certificate is obtained;
- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year 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 consist of units with a unit floor area of less than 90 sq.m. per unit, and that projects which have received project approvals prior to this date but have not obtained construction permits to adjust their construction plan in order to be in compliance with this new requirement, with the exception of municipalities under direct administration of the PRC central government, provincial capitals and certain cities which may deviate from this ratio under special circumstances upon the approval by the Ministry of Construction (“70:90 rule”);
- tightening availability of bank loans to property developers and purchasers of developed properties and increasing the reserve requirements for commercial banks;
- imposing or increasing taxes on short-term gains from second-hand property sales; and
- restricting foreign investment in the property sector by, among other things, increasing registered 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.

Regional and local governments are responsible for the implementation of the 70:90 rule. We have not seen this policy being stringently applied across all its applicable regions in China. If for any reason, political, economic, social or otherwise, these regional and local governments begin to stringently implement this policy, this may lead to an oversupply of units with a unit floor area of less than 90 sq.m., increasing competition in this market segment and affecting the prices and profit margins of this type of property. This may also affect our existing and future business development plans. As a result, our business, financial condition, results of operations and prospects may be adversely affected.

Although in the second half of 2008 and in 2009, in order to combat the impact of the global economic slowdown, the PRC government adopted measures to encourage consumption in the residential property market and to support real estate development, including reducing the minimum capital funding requirement for real estate development from 35% to 20% for affordable housing projects and ordinary commodity residential property projects and to 30% for other property projects, we cannot assure you that the PRC government will not change or modify these temporary measures in the future.

For example, on December 22, 2009, the Ministry of Finance (“MOF”) and State Administration of Taxation issued “The Notice on the Business Tax Policies on Individual Housing Transfer” (Cai Shui [2009] No.157) 《關於調整個人住房轉讓營業稅政策的通知》(財稅[2009]157號) (the “Notice”). The Notice requires anyone selling an ordinary residential apartment or house within five years of its purchase to pay a sales tax of 5.5%, extending the taxable period from the previous two years. The Notice became effective on January 1, 2010. On January 7, 2010, the

State Council General Affairs Office issued the “Notice on Promoting Smooth and Sound Development of the Real Estate Market” 《關於促進房地產市場平穩健康發展的通知》, which encourages the construction of “low-to-medium-level price” or “small-to-medium-sized” ordinary commercial housing, and mandates that any homeowner seeking to purchase another property would need a minimum down payment of 40%, if the family (including the borrower, his spouse and his children under 18 years old) already has an outstanding mortgage loan on a first residential property. See “Regulation”. On April 17, 2010, the State Council announced that purchasers of first homes exceeding 90 sq.m. must pay a minimum of 30% of the purchase price of the property before they can finance their purchases through mortgages. In addition, the State Council also increased the minimum down payment percentage of second home purchases from 40% to 50% and required mortgage rates for second home purchases to be no less than 110% of benchmark lending rates. The State Council also instructed banks to increase the minimum down payment percentages and interest rates significantly for purchases of third homes and above. Finally, the State Council further instructed banks to tighten the provision of mortgages, including potentially suspending mortgage lending for purchases of third homes and above as well as to any non-resident borrower unable to provide evidence of having made at least one year of tax or social security payments in such regions. To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the 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), according to which, the minimum down payment has been raised to 30% for all first home purchases, and the commercial banks are required to suspend mortgage loans for the third or further residential property purchases throughout China. Currently, it is unclear what impact these measures will have on the prices of the residential prices. We cannot assure you that such prices will not decline due to these measures. 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 or more stringent measures, which could further slow down property development in China and adversely affect our business and prospects.

The PRC government may reclaim land from us if we fail to comply with the terms of our land grant contracts.

Under PRC law, 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 premiums, demolition and resettlement costs and other fees, specified use 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. Specifically, under current PRC law, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose a land idle fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years, the land is subject to forfeiture to the PRC government without compensation unless the delay in development is caused by PRC government’s actions, preparation work or force majeure. In accordance with the 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》) which became effective in May 2006, even though the commencement of the land development is in line with the land use rights grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project or the total capital invested is less than one-fourth of the total investment in the project and the suspension of the development of the land is over one year without government approval, the land will be treated as idle land. In September 2010, the MLR and MOHURD jointly 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 others, that a property developer and its shareholders will be prohibited from participating in land bidding until any illegal behavior, such as keeping land idle for more than one year, has been completely rectified. For the three years ended December 31, 2009, we incurred a total of RMB3.4 million, on an aggregate basis,

as penalties to the relevant local governments in respect of late payments of land premiums. There can be no assurance that circumstances leading to forfeiture or significant delays in the development schedule will not arise in the future. If the land is deemed as being idle for more than one year without cause or is forfeited to the government, we may not be able to recover the costs incurred for the initial acquisition of the forfeited land or recover part or whole of our development costs incurred up to the date of forfeiture, including the land premiums paid and our ability to bid for other land in the future, which could in turn have a material adverse effect on our business, financial condition, results of operations or reputation.

Resettlement negotiations may add costs or cause delays to our development projects.

Under PRC laws and regulations, where we are responsible for the demolition of existing properties on a site for development and relocation of existing residents, we will be required to pay resettlement costs to those residents.

On March 16, 2007, the National People's Congress of China adopted the Property Rights Law, which expressly provides legal protection of the private rights of home owners. This may increase the difficulties in effecting demolition and resettlement through administrative intervention, and the cost of demolition and resettlement may increase.

Even if we are not responsible for the demolition and relocation, if the party responsible for the demolition and relocation and the party subject to the demolition and relocation fail to reach an agreement for compensation and resettlement, either of them may apply for a ruling of the relevant governmental authorities and if a party is not satisfied with the ruling, it may initiate proceedings in a people's court within three months from the date of service of such ruling, which may cause delays in the development projects. Such proceedings and delays, if they occur, could adversely affect our reputation. In addition, any such delays to our development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from pre-sales of the relevant project, which may in turn adversely affect our business, financial position and results of operations and may be material.

Our results of operations may be negatively affected by increases in the cost of construction materials.

Construction materials constitute a key driver of the construction costs of our projects. In general, our construction materials costs are included in the contract fee payable to our contractors, who are generally responsible for procuring the required construction materials. Nonetheless, we agree to bear certain of the increased costs when the prices of the construction materials exceed a certain threshold. Due to the rapid growth in the property development industry in recent years in the PRC, construction materials have substantially increased in price. By entering into construction contracts with price adjustment terms, we seek to reduce our exposure to price fluctuations of construction materials. We believe this will help us limit project cost overruns because we are not required to increase the contract or re-negotiate other terms in case of significant price fluctuations of construction materials. However, we cannot assure you that we will continue to be able to enter into contracts with similar pricing terms in the future, which will, in part, be affected by the market practice complete their contract performance without any fee adjustment, or at all, or we can find replacement contractors at the same fee if construction materials continue to increase in price. Should our contractors fail to perform under the fixed price contracts as a result of increases in prices of construction materials or otherwise, we may incur significant litigation costs and replacement costs, which would adversely affect our results of operations. In addition, as it normally takes years to complete a property development project, prices of construction materials may vary for each construction materials contract for different phases or sub-phases of a project. If we are unable to pass on any increase in the cost of construction materials to either our contractors or our customers, our results of operations may be adversely affected by the price volatility of construction materials.

Our sales and pre-sales will be affected if mortgage financing becomes more costly or otherwise becomes less attractive.

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, thus affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Under current PRC laws and regulations, purchasers of first homes generally must pay a minimum of 20% to 30% of the purchase price of the properties before they can finance their purchases through mortgages. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan exceeds 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. In addition, pursuant to the Notice on the Further Decrease in the Interest Rates of Commercial Mortgage Loans for Individual Residential Property promulgated by PBOC (《中國人民銀行關於擴大商業性個人住房貸款利率下調幅度等有關問題的通知》) in October 2008, the minimum down payment for individual purchasers of residential property through mortgage financing is 20% of the total purchase price. In addition, the monthly payment of the anticipated mortgage loan is still restricted to a maximum of 50% of the individual borrower'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 materially 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 properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to the mortgage banks. 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 these 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 could materially and adversely affect our cash flow, financial condition and results of operations. There can be no assurance that such changes in laws, regulations, policies or practices will not occur in the PRC in the future.

Changes of laws and regulations with respect to pre-sales may adversely affect our cash flow position and financial 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 their developments. Based on the local regulations on the supervision of pre-sale proceeds, the proceeds from the pre-sales of our properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the money deposited in these escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities. On August 5, 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report," in which it recommended the discontinuance of the practice of pre-selling uncompleted properties as it creates significant market risks and generates transactional irregularities. At the "two meetings" (the plenary session of the National People's Congress and that of the Chinese People's Political Consultative Conference) held in March 2006, a total of 33 delegates to the National People's Congress, including Bai Hexiang, head of the Nanning Central Sub-Branch of the People's Bank of China, put forward a motion to

abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of China published an article pointing out that the way to perfect the system for China's commodity housing pre-sale is to abolish the financing of pre-sale. On July 24, 2007, the National Development and Reform Commission ("NDRC") proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. There can be no assurance that the PRC government will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Any such measure will adversely affect our cash flow position and force us to seek alternative sources of funding for much of our property development business.

For more information about policies adopted by the PRC government with respect to the PRC property sector, see "Regulation".

RISKS RELATING TO THE PRC

Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilisation of market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

There are uncertainties regarding interpretation and enforcement of PRC laws and regulations.

All of our operations are, and will continue to be, conducted in the PRC. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade.

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 their non-binding nature, the interpretation and enforcement of these laws and regulations involves some uncertainty, which may lead to additional restrictions and uncertainty for our business and uncertainty with respect to the outcome of any legal action taken against us in the PRC.

Changes in foreign exchange regulations and fluctuation in the value of the Renminbi may adversely affect our business and results of operations and our ability to remit dividends.

We receive payment for all of our sales in Renminbi, which is not freely convertible into other currencies. Under the existing foreign exchange regulations in China, we may undertake current account foreign exchange transactions without prior approval from the State Administration of Foreign Exchange by complying with certain procedural requirements. The PRC government may, however, at its discretion, restrict access in the future to foreign currencies for current account transactions under certain circumstances. Effective June 1, 2007, the branch offices of SAFE may not handle any foreign debt registration or approve any foreign exchange settlement in respect of foreign debts for any foreign-invested real estate enterprises (including those which are newly established or which have a capital increase) even if such enterprises have obtained an approval certificate from a competent department of commerce and have completed recordation procedures at the Ministry of Commerce.

Meanwhile, the branch offices will not handle any foreign exchange registration (or change in such registration) or any foreign exchange settlement in respect of capital projects for any foreign invested real estate enterprises that obtained an approval certificate from local competent departments of commerce after June 1, 2007 but have not completed recordation procedures at the Ministry of Commerce.

Any change to the foreign exchange regulations may adversely affect our ability to pay dividends or satisfy other foreign exchange requirements.

The value of the Renminbi against other foreign currencies is subject to changes in the PRC's policies and international economic and political developments. Effective from July 21, 2005, the Renminbi is no longer pegged solely to the US dollar. Instead, it is pegged against a basket of currencies, determined by the People's Bank of China, against which it can rise or fall by as much as 0.3% each day. For example, on July 21, 2005, the Renminbi was revalued against the US dollar to approximately RMB8.11 to the US dollar, representing an upward revaluation of 2.1% of the Renminbi against the US dollar, as compared to the exchange rate of the previous day. On September 23, 2005, the PRC government widened the daily trading band for Renminbi against non-US dollar currencies from 1.5% to 3% to improve the flexibility of the new foreign exchange system. Effective May 21, 2007, the People's Bank of China expanded the floating range of the trading price of the US Dollar against the Renminbi in the inter-bank spot foreign exchange market. The exchange rate may become volatile, the Renminbi may be revalued further against the US dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars (which are pegged to the US dollar), of our net assets, earnings or any declared dividends. Any unfavorable movement in the exchange rate may lead to an increase in our costs or a decline in sales or increase in our loan liabilities, which could materially affect our operating results. We have not entered into any agreements to hedge our exchange rate exposure.

We rely on the PRC market and if the recent economic downturn and financial crisis in China continue or there is a general economic downturn in China, it will have a material negative impact on our business operations, financial position and our ability to obtain financing necessary for our operations.

Almost all of our revenue is derived from sales in the PRC. We are therefore heavily dependent on the general economic conditions in the PRC for our continued growth. The pace of economic growth in the PRC slowed down since the second half of 2008. The recent economic downturn, both globally and in the PRC, and the general tightening of credit availability which started in the second half of 2008 negatively impacted our cash flow position and our ability to obtain additional financings in the second half of 2008. As a result, we

encountered unexpected difficulties in accessing affordable financing for our projects and delayed the construction schedule of a number of our development projects accordingly in the second half of 2008. In addition, given the nature of the property development business, we anticipate that sales to customers based in the PRC will continue to represent a substantial proportion, if not all, of our revenue. The above-mentioned economic downturn and financial crisis resulted in an increased level of commercial and consumer delinquencies, a lack of consumer confidence and an increase in market volatility nationwide, which in turn caused a decrease in the average selling price of, and demand for, real estate properties in the PRC in the second half of 2008 and the first half of 2009. We cannot assure you that the PRC economy will continue to grow or that its growth will occur in geographical regions or economic sectors from which we benefit, nor can we assure you that a financial crisis similar to the financial turmoil in the second half of 2008 and the first half of 2009 will not re-occur. If we encounter a similar global economic downturn and financial market crisis in the future on a sustained basis, or any general downturn in the PRC's economic conditions, our business operations, financial position and results of operations will be materially and adversely affected.

Our business may be adversely affected by a renewed outbreak of SARS, H1N1, avian influenza or any other highly contagious disease.

In March 2003, there was an outbreak of Severe Acute Respiratory Syndrome ("SARS"), a highly contagious disease, in China and some other countries. A renewed outbreak of SARS in China or other neighboring countries, or an outbreak of another highly contagious disease, will affect China's overall economy. This may in turn significantly affect our business. In addition, if an employee of any of our subsidiaries were to contract SARS or another highly contagious disease, we may need to restrict or even suspend the operations of such company. In addition, an epidemic of highly pathogenic avian influenza has affected humans throughout North Asia and Southeast Asia and is considered to be a public health concern. There have recently been a number of documented cases of humans found to have contracted H1N1 in the PRC. If SARS, H1N1 or avian influenza infections or any other serious contagious disease continue to escalate, their effects on the economies of certain countries in Asia could be similar to or worse than those experienced as a result of the SARS outbreak.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. We receive substantially all of our revenue in Renminbi. Under our current structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us or otherwise satisfy their foreign currency denominated or settled obligations, such as the Notes. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of SAFE, by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. If the PRC foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, our PRC subsidiaries may not be able to pay dividends in foreign currencies to us and we may not be able to service our debt obligations denominated or settled in foreign currencies, such as the Notes.

The PRC legal system has inherent uncertainties that would affect our business and results of operations as well as the interest of investors in the Notes.

As all of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. In particular, legislation over the past 25 years has significantly enhanced the protections afforded to various forms of foreign investment in China. The legal system in China is continuing to evolve. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited weight as precedents.

Our primary operating subsidiaries were incorporated in China as “wholly foreign-owned enterprises”. Although we or our wholly-owned subsidiaries are the sole shareholder of, and therefore have full control over, these PRC entities, the exercise of our shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in China, which may be different from the laws of other developed jurisdictions.

China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. The relative inexperience of China’s judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. We cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in the Notes. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation has occurred. This may also limit the remedies available to you as an investor and to us in the event of any claims or disputes with third parties.

Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC.

Substantially all of our assets are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult for you to enforce any judgments obtained from non-PRC courts against us in the PRC.

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 primarily 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 the JV Subsidiary Guarantors (if any). The Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) do not have material operations. We may designate certain of our offshore subsidiaries as non-guarantors. 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 the JV Subsidiary Guarantees (if any), as the case may be, will depend upon our receipt of dividends from our subsidiaries.

Creditors, including trade creditors of our PRC subsidiaries and any holders of preferred shares in such entities, will have a claim on the PRC subsidiaries' assets prior to the claims of the 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 PRC subsidiaries (including obligations of our PRC subsidiaries under guarantees issued in connection with our business), and all claims of creditors of our PRC 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, indebtedness of our PRC subsidiaries constituted substantially all of our total borrowings (other than the Shanghai Bay Arrangements described under "Description of Other Material Indebtedness"). The Notes and the Indenture do not restrict the ability of our subsidiaries to incur certain categories of indebtedness. In addition, our secured creditors and those of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) have priority as to our assets and the assets of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) securing the related obligations over claims of the holders of the Notes.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment to us and our subsidiaries.

As a holding company, if we cannot obtain financing, we depend on the receipt of dividends from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends 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 loans or debt instruments of such subsidiaries. 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, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any).

PRC laws and regulations permit payment of dividends only out of net profits as determined in accordance with PRC accounting standards and regulations. 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 required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds that are not distributable as cash dividends. In practice, our PRC subsidiaries may pay dividends once a year at the end of each financial year. Some of our PRC subsidiaries are also subject to certain restrictions on dividend distribution under their loan agreements with certain PRC banks. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are 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 that specifically exempts or reduces such withholding tax. Currently, there is no such treaty between the PRC and the British Virgin Islands ("BVI"), where substantially all of our non-PRC subsidiaries are incorporated. As a result of such limitations, dividend payments from our PRC subsidiaries may not be sufficient to meet our payment obligations under the Notes or to satisfy the obligations of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), as the case may be, and there could be limitations on our ability to repay the principal of the Notes at maturity or upon any early redemption.

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

PRC regulations prevent us from on-lending the proceeds of the Notes offering to our PRC subsidiaries.

In July 2007, SAFE issued a circular indicating that it will not, for a foreign-invested enterprise involved in the real estate sector, process any foreign debt registration or conversion of foreign debt which was approved or registered with a local MOFCOM after June 1, 2007. Because PRC companies cannot repay foreign debt or interest thereon under the PRC foreign exchange control system to persons outside the PRC without registering the foreign debt with SAFE, this circular effectively prohibits us from lending the proceeds of the Notes offering to our PRC subsidiaries. Therefore, the proceeds from the offering of the Notes that we wish to use to fund land acquisitions and developments in the PRC may only be transferred to our PRC subsidiaries as equity investments. We cannot assure you that dividend payments from these equity investments will be available to finance the payment of interest under the Notes or the repayment of the principal of the outstanding Notes upon maturity or redemption.

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the 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. In May 2007, the 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. 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 the PBOC. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by 23.5% from July 21, 2005 to September 30, 2010. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible. If such reforms are implemented and result in a 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 to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the 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 agreements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchaser and its affiliates may enter into such hedging agreements permitted under the Indenture governing the Notes.

We may not be able to repurchase the Notes upon a Change of Control Triggering Event.

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount of the Notes plus accrued and unpaid interest. See "Description of the Notes".

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes. Our failure to make the offer to purchase or purchase the outstanding Notes would constitute an Event of Default under the 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.

In addition, the definition of Change of Control Triggering Event for purposes of the Indenture governing the Notes 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, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event for purposes of the Indenture governing the Notes 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.

If we are treated as a PRC “resident enterprise” and therefore are required to pay additional amounts on the Notes, we may choose to redeem the Notes.

We may 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 we are treated as a PRC “resident enterprise” under the CIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under “Description of the 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 redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from U.S. bankruptcy laws or those of other jurisdictions.

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us, even if brought in the United States or another jurisdiction, may involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in the United States or other jurisdictions. In addition, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) are incorporated in the British Virgin Islands and Hong Kong and the insolvency laws of the British Virgin Islands and Hong Kong may also differ from the bankruptcy laws of such jurisdictions.

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 subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us. Our PRC subsidiaries receive substantially all of their revenues in Renminbi. 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 the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have

been paid). Pursuant to the EIT Law, which became effective in January 1, 2008, if we are deemed a “non-resident enterprise”, dividends distributed to us by our PRC subsidiaries and interest payments made to us by our PRC subsidiaries (to the extent permitted by law) are subject to a 10% withholding tax. Prior to making such interest payments, the relevant PRC subsidiary must also present evidence of payment of 10% withholding tax. Although under a regulation issued on July 10, 2007, we can no longer make shareholder loans to our PRC subsidiaries, we have in the past made shareholder loans to certain PRC subsidiaries to finance their operation. If any such PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency, including any failure to obtain the approval of SAFE of the registration of the relevant intercompany loans or the payments under such loans, such PRC subsidiary would be unable to pay us interest and principal, when due, on the relevant intercompany loans, which could affect our ability to satisfy our obligations 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, as of December 31, 2007, 2008, 2009 and June 30, 2010 were RMB6,866.9 million, RMB6,474.1 million, RMB6,847.9 million (US\$1,009.8 million) and RMB10,761.4 million (US\$1,586.9 million), respectively.

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

- limit our ability to satisfy our obligations under the 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 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. Although the Indenture governing the Notes restricts us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. 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 may not generate sufficient cash flow for these purposes.

In addition, the terms of the Indenture governing the Notes prohibit us from incurring additional indebtedness unless we are able to satisfy certain financial ratios, and contain other 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 “Description of other Material Indebtedness”. Such restrictions in the 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 needed capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

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

If we are unable to comply with the restrictions and covenants in the Indenture governing the Notes, or our current or future debt 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 the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture governing the Notes, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of debt, including the Notes, or result in a default under our other debt agreements, including the Indenture governing the 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, 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 Indenture governing the Notes includes 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;
- 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 resales of the Notes.

The Notes are a new issue of securities for which there is currently no trading market. Although application has been made for the listing and quotation of the Notes on the Official List of 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 Purchaser intends to make a market in the Notes, but the Initial Purchaser is 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 Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "Transfer Restrictions". We cannot predict whether an active trading market for the Notes will develop or be sustained.

A rating has not been assigned to the Notes and, if assigned, may be lowered or withdrawn in the future.

The Notes have not been assigned a rating by Standard and Poor's Ratings Services, Moody's Investors Service or any other rating agency. We intend to apply for a rating from Standard and Poor's Rating Services and Moody's Investors Service before issuing the Notes. However we cannot assure you what ratings the Notes will receive. 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. 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 the 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 and proposals of new investments, strategic alliances or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. We cannot assure you that these developments will not occur in the future.

Certain facts and statistics are derived from publications not independently verified by us, the Initial Purchaser or our respective advisors.

Facts and statistics in this offering memorandum relating to China's economy and the property industry are derived from publicly available sources. While we have taken reasonable

care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchaser or our or their respective advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that the facts and statistics herein are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

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, our financial statements are prepared and presented in accordance with HKFRS, which differ in certain significant respects from U.S. GAAP.

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, JV SUBSIDIARY GUARANTEES AND THE COLLATERAL

Our initial Subsidiary Guarantors do not currently have significant operations.

None of our current PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. Moreover, no subsidiaries that may be organized in the future under the laws of the PRC 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. As of December 31, 2009, our PRC subsidiaries had consolidated indebtedness (including the Shanghai Bay Arrangements) and other liabilities (excluding income tax liabilities) of RMB11,352.4 million (US\$1,674.0 million). In addition, the Collateral will not include the capital stock of our existing or future PRC subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future would have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so.

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

Under bankruptcy laws, fraudulent transfer laws and insolvency laws in the British Virgin Islands and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary

Guarantors 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:

- (1) incurred the debt with the intent to defraud creditors (whenever the transaction took place, and irrespective of insolvency);
- (2) 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; or
- (3) received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor.

In the case of (2) and (3) above, a guarantee will only be voidable if it was entered into at a time when the guarantor was insolvent, or if it became insolvent as a consequence of doing so. Insolvency in this context under British Virgin Islands law means generally that the guarantor is unable to pay its debts as they fall due. Additionally, a guarantee will only be voidable if it is given within the six-month period preceding the commencement of liquidation or within the two-year period, if the guarantor and the beneficiary are connected entities.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fall due or if the sum of its debts was then greater than all of its property 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 on its existing debt 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 guarantors. 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 the JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any), as the case may be, will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or the JV Subsidiary Guarantors (if any) without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voided a Subsidiary Guarantee or a JV Subsidiary Guarantee, subordinated such guarantee to other indebtedness of the Subsidiary Guarantor or the JV Subsidiary Guarantor, as the case may be, or held the Subsidiary Guarantee or the JV Subsidiary Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, 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 Guarantor or JV Subsidiary Guarantor, as the case may be, whose guarantee was not voided or held unenforceable. We cannot assure you that, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

The charge of certain Collateral may in certain circumstances be voidable.

The charge 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 British Virgin Islands at any time within six months of the creation of the charge or, under some circumstances, within a longer period. Charges of capital stock of future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the charge of certain Collateral may be voided based on the analysis set forth under “— The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees”.

If the charges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us.

The value of the Collateral will likely not be sufficient to satisfy our obligations under the Notes.

The Collateral will consist only of the capital stock 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 charged as additional Collateral.

The ability of the Trustee, 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 in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Trustee or holders of the Notes will be able to enforce the security interest.

Efforts to foreclose on the Collateral may encounter legal challenges in multiple jurisdictions, which may result in delayed enforcement or which may render enforcement unreasonably expensive under the circumstances. If the Trustee or the holders of Notes do successfully foreclose on the Collateral, they will obtain control over the Subsidiary Guarantors and, by implication, indirect control over persons controlled by the Subsidiary Guarantors, including our PRC subsidiaries. Nevertheless, as a practical matter it may prove difficult for the Trustee or the holders of Notes to successfully replace the managers and directors of, cause the direction of the management, affairs or policies of, or otherwise exert control over, our PRC subsidiaries following enforcement of the Collateral.

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 their nature, some or all of the Collateral, in particular, the capital stock of the existing or any future Subsidiary Guarantor, may be illiquid and may have no 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.

The Collateral will be shared on a *pari passu* basis by the holders of the Notes and the Term Loan Lenders, if any, and with the holders of any other Permitted *Pari Passu* Secured Indebtedness. Accordingly, in the event of a default on the Notes, the Term Loans, if any, or any other Permitted *Pari Passu* Secured Indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the parties to the Intercreditor Agreement in proportion to each party's share of indebtedness under the Intercreditor Agreement at the time of such foreclosure. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor's obligations under the Notes and the

Subsidiary Guarantees of the Subsidiary Guarantors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

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 Indenture, 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 fees and commissions and other estimated expenses payable in connection with this offering, will be approximately US\$292.8 million. We intend to use the net proceeds to finance new and existing projects (including construction costs and land costs) and for general corporate purposes.

We may adjust the foregoing acquisition and development plans in response to changing market conditions and, thus, reallocate the use of the net proceeds.

CAPITALIZATION

The following table sets forth on an actual basis of our unaudited consolidated cash and cash equivalents, short-term borrowings, long-term borrowings and capitalization as of June 30, 2010, and as adjusted to give effect to (i) the Notes now being issued and receipt of the expected net proceeds therefrom, (ii) the drawdown of RMB150 million under the Nantong Credit Facility and the receipt of the proceeds therefrom and (iii) the RMB1.25 billion raised through the Nantong Trust Arrangements and the receipt of the proceeds therefrom. The following table should be read in conjunction with the selected consolidated financial and other data, the audited consolidated financial statements and related notes and the unaudited interim financial information reviewed in accordance with Hong Kong Standard on Review Engagements 2410, included elsewhere in this offering memorandum. Except as otherwise disclosed herein, there has been no material adverse change in our capitalization since June 30, 2010.

	As of June 30, 2010			
	Actual	Actual	As Adjusted	As Adjusted
	RMB'000 (unaudited)	US\$'000 (unaudited)	RMB'000	US\$'000
Cash and cash equivalents ⁽¹⁾	3,555,751	524,331	6,941,413	1,023,581
Short-term borrowings ⁽²⁾				
Bank borrowings-secured	1,574,682	232,203	1,574,682	232,203
Total short-term borrowings	1,574,682	232,203	1,574,682	232,203
Long-term borrowings ⁽³⁾⁽⁴⁾⁽⁵⁾				
Bank borrowings-secured	7,282,892	1,073,935	8,682,892	1,280,379
Other long-term borrowings-secured ⁽⁶⁾	1,903,845	280,741	1,903,845	280,741
Notes to be issued ⁽⁷⁾	—	—	1,985,662	292,806
Total long-term borrowings	9,186,737	1,354,676	12,572,399	1,853,926
Capital and reserves attributable to the equity owners				
Issued capital (HK\$0.01 par value per share, 7,792,645,623 shares issued and fully paid)				
Share capital	68,745	10,137	68,745	10,137
Share premium	7,822,982	1,153,578	7,822,982	1,153,578
Reserves	3,633,455	535,789	3,633,455	535,789
Total capital and reserves attributable to the Company's equity owners	11,525,182	1,699,504	11,525,182	1,699,504
Total capitalization ⁽⁸⁾	<u>22,286,601</u>	<u>3,286,383</u>	<u>25,672,263</u>	<u>3,785,633</u>

Notes:

- (1) Cash and cash equivalents exclude restricted cash of RMB1,442.4 million (US\$212.7 million). See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Restricted cash". The aggregate amount of the cash proceeds received of (i) US\$292.8 million (RMB1,985.7 million) net proceeds from the issue of the Notes, (ii) RMB150 million under the Nantong Credit Facility; (iii) RMB1.25 billion under the Nantong Trust Arrangements (representing the gross amount raised by Jiangsu Weida of RMB1.67 billion, less the RMB420 million subscribed by us from the Trust Scheme) has been recorded under cash in the "As Adjusted" column. A portion of the cash proceeds from the Nantong Credit Facility and Nantong Trust Arrangements have already been utilized in the Company's operations.
- (2) Short-term borrowings include the current portion of long-term borrowings.
- (3) Our debt does not include any accrual for capital commitments or contingent liabilities. As of December 31, 2009, our consolidated capital commitments were RMB15,381.3 million (US\$2,268.1 million). As of June 30,

2010, our contingent liabilities, all of which were in the form of guarantees that we have provided to our customers in relation to their purchase of our properties, amounted to approximately RMB3,790.1 million (US\$558.9 million). See “Management’s Discussion and Analysis of Financial Conditions and Results of Operations — Indebtedness and Contingent Liability Statements” and “— Contractual Commitments”.

- (4) Long-term borrowings exclude the current portion of long-term borrowings.
- (5) See “Description of Other Material Indebtedness”.
- (6) Other long-term borrowings — secured include the Shanghai Bay Arrangements. See “Description of Other Material Indebtedness — Shanghai Bay Arrangements”.
- (7) In accordance with HKFRS, the Notes should be recorded at their fair value upon initial recognition, which will usually equal the aggregate principal amount of Notes (if the Notes are not offered at discount or premium) after deducting the expenses directly related to the issuance of the Notes. For illustrative purposes only, the Notes have been recorded at their aggregate principal amount, after deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering, in the “As Adjusted” column of the table above.
- (8) Total capitalization equals total short-term borrowings and total long-term borrowings plus total capital and reserves attributable to the equity owners.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present our summary consolidated financial and other data. The summary consolidated financial information and other data as of and for each of the fiscal years ended December 31, 2007, 2008 and 2009 (except for Adjusted EBITDA data) are derived from our audited consolidated financial statements included elsewhere in this offering memorandum. The summary financial data as of June 30, 2010 and for the six months ended June 30, 2009 and 2010 (except for Adjusted EBITDA data) are derived from our unaudited interim financial information reviewed in accordance with Hong Kong Standard on Review Engagements 2410 included elsewhere in this offering memorandum. Results for interim periods are not indicative of results for the full year.

The financial information has been prepared and presented in accordance with HKFRS, which differ in certain material respects from U.S. GAAP. The summary financial data below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial information and the related notes included elsewhere in this offering memorandum.

Selected consolidated income statement information

	For the year ended December 31,				For the six months ended June 30,		
	2007	2008	2009	2009	2009	2010	2010
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000 (unaudited)	RMB'000 (unaudited)	US\$'000 (unaudited)
Revenue	1,791,942	3,948,959	6,171,127	909,994	1,471,781	2,497,946	368,347
Cost of sales	<u>(1,164,818)</u>	<u>(2,293,339)</u>	<u>(3,201,760)</u>	<u>(472,131)</u>	<u>(747,816)</u>	<u>(1,156,588)</u>	<u>(170,550)</u>
Gross profit	627,124	1,655,620	2,969,367	437,863	723,965	1,341,358	197,797
Other income	17,194	21,405	27,366	4,035	10,861	33,649	4,962
Other (losses)/gains, net ⁽¹⁾	(34,513)	825,563	1,218,817	179,727	745,884	(36,850)	(5,434)
Selling and marketing expenses	(77,426)	(150,494)	(151,333)	(22,316)	(53,929)	(71,097)	(10,484)
Administrative expenses	(105,666)	(214,818)	(351,397)	(51,817)	(142,876)	(216,752)	(31,962)
Finance costs	<u>(97,225)</u>	<u>(54,479)</u>	<u>(27,068)</u>	<u>(3,991)</u>	<u>(16,966)</u>	<u>(7,640)</u>	<u>(1,127)</u>
Profit before income tax	329,488	2,082,797	3,685,752	543,501	1,266,939	1,042,668	153,752
Income tax expenses	<u>(221,394)</u>	<u>(827,806)</u>	<u>(1,319,608)</u>	<u>(194,589)</u>	<u>(417,053)</u>	<u>(676,571)</u>	<u>(99,767)</u>
Profit for the year/period	108,094	1,254,991	2,366,144	348,912	849,886	366,097	53,985
Attributable to:							
- the Company's equity holders	108,094	1,254,991	2,366,144	348,912	849,886	366,420	54,032
- minority interest	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(323)</u>	<u>(47)</u>
	<u>108,094</u>	<u>1,254,991</u>	<u>2,366,144</u>	<u>348,912</u>	<u>849,886</u>	<u>366,097</u>	<u>53,985</u>
Other comprehensive income:							
Gain/loss recognized directly in equity	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total comprehensive income for the year/period attributable to the Company's equity holders	<u>108,094</u>	<u>1,254,991</u>	<u>2,366,144</u>	<u>348,912</u>	<u>849,886</u>	<u>366,420</u>	<u>54,032</u>
Other Financial Data (unaudited)							
Adjusted EBITDA ⁽²⁾	434,873	1,300,710	2,571,593	379,207	545,635	1,128,031	166,340
Adjusted EBITDA Margin ⁽³⁾	24.3%	32.9%	41.7%	41.7%	37.1%	45.2%	45.2%

Notes:

- (1) Other gains, net included fair value gains on investment properties of RMB846.1 million and RMB1,027.0 million (US\$151.4 million) for the years ended December 31, 2008 and 2009, respectively. These fair value gains are unrealized. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Key Factors Affecting Our Results of Operations — Changes in fair value of investment properties.” Other gains, net included gain on extinguishment of financial liability of RMB198.7 million (US\$29.3 million) for the year ended December 31, 2009. Other losses, net also included loss on redemption of the promissory notes of RMB33.8 million (US\$5.0 million) for the six months ended June 30, 2010.
- (2) Adjusted EBITDA for any period consists of net profit for the year/period plus finance costs, income tax expenses, share-based compensation expenses, depreciation and amortization and minus fair value gains on investment properties, gain on extinguishment of financial liability and loss on redemption of the promissory notes. Adjusted EBITDA is not a standard measure under HKFRS. Adjusted EBITDA is a widely used financial indicator of a company’s ability to service and incur debt. Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Adjusted EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating Adjusted EBITDA, we believe that investors should consider, among other things, the components of Adjusted EBITDA such as sales and operating expenses and the amount by which Adjusted EBITDA exceeds capital expenditures and other charges. We have included Adjusted 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 service debt and pay taxes. Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our Adjusted EBITDA to Adjusted EBITDA presented by other companies because not all companies use the same definition. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP financial measures” for a reconciliation of our net profit for the year/period under HKFRS to our definition of Adjusted EBITDA. Investors should also note that Adjusted EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See “Description of the Notes — Definitions” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (3) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue.

Selected consolidated balance sheet information

	As of December 31,				As of June 30,	
	2007	2008	2009	2009	2010	2010
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
						(unaudited)
ASSETS						
Non-current assets						
Property, plant and equipment	16,400	392,313	497,653	73,384	524,494	77,342
Investment properties	—	1,103,500	2,485,200	366,468	2,518,830	371,427
Intangible assets	—	—	2,087	308	3,626	535
Investment in an associate	—	4,500	4,500	664	4,500	664
Deferred income tax assets	58,960	26,820	202,970	29,930	242,862	35,812
	<u>75,360</u>	<u>1,527,133</u>	<u>3,192,410</u>	<u>470,754</u>	<u>3,294,312</u>	<u>485,780</u>
Current assets						
Properties under development	5,829,489	7,345,976	11,130,003	1,641,230	14,734,251	2,172,713
Completed properties held for sale	357,893	1,201,268	1,390,132	204,989	984,577	145,186
Inventories	—	—	6,165	909	6,432	948
Trade and other receivables and prepayments	3,107,299	2,595,899	4,538,191	669,202	7,696,415	1,134,913
Prepaid taxes	71,378	106,257	58,430	8,616	133,708	19,717
Financial assets at fair value through profit or loss	21,091	—	—	—	—	—
Restricted cash	66,690	84,468	1,039,058	153,219	1,442,360	212,690
Cash and cash equivalents	3,199,105	297,221	5,013,296	739,261	3,555,751	524,331
	<u>12,652,945</u>	<u>11,631,089</u>	<u>23,175,275</u>	<u>3,417,426</u>	<u>28,553,494</u>	<u>4,210,498</u>
Total assets	<u>12,728,305</u>	<u>13,158,222</u>	<u>26,367,685</u>	<u>3,888,180</u>	<u>31,847,806</u>	<u>4,696,278</u>
EQUITY						
Capital and reserves attributable to the equity holders of the Company						
Share capital	962	962	68,745	10,137	68,745	10,137
Share premium	—	—	7,822,982	1,153,578	7,822,982	1,153,578
Reserves	(336,935)	918,056	3,462,125	510,525	3,633,455	535,789
	<u>(335,973)</u>	<u>919,018</u>	<u>11,353,852</u>	<u>1,674,240</u>	<u>11,525,182</u>	<u>1,699,504</u>
Minority interest	—	—	492,825	72,672	492,502	72,624
Total (deficit)/equity	<u>(335,973)</u>	<u>919,018</u>	<u>11,846,677</u>	<u>1,746,912</u>	<u>12,017,684</u>	<u>1,772,128</u>
LIABILITIES						
Non-current liabilities						
Borrowings	2,317,730	537,000	5,041,084	743,358	9,186,737	1,354,676
Deferred income tax liabilities	—	172,937	486,037	71,671	533,901	78,729
Obligation under finance lease	—	—	17,074	2,518	17,153	2,530
	<u>2,317,730</u>	<u>709,937</u>	<u>5,544,195</u>	<u>817,547</u>	<u>9,737,791</u>	<u>1,435,935</u>
Current liabilities						
Advanced proceeds received from customers	4,480,950	3,742,816	3,627,603	534,926	4,440,545	654,803
Trade and other payables	1,438,661	1,185,235	1,871,174	275,923	1,845,249	272,100
Income tax payable	277,782	664,091	1,670,365	246,312	2,230,987	328,981
Borrowings	4,549,155	5,937,125	1,806,860	266,440	1,574,682	232,203
Obligation under finance lease	—	—	811	120	868	128
	<u>10,746,548</u>	<u>11,529,267</u>	<u>8,976,813</u>	<u>1,323,721</u>	<u>10,092,331</u>	<u>1,488,215</u>
Total liabilities	<u>13,064,278</u>	<u>12,239,204</u>	<u>14,521,008</u>	<u>2,141,268</u>	<u>19,830,122</u>	<u>2,924,150</u>
Total equity and liabilities	<u>12,728,305</u>	<u>13,158,222</u>	<u>26,367,685</u>	<u>3,888,180</u>	<u>31,847,806</u>	<u>4,696,278</u>
Net current assets	<u>1,906,397</u>	<u>101,822</u>	<u>14,198,462</u>	<u>2,093,705</u>	<u>18,461,163</u>	<u>2,722,283</u>
Total assets less current liabilities	<u>1,981,757</u>	<u>1,628,955</u>	<u>17,390,872</u>	<u>2,564,459</u>	<u>21,755,475</u>	<u>3,208,063</u>

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

The following discussion should be read in conjunction with our consolidated financial information together with the accompanying notes included elsewhere in this offering memorandum. Our consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from U.S. GAAP.

This section includes forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, included in this section that address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses we made in light of experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances.

Unless the context otherwise requires, references to "2007", "2008" and "2009" in this offering memorandum are to our financial years ended December 31, 2007, 2008 and 2009, respectively. References to "associate" or "associates" in this section are to associates as defined in HKFRS.

OVERVIEW

We are one of the leading property developers focused on the development and sale of high quality properties in key economic cities in the PRC. Our Land Bank is highly diversified and is located in prime locations. As of June 30, 2010, it comprised a total planned GFA of 17,682,726 sq.m. Approximately 15.7% of our total planned GFA was located in Shanghai, 25.3% was located in Tianjin and Beijing as of June 30, 2010 and the remaining 58.9% of our total planned GFA was located in eight other key economic cities in the PRC.

We offer a wide range of products, including apartments, townhouses, retail properties, offices and hotels. We develop and sell our premium residential properties while seeking to selectively retain long-term ownership of certain commercial properties to benefit from potential capital appreciation as well as to diversify our future income stream.

Since we commenced our business in 1996, we have been dedicated to developing property in key economic cities in China. During the past 14 years, we have developed, sold and delivered more than 3.5 million sq.m. of GFA in China. As of June 30, 2010, we had developed or were developing projects in eleven different cities across the PRC: three municipalities (Shanghai, Tianjin, Beijing), five provincial capitals (Hefei, Shenyang, Harbin, Changchun, Nanjing) and three key regional economic cities in the Yangtze River Delta (Wuxi, Suzhou, Nantong). From 2007 through 2009, the GDP growth rates of each of these cities except Shanghai exceeded the national average, and the combined economic contribution of these ten cities to national GDP was 19.4%, 18.7% and 18.9% in 2007, 2008 and 2009, respectively. In 2008, the average per capita GDP of these cities was approximately three times the PRC per capita GDP. The urbanization rates in 2009 in each of these cities also exceeded the urbanization rate of the PRC.

During the past 14 years, we have developed, sold and delivered more than 2.1 million sq.m. of GFA in Shanghai. As of June 30, 2010, we had nine projects in Shanghai in various stages of development. Our flagship project, Shanghai Bay, is situated along the west bank of the Huangpu River and faces the Shanghai World Expo site. Shanghai Bay was among the top three real estate development projects in Shanghai in terms of total sales contract value achieved in 2008, based on sales data collected and compiled by www.soufun.com (a leading real estate portal in China), and was recognized as a 2009-2010 Real Estate New Landmark in China Shanghai City by China Index Research Institute and China Real Estate Association in 2009.

For the year ended December 31, 2009 and the six months ended June 30, 2010, our total revenue was RMB6,171.1 million (US\$910.0 million) and RMB2,497.9 million (US\$368.3 million), respectively. For the same periods, our Adjusted EBITDA (as defined herein) was RMB2,571.6 million (US\$379.2 million) and RMB1,128.0 million (US\$166.3 million), respectively. Our shares have been listed on the Hong Kong Stock Exchange since October 2, 2009 under stock code 845.HK. Our market capitalization as of October 15, 2010 was HK\$22.2 billion.

We have financed our projects primarily through proceeds from bank borrowings, other third party financings, capital contributions from our shareholders, proceeds from our IPO, internal cash flows, and proceeds from the pre-sale of our properties. We typically follow a financing model under which project start-up costs are 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. The following points summarize our main sources of funds for our projects.

- **Bank borrowings.** As of June 30, 2010, we had total secured bank borrowings of RMB8,857.6 million (US\$1,306.1 million) and no unsecured bank borrowings. Our bank borrowings are usually project-specific and secured by our properties under development and our land use rights. We usually repay such borrowings using a portion of the pre-sale proceeds from the project funded by the relevant bank borrowings.
- **Pre-sale proceeds of properties.** Pre-sale proceeds are proceeds we receive when we enter into contracts to sell properties prior to their completion. Under PRC law, the following conditions must be fulfilled before the pre-sale of a particular property can commence: (i) the land premium must be paid in full and the land use rights certificate must have been obtained; (ii) the construction works planning permit and the work commencement permit must have been obtained; (iii) the funds contributed as equity to the development of the project must amount to at least 25% of the total amount to be invested in the project and the project progress and the date of completion of the project for use must have been ascertained; and (iv) the pre-sale permit must have been obtained. Upon obtaining a pre-sale permit from the relevant government authorities, we generally enter into pre-sale contracts with our customers. We typically receive an initial payment of at least 20%-30% of the unit purchase price at the execution of the pre-sale contract and the balance typically within 30 days of the execution of the pre-sale contract, by which time the customer is required to have obtained a bank mortgage or otherwise paid in full.
- **Transfer of Blocks Nos. 2, 8, 9 and 10 of Shanghai Bay and Related Arrangements.** In August 2009, pursuant to the Shanghai Bay Arrangements, we transferred our legal ownership interests in Blocks Nos. 2 and 8 of Shanghai Bay, with a total planned GFA of 56,202 sq. m., to Shanghai Industrial Group. In return, we received a payment of approximately US\$190.2 million (equivalent to RMB1.3 billion) which we used to partially redeem the original promissory notes in connection with their restructuring. In December 2009, we received a second payment in an amount equal to the US\$ equivalent of RMB0.7 billion when we pledged 30% of the equity interest in our subsidiary, Shanghai Xintai Property Development Co., Ltd. (上海鑫泰房地產發展有限公司) ("Shanghai Xintai"), and agreed to transfer, prior to December 31, 2011, our legal interests in additional Blocks Nos. 9 and 10 of Shanghai Bay with a total planned GFA of 53,984 sq. m., to Shanghai Industrial Group.

Under the Shanghai Bay Arrangements, we have the right and obligation to reacquire Shanghai Penghui Property Development Co., Ltd (上海鵬輝置業有限公司) ("Shanghai Penghui"), the legal entity that owns Blocks Nos. 2 and 8 of Shanghai Bay and that will own Blocks Nos. 9 and 10 when they are transferred, and Shanghai

Industrial Group has the right and obligation to resell Shanghai Penghui to us on December 1, 2011. The consideration for the reacquisition of Shanghai Penghui will be RMB2.0 billion. Upon payment of such consideration, the pledge to Shanghai Industrial Group of 30% of the equity in our subsidiary, Shanghai Xintai, will also be released. As part of such arrangements, we have also agreed to ensure that Shanghai Industrial Group receives a “shareholder return” (net of tax) for each of the three years ending December 31, 2011 equal to 18% of the consideration paid by Shanghai Industrial Group. Our obligation to repurchase the transferred blocks is accounted for as a loan on our consolidated balance sheet. The “shareholder return” is accounted for in our consolidated financial statements as finance costs, which are capitalized as part of our property development costs. While we will not re-acquire legal ownership of Shanghai Penghui until December 1, 2011, Shanghai Penghui remains a consolidated subsidiary in our consolidated financial statements.

- **Pre-IPO Notes.** In November and December 2007, we issued the original promissory notes to certain investors in a total aggregate principal amount of approximately RMB3,717.4 million and received US\$495.7 million in net proceeds from such issuance. In connection with the subscription of the original promissory notes, these investors and their affiliates also received from one of our controlling shareholders a total of 700,000 Shares for no additional monetary consideration. In August 2009, the original promissory notes were restructured and replaced by new promissory notes and convertible notes. The convertible notes were fully converted into 290,645,623 of our ordinary shares upon our IPO. On March 1, 2010, we redeemed the promissory notes. We have incurred a significant amount of interest expense in relation to these notes. Substantially all such interest expense has been capitalized as properties under development rather than being expensed in our consolidated income statement at the time it was incurred. In future periods, such capitalized interest expense will be expensed in our consolidated income statements as a portion of cost of sales upon the sales of such properties. As a result, such capitalized interest expenses may adversely affect our gross profit margin upon the sales of properties in future periods.
- **Shareholders’ contributions.** Prior to our IPO, we relied in part on capital contributions from our shareholders in exchange for equity interests to finance our projects.
- **IPO Proceeds.** In October 2009, we received approximately RMB6,893.3 million (US\$1,009.9 million) in net proceeds from our IPO. We used the net proceeds from our IPO to fund projects (including the acquisition and development of new projects), to repay a portion of the promissory notes issued to the pre-IPO investors and for general corporate purposes.

We expect to fund our projects by using a combination of sources, including internally generated cash flow, bank loans, proceeds from the Notes and other funds raised from the capital markets from time to time. As of December 31, 2009, our total contracted capital commitments amounted to RMB15,381.3 million (US\$2,268.1 million). Our access to funds may be affected by various factors, including the factors discussed under the section headed “Risk Factors” in this offering memorandum and “— Key Factors Affecting Our Results of Operations” in this section.

BASIS OF PRESENTATION

We are a holding company incorporated in the Cayman Islands. We generate our revenue from the businesses conducted by our subsidiaries located in the PRC. For the three years ended December 31, 2009 and the six months ended June 30, 2010, substantially all of our revenue was related to property development and sales in the PRC.

We undertook the Reorganization in preparation for the IPO. Prior to the Reorganization, Mr. Zhang Zhi Rong was the sole ultimate beneficial shareholder of our Company and of Bright New, which was the holding company of our subsidiaries. Upon completion of the Reorganization on September 17, 2007, we acquired the entire shareholding interest in Bright New from Mr. Zhang Zhi Rong.

Our consolidated balance sheets, consolidated income statements, consolidated statements of cash flows and consolidated statements of changes in our equity for the three years ended December 31, 2009 include the financial information of the companies that became the subsidiaries of our Company as a result of the Reorganization as if the current group structure had been in existence throughout the three years ended December 31, 2009, except that the financial information of those companies newly incorporated or established in the three years ended December 31, 2009 and of those companies newly acquired from third parties accounted for using the purchase method of accounting are included in our consolidated financial information since their respective dates of incorporation or establishment and acquisition. Please refer to Section II Note 1(b) to the Accountant's Report beginning on page F-1 of this offering memorandum for further description of the basis on which we have prepared our financial information.

Our consolidated financial information as of and for the years ended December 31, 2007, 2008 and 2009 was audited by, and our consolidated financial information as of and for the six months ended June 30, 2009 and 2010, were reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. We have prepared our consolidated financial information in accordance with HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, such as U.S. GAAP.

RECENT DEVELOPMENTS

On July 23, 2010, we successfully won auctions and subsequently entered into land grant contracts for two parcels of land in Changchun, Jilin Province for which we agreed to pay a total consideration of RMB808.0 million (US\$119.1 million). The two parcels occupy a total site area of approximately 318,828 sq.m. We have paid RMB300.0 million (US\$44.2 million) and owe a remaining balance of RMB508.0 million (US\$74.9 million). We plan to develop the Changchun land into a mixed-use project for residential and business use with a total planned GFA of approximately 882,075 sq.m.

On August 27, 2010, we successfully won an auction and subsequently entered into a land grant contract for a parcel of land in Hefei, Anhui Province for which we agreed to pay a consideration of RMB578.3 million (US\$85.3 million). The land parcel occupies a total site area of approximately 150,000 sq.m. We have paid RMB289.1 million (US\$42.6 million) and owe a remaining balance of RMB289.1 million (US\$42.6 million). We plan to develop the Hefei land into a mixed-use project for residential, business and hotel use with a total planned GFA of approximately 496,378 sq.m.

In September 2010, our subsidiary, Glorious Property Investment (Nantong) Co., Ltd., entered into an acquisition loan agreement with Bank of China (Nantong Branch) ("BOC Nantong"). The loan agreement provides a credit facility of RMB300.0 million of which we had utilized RMB150.0 million as of September 30, 2010. The loan bears floating interest that is based on the PBOC benchmark lending rate. This loan facility is secured by a 100% equity interest in Glorious Baofeng (Nantong) Property Development Co., Ltd. and will be repayable in three installments through September 7, 2013. In relation to the loan facility, we agreed to pay BOC Nantong a loan arrangement fee of RMB25.3 million.

In October 2010, we entered into the Nantong Trust Arrangements to obtain additional financing for our Nantong Royal Bay Project. As part of such arrangements, we transferred 49.55% of our interests in our wholly owned subsidiary Glorious Weida (富達房地產開發(南通)有限公司) and have the right and obligation to reacquire the 49.55% interest in Glorious Weida in October 2012. For further details, see "Description of Other Material Indebtedness — Nantong Trust Arrangements".

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition and results of operations have been, and we expect may continue to be, affected by a number of factors, including:

- **Economic growth, speed of urbanization and demand for residential and commercial properties in China.** China's economic growth has been primarily concentrated in China's urban cities, economic growth, higher standards of living, population growth and urbanization are primary drivers of demand for the purchase or rental of residential and commercial properties. As we focus on the development of properties in Shanghai, Tianjin, Beijing and other cities in the PRC, China's economic growth, population growth and urbanization are important to our operations. The PRC property industry is dependent on the overall economic growth in the PRC and the resultant demand for residential and commercial properties. Developments in the private sector, urbanization and the resultant demand for properties in China have in the past resulted in increases in sales of our properties. We expect these factors to continue to have a significant impact on our results of operations.
- **Policies in the PRC that affect the development of the real estate industry.** A number of PRC policies heavily impact the real estate industry, including tax policies (including the government incentive grant policy, the preferential income tax policy and the LAT policy), land grant policies, pre-sale policies, policies on interest rates, the availability of mortgages and loans, and other macro-economic policies designed to control the growth of the PRC property market. On May 27, 2009, the State Council issued a Notice on Adjusting Capital Ratios of Fixed Asset Investment Projects (“國務院關於調整固定資產投資項目資本金比例的通知”) which lowered the minimum capital ratio for ordinary commodity housing projects and affordable housing projects from 35% to 20%. The minimum capital ratio for all other property development projects has been lowered from 35% to 30%. This policy is expected to enhance property developers' ability to procure project financing. Property developers are exposed to interest rate risks resulting from fluctuations in interest rates on their outstanding debt. The PBOC cut rates five times in the last quarter of 2008, reducing the one-year benchmark lending rate by a total of 189 basis points and the deposit rate by a total of 216 basis points. By the end of 2008, the one-year benchmark lending and deposit rates were 5.31% and 2.25%, respectively. See “Risk Factors — Risk Relating to Our Business — Our business may be adversely affected by future increases in interest rates”.
- **Our ability to identify and acquire suitable land for development.** Our success depends on our ability to secure quality land at prices that enable us to generate reasonable returns. In general, land prices in the PRC have increased in recent years. As the PRC economy and property development industry mature and demand for residential and commercial properties grows, we expect that competition among developers to acquire land that is suitable for property development will intensify, which may drive up land prices. Implementation of public tender, auction and listing-for-sale practices in respect of the grant of state-owned land use rights has contributed to increased competition for land use rights and increased land acquisition costs. The PRC government has introduced macro-economic policies over the past several years at both the central and local levels to further regulate the property market in the PRC, with a view to tightening and controlling the supply of land, including in prime locations in the PRC. Due, in part, to the above, our average land costs per sq.m. as recognized in our cost of sales were RMB960.0, RMB1,165.0 and RMB1,015.0 (US\$149.7) for the three years ended December 31, 2007, 2008 and 2009, respectively. Increases in average land costs per sq.m. will increase our

cost of sales, and consequently will have a negative impact on our gross profit margin. Our gross profit margin is also dependent on other factors, including our recognized average selling price and our construction costs. For a more detailed analysis of our gross profit margin, see “Consolidated Results of Operations”.

- **Interim fluctuations in results of operations.** Our revenue and cost of sales are recognized after our properties have been sold and delivered. We typically pre-sell our properties prior to their completion in accordance with the PRC pre-sale regulations. We do not, however, recognize the proceeds from pre-sales of properties until we have completed the construction of these properties and the risk and rewards of the properties have been delivered to the purchasers and the collectability of related receivables is reasonably assured. There is typically a time gap of a year or two between the time we commence pre-sale of properties under development and the delivery of the properties. See “— Critical Accounting Policies — Recognition of revenue from and costs of sale of properties” for further information. Because the timing of delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties we sell. Periods in which we deliver more GFA typically generate a higher level of revenue. Periods in which we pre-sell a large amount of GFA, however, may not generate a correspondingly high level of recognized revenue if the properties pre-sold are not delivered. The effect on our results of operations of the timing of delivery of projects is magnified by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisitions and construction costs as well as our limited supply of land. Our ability to complete a project in accordance with the delivery schedule and to recognize revenue after completion depends on the timetable of the construction phase, which in turn depends on various factors such as the availability of construction materials, labor efficiency, weather conditions, the availability of suitable land and the timing of acquisition of such land. In addition, variation in our sales schedules also caused our selling and marketing expenses to fluctuate throughout the three years ended December 31, 2009. Furthermore, given our presence and expansion, our business is, and will continue to be, subject to seasonality. Consequently, our cash flows and results of operations may be subject to significant fluctuations.
- **Access to and cost of financing.** Bank and other borrowings have been, and we expect will continue to be, an important source of funding for our property developments. Our access to capital and cost of financing will be affected by the prevailing interest rates on bank loans, which is linked to the PBOC benchmark lending rate, the restrictions imposed by the PRC government on bank lending for property development, and the general condition of the domestic and global capital markets. We may not always be able to obtain or renew financing on favorable terms. Our outstanding bank borrowings amounted to RMB2,521.7 million, RMB2,167.1 million and RMB4,131.5 million (US\$609.2 million) as of December 31, 2007, 2008 and 2009, respectively. The weighted average effective interest rates for our bank borrowings as of December 31, 2007, 2008 and 2009 were 8.60%, 6.33% and 7.89%, respectively. Our interest costs relating to our bank borrowings amounted to RMB303.4 million, RMB213.5 million and RMB223.6 million (US\$33.0 million) for the years ended December 31, 2007, 2008 and 2009, respectively. In November and December, 2007, we issued promissory notes with a combined aggregate principal amount of US\$500.0 million to certain pre-IPO investors for an aggregate subscription price of RMB3,717.4 million (US\$544.6 million). The promissory notes

were restructured in August 2009 and the restructured promissory notes were fully redeemed in March 2010. The interest expenses we incurred with respect to these notes for the years ended 2007, 2008 and 2009 were RMB136.0 million, RMB995.7 million and RMB817.9 million (US\$120.6 million), respectively.

- **Effects of substantial capitalized interest on future periods.** Substantially all of the borrowing costs, including interest expense, related to the promissory notes issued to the pre-IPO investors and the borrowing costs related to the Shanghai Bay Arrangements have been or will be capitalized as a part of the cost of acquiring or constructing the projects to which the proceeds of such financing arrangements were applied. These capitalized borrowing costs will not be recognized in our consolidated income statements until construction of such projects is completed and these projects are delivered and sold. The borrowing costs associated with the promissory notes issued to the pre-IPO investors and with the Shanghai Bay Arrangements are significantly higher than the borrowing costs associated with our previous bank borrowings, which, prior to these financings, constituted substantially all of our capitalized borrowings. As a result, to the extent projects have been funded with proceeds from the promissory notes or the Shanghai Bay Arrangements, the associated capitalized borrowing costs may be significantly higher than the capitalized borrowing costs we have previously recognized in our consolidated income statements, which were generally associated with bank borrowings, and this may adversely affect our gross profit margin upon the sales of such projects in 2010 and future periods.
- **The performance of and the terms and conditions of our arrangements with external contractors, including designers, constructors, sub-constructors and sales and marketing firms with which we do business.** We engage external construction constructors, service providers and suppliers to provide us with construction services, various types of construction materials as well as other services such as design and interior decoration. Our primary general construction contractor throughout the three years ended December 31, 2009 was Shanghai Ditong. While we work closely with Shanghai Ditong and retain overall control over the quality and progress of the construction process, working with Shanghai Ditong and other general contractors entails performance risks which can impact the results of our operations.

As Shanghai Ditong is one of our connected persons for the purposes of the rules of the Hong Kong Stock Exchange, our fees payable to Shanghai Ditong for construction services will be subject to the annual capped amounts as disclosed in this offering memorandum. See “Related Party Agreements — Construction Services Agreement”. Accordingly, we will be required to find and engage the services of other construction companies with which we have not worked before. There can be no assurance that the terms offered to us by such other construction companies will be comparable to those provided to us by Shanghai Ditong. The terms and conditions offered by such constructors may affect our results of operations. See “Risk Factors — Risks relating to our business — We cannot assure you that construction companies will perform construction services for us on terms comparable to those provided to us by Shanghai Ditong prior to our IPO” and “Risk Factors — Risks relating to our business — We rely on the performance of external contractors and suppliers, including Shanghai Ditong, an affiliated company, to deliver our projects on time and up to our specified quality standards” in this offering memorandum.

- **Price volatility of construction materials.** Our results of operations are affected by the price volatility of construction materials, including steel and cement. The costs of construction materials are reflected in our construction costs and represent a significant portion of our costs of properties sold. We use Shanghai Ditong and other

contractors for projects such as landscaping and elevator purchase and installation. Such contractors sub-contract much of the construction work to sub-contractors, with which each contractor may negotiate fixed prices for materials required under the contracts, including construction materials. While prices of construction materials generally rise over time and are subject to short-term volatility, such movements are generally absorbed by sub-contractors whose contracts are generally on a fixed-price basis and do not allow for adjustment of the contract price in consideration of the fluctuations in the price of raw materials such as cement and steel during the contract term. Nonetheless, we expect the general trend of price increases associated with our construction materials to continue and to have an impact on our results of operations over the long term;

- **Product Mix.** In the years ended December 31, 2008 and 2009, we began to sell a higher proportion of high quality properties. Sales of high quality properties yield higher average selling prices than other properties. In addition, as high quality properties require a higher level of raw material costs, design costs and fees paid to contractors for additional amounts of work, the overall cost of sales on a per sq.m. basis for high quality properties is higher than for other properties.
- **Expansion into other cities.** Our expansion into new markets may increase demands on our management's resources and affect our results of operations and financial condition. The PRC real estate industry is highly competitive and localized. Each locality typically has its own local property developers which may have better access to information and knowledge of the market than we have.
- **Changes in fair value of investment properties.** Our results of operations have in the past been affected by adjustments in the estimated fair value of our investment properties and may continue to be affected by such adjustments in the future. For the years ended December 31, 2008 and 2009, we recognized fair value gains on our investment properties in the amounts of RMB846.1 million and RMB1,027.0 million (US\$151.4 million), respectively, which represented 40.6% and 27.9% of our profit before income tax in those periods, respectively. In accordance with HKFRS, we are required to reassess the fair value of our investment properties on each reporting date, and we include the gains or losses arising from changes in the estimated fair value of such investment properties in our consolidated income statements in the period in which they arise. Pursuant to HKAS 40, our investment properties may be recognized by using either the fair value model or the cost model. We recognize investment properties at their estimated fair value because we are of the view that periodic estimated fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties. The fair values of our investment properties are based on valuations of such properties conducted by our property valuer, Jones Lang LaSalle Sallmanns, using property valuation techniques involving certain assumptions about market conditions, including the assumptions that property interests held under development by us in the PRC will be developed and completed in accordance with our latest development proposals and that we sell the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement. In determining the fair value, the valuer has utilized property valuation techniques which involve estimations of, among other things, comparable sales in the relevant market, current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. Investors should be aware that the fair value gains on investment properties included in our consolidated income statements reflect unrealized capital gains in the estimated fair value of our investment properties at the relevant reporting date and do not constitute profit generated from our operations or generate any actual cash inflow to us unless and until such investment properties

are sold at or above such estimated fair values. Favorable or unfavorable changes in the assumptions and estimations used by the property valuer would result in changes to the fair value of our investment properties and corresponding adjustments to the amount of gains or losses reported in our consolidated income statements in the future. As of June 30, 2010, our investment properties primarily consist of the Shanghai Bay office building and certain other retail properties that we hold for long-term rental yields.

- **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 of property in China, irrespective of whether they are corporate entities or individual investors. Our provisions for LAT expenses for each of the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 were RMB114.6 million, RMB363.1 million, RMB722.0 million (US\$106.5 million) and RMB475.3 million (US\$70.1 million), respectively. We are required to prepay a portion of LAT equal to a specified percentage of our pre-sales proceeds set by local tax authorities, which is generally assessed at a rate of approximately 1.0%.

CRITICAL ACCOUNTING POLICIES

We prepared our consolidated financial information in accordance with HKFRS. In preparing such financial information, we are required to make judgments, estimates and assumptions. We evaluate these estimates based on our historical experience, knowledge and assessment of our current business and other conditions, as well as our expectations regarding the future based on available information and various assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. As such, our actual results may differ from these estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

When reviewing our consolidated financial information, you should consider: (i) our critical accounting policies; (ii) the judgments 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 judgments and estimates used in the preparation of our consolidated financial statements.

Recognition of revenue from and costs of sale of properties

Our revenue is primarily comprised of the proceeds received or receivable from the sale of properties. Our cost of sales consists of costs incurred directly for property development, such as land acquisition costs, construction costs and capitalized interest. Our revenue and cost of sales are recognized after our properties have been sold and delivered. We typically pre-sell our properties prior to their completion in accordance with the PRC pre-sale regulations. We do not, however, recognize the proceeds from pre-sales of properties until we have completed the construction of these properties and the risk and rewards of the properties have been delivered to the purchasers and the collectability of related receivables is reasonably assured. There is typically a time gap of about one year between the time we commence pre-sale of properties under development and the delivery of the properties. We record the proceeds received from the pre-sold properties as “Advanced proceeds received from customers”, a current liability in our consolidated balance sheets.

Completed properties held for sale and properties under development

Completed properties held for sale and properties under development are recorded at the lower of cost and net realizable value. We make estimates of the net realizable value of completed properties by reference to the available market data including the most recent sale transactions and market survey reports available from independent property valuers, after taking into account the anticipated costs of selling these properties. Properties under development are classified as current assets on our consolidated balance sheets unless the

construction period of the relevant property development project is expected to be completed beyond our normal operating cycle. Our initial payments for leasehold land and land use rights included in this category of assets are measured at amortized cost less accumulated impairment losses.

We make estimates of the net realizable value of properties under development by reference to the estimated future discounted cash flows to be derived from such properties. The estimates require judgments as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rates of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs for the completion of properties, the legal and regulatory framework and general market conditions. Our estimates may be inaccurate and estimates may need to be adjusted in later periods.

If there is an increase in costs for the completion of properties or a decrease in anticipated selling price, the net realizable value will decrease and this may result in provisions for completed properties held for sale and properties under development. Such provisions require the use of judgment and estimates by our management, taking into account the location of the property, the quality of the building, and the valuation of similar properties in the local market. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In respect of properties under development for future use as investment properties, we have adopted the amendment to Hong Kong Accounting Standard 40 for the year ended December 31, 2008. Pursuant to the adoption of the amendment, property that is under construction or development for future use as investment property is measured at fair value under the fair value method and the gains or losses arising from changes in the fair value are accounted for as gains or losses upon revaluation in our consolidated income statements. Upon the adoption of the amendment, there was no impact on our financial information as of and for the year ended December 31, 2007. Fair value gains of RMB846.1 million and RMB1,027.0 million (US\$151.4 million), and the related deferred taxation expense of RMB211.5 million and RMB256.7 million (US\$37.9 million), were recognized in our consolidated income statements for the years ended December 31, 2008 and 2009, respectively.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets which require a substantial period of time to complete and prepare for their intended use or sale are capitalized as part of the cost of such properties. All other borrowing costs are recorded in the consolidated income statements in the period in which they are incurred. In general, we capitalize the borrowing costs incurred from the commencement of each property development project and cease capitalizing these costs when the assets are substantially ready for their intended use or sale. Borrowing costs incurred after the completion of a property development project or otherwise not directly attributable to the acquisition or construction of the project are recorded in our consolidated income statements as finance costs in the period in which they are incurred. Investment income earned on the temporary investment of specific borrowings pending their expenditure on the relevant project is deducted from the borrowing cost capitalized.

Substantially all of the borrowing costs, including interest expense, related to the promissory notes issued to the pre-IPO investors and the Shanghai Bay Arrangements have been or will be capitalized as a part of the cost of acquiring or constructing the projects to which the proceeds of such financing arrangements were applied. These capitalized borrowing costs will not be recognized in our consolidated income statements until construction of such projects is completed and these projects are sold and ready for delivery. The borrowing costs associated with the promissory notes and the Shanghai Bay Arrangements are significantly higher than the borrowing costs associated with our previous bank borrowings, which, prior to

these financings, constituted substantially all of our capitalized borrowings. As a result, to the extent projects have been funded with proceeds from the promissory notes or the Shanghai Bay Arrangements, our capitalized borrowing costs may be significantly higher than the capitalized borrowing costs we have previously recognized in our income statements, which were generally associated with bank borrowings, and this may adversely affect our gross profit margin upon the sales of such projects in future periods.

Provision for the PRC Land Appreciation Tax

Under PRC tax laws and regulations, our PRC subsidiaries are subject to LAT collectible by the local tax authorities and levied at progressive rates ranging from 30% to 60% on the appreciation of land value, calculated as the proceeds of sales of properties less deductible expenditures including payments made for obtaining land use rights, construction and infrastructure costs, related taxes and all property development costs. We include LAT in income tax expense and make necessary provisional payments according to the current tax laws and regulations. We prepay 1% of our pre-sale proceeds as a LAT prepayment in accordance with the requirements of the PRC tax authorities. The tax authorities determine our final LAT liabilities after completion of our property development projects. This final determination may differ from the amounts that we had estimated. Our projects may go through different phases over multiple periods of time, in which revised tax laws may be enacted and implemented. Thus, upon final assessment of the LAT, after all phases of a project are completed, our final LAT liabilities may differ from our initial estimates. Furthermore, the implementation and settlement of such taxes vary among the regional tax jurisdictions across the PRC and we must wait until each local PRC tax authority assesses the LAT in order to have a finalized calculation and payment amount. Accordingly, significant judgment is required in determining the amount of land appreciation and related taxes for the purpose of preparing our financial information. As such, our final tax liabilities could be different from the amounts that we estimated and such discrepancies may impact our income tax expense in the periods during which such taxes are finalized with local tax authorities.

Deferred income tax

Significant judgment is required in determining our provisions for deferred income tax. 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 our consolidated financial information. However, 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 such transaction, affects neither the accounting nor taxable profit or loss, such as goodwill. Deferred income tax is determined using the tax rates that have been applicable or substantially enacted by the balance sheet date and may apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled by us and it is probable that the temporary differences will not be reversed in the foreseeable future.

SELECTED INCOME STATEMENT ITEMS

Revenue

All of our revenue consists of proceeds from the sale of properties. See “— Critical Accounting Policies — Recognition of revenue from and costs of sale of properties” above. Our revenue for a given period depends primarily on the number of properties we sell and deliver in such period and the prices realized for these properties.

The table below sets forth our revenue for the year/period indicated and on a project basis:

	For the year ended December 31,										For the six months ended June 30,			
	2007		2008				2009				2010			
			Recognized		Recognized				Recognized				Recognized	
	GFA		Average		GFA		Average		GFA		Average		GFA	
	Revenue	Sold and Delivered	Selling Price ⁽¹⁾	Revenue	Sold and Delivered	Selling Price ⁽¹⁾	Revenue	Sold and Delivered	Selling Price ⁽¹⁾	Revenue	Sold and Delivered	Selling Price ⁽¹⁾	Revenue	Sold and Delivered
RMB		RMB		RMB		RMB		RMB		RMB		RMB		
RMB'000	sq.m.	per sq.m.	RMB'000	sq.m.	per sq.m.	RMB'000	US\$'000	sq.m.	per sq.m.	RMB'000	US\$'000	sq.m.	per sq.m.	
Properties sold and delivered														
Sunshine Venice (Phase II)	—	—	—	5,785	681	8,495	—	—	—	—	—	—	—	—
Sunshine Venice (Phase IIIA)	389,268	57,026	6,826	17,710	2,078	8,523	3,961	584	429	9,233	—	—	—	—
Sunshine Venice (Phase IIIB)	—	—	—	548,517	61,490	8,920	1,226,578	180,871	122,728	9,994	3,719	548	180	20,630
Chateau De Paris (Phase I) (retail)	—	—	—	167,214	4,778	35,000	—	—	—	—	—	—	—	—
Chateau De Paris (Phase I)	—	—	—	1,400	113	12,403	11,722	1,729	755	15,526	2,838	418	167	17,001
Chateau De Paris (Phase II)	—	—	—	958,020	43,807	21,869	279,171	41,167	9,166	30,457	12,675	1,869	376	33,684
Shanghai Bay (Phase I)	—	—	—	—	—	—	2,214,913	326,611	77,443	28,601	1,587,214	234,051	42,234	37,581
Sunglow Xinjing	10,857	1,119	9,702	—	—	—	—	—	—	—	—	—	—	—
Sunshine Holiday (Phase I)	3,701	471	7,858	860	144	5,972	—	—	—	—	—	—	—	—
Sunshine Holiday (Phase II)	—	—	—	978,376	159,303	6,142	2,413	356	392	6,156	—	—	—	—
Sunshine Holiday (Phase III)	—	—	—	—	—	—	592,374	87,351	78,029	7,592	667,791	98,472	75,244	8,875
Shanghai Park Avenue	574,716	26,869	21,390	641,714	22,379	28,675	611,154	90,121	26,118	23,400	—	—	—	—
No. 1 City Promotion (Phase I)	680,313	156,036	4,360	10,488	2,419	4,336	3,135	462	756	4,147	—	—	—	—
No. 1 City Promotion (Phase II)	—	—	—	—	—	—	621,911	91,707	134,373	4,628	181,446	26,756	29,642	6,121
Sunny Town (Phase I)	133,087	36,831	3,613	290,157	74,835	3,877	3,707	547	895	4,142	1,347	199	360	3,741
Sunny Town (Phase II)	—	—	—	93,684	20,486	4,573	97,851	14,429	22,741	4,303	8,162	1,204	1,735	4,705
Classical Life (Phase I)	—	—	—	114,699	16,964	6,761	97,756	14,415	13,524	7,228	13,482	1,988	1,837	7,341
Classical Life (Phase II)	—	—	—	120,335	27,430	4,387	7,975	1,176	1,748	4,562	—	—	—	—
Sunshine Bordeaux (Phase I)	—	—	—	—	—	—	389,172	57,387	81,500	4,775	17,860	2,634	3,463	5,157
Total Property Sales Revenue	1,791,942	278,352	6,438	3,948,959	436,907	9,038	6,163,793	908,913	570,597	10,802	2,496,534	368,139	155,238	16,082
Other Revenue	—	—	—	—	—	—	7,334	1,081	—	—	1,412	208	—	—
Total	1,791,942	278,352	6,438	3,948,959	436,907	9,038	6,171,127	909,994	570,597	10,802	2,497,946	368,347	155,238	16,082

Note:

(1) Calculated as revenue recognized divided by total GFA sold and delivered for the relevant year.

In 2007, we delivered 278,352 sq.m. of GFA at an overall recognized average selling price of RMB6,438 per sq.m. Three new projects, Shanghai Park Avenue, No. 1 City Promotion and Sunny Town, each made their initial sales and, taken together, accounted for approximately three quarters of our revenue and GFA sold and delivered in 2007. Sunshine Venice continued to record sales in 2007 though at a reduced recognized average selling price of RMB6,826 per sq.m., reflecting bulk sales of approximately 40,000 sq.m. made to the local government in 2007. Two of the new projects, located in Wuxi and Shenyang, had recognized average selling prices of RMB4,360 per sq.m. and RMB3,613 per sq.m., respectively, as property prices were generally lower in Wuxi and Shenyang than in Shanghai. However, the new project in Shanghai, Shanghai Park Avenue, had a substantially higher recognized average selling price of RMB21,390 per sq.m., reflecting its favorable location in Shanghai.

In 2008, we delivered 436,907 sq.m. of GFA at an overall recognized average selling price of RMB9,038 per sq.m., an increase of 40.4% over the recognized average selling price in 2007. Six new projects, Sunshine Venice (Phase II B), Chateau De Paris (Phase I (retail)), Chateau De Paris (Phase II), Sunshine Holiday (Phase II), Classical Life (Phase I and II) and Sunny Town (Phase II), recorded sales in 2008 and accounted for 75.5% of our revenue in 2008. Shanghai Park Avenue continued to record sales in 2008 at a recognized average selling price of RMB28,674 per sq.m., representing an increase of 34.1% from 2007. Chateau De Paris (Phase II) had a recognized average selling price of RMB21,869 per sq.m in 2008 and accounted for 24.3% our total revenue in 2008. Sunshine Holiday (Phase II) had a recognized average selling price of RMB6,142 per sq.m. and accounted for 24.8% of our total revenue in 2008.

In 2009, we delivered 570,597 sq.m. of GFA at an overall recognized average selling price of RMB10,802 (US\$1,593) per sq.m., an increase of 19.5% over the recognized average selling price in 2008. Shanghai Bay (Phase I) began to recognize revenue in 2009 at a recognized average selling price of RMB28,601 (US\$4,218) per sq. m. and accounted for 35.9% of our total revenue in 2009. Sunshine Venice (Phase III B) continued to record sales in 2009 at a recognized average selling price of RMB9,994 (US\$1,474) per sq. m. and accounted for 19.9% of our total revenue in 2009. No. 1 City Promotion (Phase II) began to recognize revenue in 2009 at a recognized average selling price of RMB4,628 (US\$682) per sq. m. and accounted for 10.1% of our total revenue in 2009. Shanghai Park Avenue continued to record sales in 2009 at a recognized average selling price of RMB23,400 (US\$3,451) per sq.m. and accounted for 9.9% of our total revenue in 2009. Sunshine Holiday (Phase III) started to recognize revenue in 2009 at a recognized average selling price of RMB7,592 (US\$1,120) per sq. m. and accounted for 9.6% of our total revenue in 2009.

Cost of sales

Our cost of sales consists primarily of the costs incurred directly from our property development activities which include construction costs, land costs, capitalized interest, and business taxes and other levies. We recognize cost of sales with respect to a property when we recognize our revenue from such property, which generally occurs when construction is completed and the property is delivered. Our average cost of sales per sq.m. increased by 25.5% to RMB5,249 for the year ended December 31, 2008 from RMB4,184 for the year ended December 31, 2007 due to the higher proportion of high quality properties sold and delivered. Our average cost of sales per sq.m. for the year ended December 31, 2009 increased by 6.7% to RMB5,599 (US\$826), from RMB5,249 for the year ended December 31, 2008 because we began to sell a higher proportion of high quality properties which both increased our average selling prices and average cost of sales on a per sq.m. basis.

The following table sets out the breakdown of our cost of sales for the three years ended December 31, 2009:

	For the year ended December 31,								
	2007		2008		2009		07-08	08-09	
	RMB'000	RMB'000 Per sq.m.	RMB'000	RMB'000 Per sq.m.	RMB'000	US\$'000	RMB'000 Per sq.m.	Total RMB % change	Total RMB % change
Construction costs	764,392	2,746	1,489,035	3,408	2,129,105	313,958	3,731	94.8%	43.0%
Land costs	267,228	960	508,943	1,165	579,149	85,401	1,015	90.5%	13.8%
Capitalized interest	34,023	122	74,668	171	135,811	20,027	238	119.5%	81.9%
Business taxes and other levies	99,175	356	220,693	505	350,791	51,728	615	122.5%	58.9%
Sub-total	<u>1,164,818</u>	<u>4,184</u>	<u>2,293,339</u>	<u>5,249</u>	<u>3,194,856</u>	<u>471,114</u>	<u>5,599</u>	<u>96.9%</u>	<u>39.3%</u>
Cost of sales of other business	—	—	—	—	6,904	1,017	—	—	—
Total	<u>1,164,818</u>	<u>4,184</u>	<u>2,293,339</u>	<u>5,249</u>	<u>3,201,760</u>	<u>472,131</u>	<u>5,599</u>	<u>96.9%</u>	<u>39.6%</u>

Construction costs. Construction costs represent costs incurred for the design and construction of property projects. Such costs consist primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, construction installation, infrastructure expenses, raw material costs, design costs, and salary-related expenses for on-site staff. In 2008, our construction costs were RMB1,489.0 million, representing an increase of 94.8% from RMB764.4 million in 2007. The increase was primarily due to an increase in the proportion of our construction of high quality residential properties and the increase in GFA sold and delivered in 2008. Our construction costs in 2009 were RMB2,129.1 million (US\$314.0 million), representing an increase of 43.0% from 2008, which was primarily due to the increase in GFA sold and delivered and the increase in proportion of high quality residential properties sold and delivered. Our average construction cost for the three years ended December 31, 2009, calculated as our construction costs recognized divided by GFA sold and delivered during the relevant period, was RMB2,746, RMB3,408 and RMB3,731 (US\$550), respectively. The increases in average construction cost from 2007 to 2008, from 2008 to 2009 were primarily due to increases in the proportion of our construction of high quality buildings, which is also reflected in the increases in our recognized average selling price per sq.m. Our construction costs are affected by a number of factors such as:

- the differences in the location and type of project, including the requirements relating to the design and interior decoration for different property types, which may result in differences in the construction costs incurred;
- fluctuations in the prices of construction materials, including steel and cement. Market prices of such items fluctuate and thus impact our costs. See “Key Factors Affecting Our Results of Operations — Price volatility of construction materials”; and
- design and construction decisions relating to ancillary facilities, including whether to supplement our properties with playgrounds, gymnasiums, and other recreational facilities.

As we engage contractors to procure raw materials, most of our construction materials costs are accounted for as part of contractor fees upon settlement with the relevant contractors.

Land costs. Land costs include costs relating to the acquisition of the rights to occupy, use and develop land, including land premiums, demolition and resettlement costs, and land-related taxes. Our land costs in 2008 were RMB508.9 million, representing an increase of 90.5% from RMB267.2 million in 2007, primarily due to the 57.0% increase in GFA sold and delivered from 278,352 sq.m. in 2007 to 436,907 sq.m. in 2008 and the increase in average land costs per sq.m. by 21.4%. Our land costs in 2009 were RMB579.1 million (US\$85.4 million), representing an increase of 13.8% from RMB508.9 million in 2008. The increase was primarily attributable to the 30.6% increase in GFA sold and delivered from 436,907 sq.m. in 2008 to 570,597 sq.m. in 2009. Our average land costs per sq.m. decreased in 2009 by 12.9% as 35.9% of our total revenue in 2009 came from the sale of Shanghai Bay (Phase I), whose average land costs per sq.m. were lower than the land costs of Shanghai Park Avenue and Chateau De Paris, the aggregate sale of which represented 44.8% of our total revenue in 2008.

Capitalized interest. We capitalize a portion of our interest expenses to the extent that such costs are directly attributable to the costs of the acquisition, construction or development of our properties. Interest expenses are capitalized if they are incurred in connection with the development of a project and the recognition of the relevant expenditure and prior to completion or suspension of the construction phase. Interest expenses incurred after completion of the construction phase are recognized in our consolidated income statement as finance costs.

Our capitalized interest included in cost of sales for 2008 was RMB74.7 million, representing an increase of 119.5% from RMB34.0 million in 2007. The increase in capitalized interest included in cost of sales in 2008 were due in part to the increase in GFA sold and delivered because capitalized interest included in cost of sales is recognized when the property financed is sold and delivered. Our capitalized interest included in cost of sales in 2009 was RMB135.8 million (US\$20.0 million), representing an increase of 81.9% from RMB74.7 million in 2008. The increase was primarily due to an increase in GFA sold and delivered in 2009 as compared to 2008. The amounts of capitalized interest under properties under development were RMB608.7 million, RMB1,488.5 million and RMB2,520.3 million (US\$371.6 million) as of December 31, 2007, 2008 and 2009. The amounts of capitalized interest under completed properties held for sale were RMB7.4 million, RMB57.3 million and RMB95.0 million (US\$14.0 million) as of December 31, 2007, 2008 and 2009, respectively. The increase in capitalized interest under properties under development and under completed properties for sale as of December 31, 2009 in part reflected properties constructed or under development that were financed pursuant to the Shanghai Bay Arrangements or the pre-IPO Notes.

Business taxes and other levies. Business taxes and other levies in 2008 totaled RMB220.7 million, representing an increase of 122.5% from RMB99.2 million in 2007, which was primarily due to a significant increase in our sales. Business taxes and other levies in 2009 were RMB350.8 million (US\$51.7 million), representing an increase of 58.9% from RMB220.7 million in 2008 as a result of an increase in GFA sold and delivered.

Gross profit

Gross profit represents revenue less cost of sales. Our gross profit in 2008 was RMB1,655.6 million, an increase of 164.0% from RMB627.1 million in 2007. Our gross profit was RMB2,969.4 million (US\$437.9 million) in 2009, an increase of 79.4% from RMB1,655.6 million in 2008. Our gross profit margins were 35.0%, 41.9% and 48.1% for the years ended December 31, 2007, 2008 and 2009, respectively. The increase in our gross profit margin to 41.9% in 2008 from 35.0% in 2007 was primarily due to an increase in sales of high quality residential properties in Shanghai and Tianjin, which were sold at a much higher average selling price. The increase in our gross profit margin to 48.1% in 2009 from 41.9% in 2008 was due to increased sales in Shanghai, where our recognized average selling prices were higher, as a percentage of our total sales.

Other income

Our other income consists primarily of rental income, interest income and subsidies received from the government. We received government grants of RMB3.2 million for 2007, as a recognition of the substantial tax payment we had made to the local governments.

Other (losses)/gains

Other gains, net, in 2008 were RMB825.6 million, which were primarily due to a fair value gain relating to our investment properties in Shanghai. Other gains, net, in 2009 were RMB1,218.8 million (US\$179.7 million), primarily due to a fair value gain relating to our investment properties in Shanghai including the Shanghai Bay-Binjiang Center (North block), Sunshine Venice Phase I-III (commercial portion) and Chateau De Paris Phase II (commercial portion) and a gain on extinguishment of financial liability in connection with the restructuring of the original promissory notes.

Selling and marketing expenses

Selling and marketing expenses consist primarily of agency fees relating to the sale of properties, advertising and promotional expenses such as newspaper, magazine, pamphlet and billboard advertisements, and salaries and commissions for our sales staff.

Administrative expenses

Our administrative expenses consist primarily of salary and welfare payments relating to our management staff, rental costs of our offices, travel and entertainment expenses, auditor remuneration and legal and other professional fees.

Finance costs

Our finance costs consist primarily of interest costs net of capitalized interest. We capitalize the borrowing costs attributable to the amount of borrowings used in our project construction when the development of properties commences and the relevant expenditure and finance cost is incurred. This ceases when the development is in suspension or the construction work is completed. Interest expense incurred after completion of development is recognized in our consolidated income statement as finance costs.

Income tax expense

Our income tax expense line item reflects income taxes we pay in the PRC, including corporate income tax, LAT and any deferred income tax.

No Hong Kong profits tax was payable for the years ended December 31, 2007, 2008 and 2009 as we did not have any assessable profits in Hong Kong.

No Cayman Islands profits tax was payable for the years ended December 31, 2007, 2008 and 2009 as we did not have any profits in the Cayman Islands.

The LAT in the PRC is levied at progressive rates ranging from 30.0% to 60.0% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including payments made for obtaining land use rights and all property development expenditures with certain adjustments made by the tax authority, which is included in our consolidated income statements as income tax expense.

On March 16, 2007, the National People's Congress of the PRC enacted the PRC Corporate Income Tax Law under which a uniform corporate income tax rate of 25.0% is imposed on the taxable income of both domestic enterprises and foreign invested enterprises beginning on January 1, 2008, and the original tax privilege available to foreign invested enterprises was cancelled. The introduction of the new PRC Corporate Income Tax Law enabled us to enjoy a lower tax rate than the effective tax rate previously applicable to us.

As of December 31, 2006, we applied the income tax rate of 33.0% in the calculation of our deferred tax assets. Pursuant to the new PRC Corporate Income Tax Law, the corporate income tax rate applicable to our domestic subsidiaries in the PRC decreased from 33.0% to 25.0% effective from January 1, 2008. Accordingly, the tax rate used in calculating deferred income tax assets and liabilities of our domestic subsidiaries as of December 31, 2007 was adjusted to the lower tax rate of 25.0%. The effect of the change in corporate income tax rate was recognized in our consolidated income statement for the year ended December 31, 2007.

CONSOLIDATED RESULTS OF OPERATIONS

The following tables set forth selected data from our consolidated income statements for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2009 and 2010:

	For the year ended December 31,						For the six months ended June 30					
	2007		2008		2009		2009		2010			
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue		
	RMB'000		RMB'000	RMB'000	US\$'000	RMB'000 (unaudited)	RMB'000 (unaudited)	US\$'000 (unaudited)				
Revenue	1,791,942	100.0%	3,948,959	100.0%	6,171,127	909,994	100.0%	1,471,781	100.0%	2,497,946	368,347	100.0%
Cost of sales	(1,164,818)	(65.0%)	(2,293,339)	(58.1%)	(3,201,760)	(472,131)	(51.9%)	(747,816)	(50.8%)	(1,156,588)	(170,550)	(46.3%)
Gross profit	627,124	35.0%	1,655,620	41.9%	2,969,367	437,863	48.1%	723,965	49.2%	1,341,358	197,797	53.7%
Other income	17,194	1.0%	21,405	0.5%	27,366	4,035	0.4%	10,861	0.7%	33,649	4,962	1.3%
Other (losses)/gains, net ⁽¹⁾	(34,513)	(1.9%)	825,563	20.9%	1,218,817	179,727	19.7%	745,884	50.7%	(36,850)	(5,434)	(1.5%)
Selling and marketing expenses	(77,426)	(4.3%)	(150,494)	(3.8%)	(151,333)	(22,316)	(2.5%)	(53,929)	(3.7%)	(71,097)	(10,484)	(2.9%)
Administrative expenses	(105,666)	(5.9%)	(214,818)	(5.4%)	(351,397)	(51,817)	(5.7%)	(142,876)	(9.7%)	(216,752)	(31,962)	(8.7%)
Finance costs	(97,225)	(5.4%)	(54,479)	(1.4%)	(27,068)	(3,991)	(0.4%)	(16,966)	(1.2%)	(7,640)	(1,127)	(0.3%)
Profit before income tax	329,488	18.4%	2,082,797	52.7%	3,685,752	543,501	59.7%	1,266,939	86.1%	1,042,668	153,752	41.7%
Income tax expenses												
- PRC corporate income tax	(100,066)	(5.6%)	(259,627)	(6.6%)	(460,619)	(67,923)	(7.5%)	(143,867)	(9.8%)	(193,323)	(28,507)	(7.7%)
- LAT	(114,551)	(6.4%)	(363,102)	(9.2%)	(722,039)	(106,471)	(11.7%)	(105,920)	(7.2%)	(475,308)	(70,089)	(19.0%)
- Deferred income tax	(6,777)	(0.4%)	(205,077)	(5.2%)	(136,950)	(20,195)	(2.2%)	(167,266)	(11.4%)	(7,940)	(1,171)	(0.3%)
Total income tax expenses	(221,394)	(12.4%)	(827,806)	(21.0%)	(1,319,608)	(194,589)	(21.4%)	(417,053)	(28.3%)	(676,571)	(99,767)	(27.1%)
Profit for the year/period	<u>108,094</u>	<u>6.0%</u>	<u>1,254,991</u>	<u>31.8%</u>	<u>2,366,144</u>	<u>348,912</u>	<u>38.3%</u>	<u>849,886</u>	<u>(57.7%)</u>	<u>366,097</u>	<u>53,985</u>	<u>(14.7%)</u>

Note:

- (1) Other gains, net included fair value gains on investment properties of RMB846.1 million and RMB1,027.0 million (US\$151.4 million) for the years ended December 31, 2008 and 2009, respectively. These fair value gains are unrealized. See “— Key Factors Affecting Our Results of Operations — Changes in fair value of investment properties”. Other gains, net included gain on extinguishment of financial liability of RMB198.7 million (US\$29.3 million) for the year ended December 31, 2009. Other losses, net also included loss on redemption of the promissory notes of RMB33.8 million (US\$5.0 million) and exchange losses, net of RMB3.1 million (US\$0.5 million) for the six months ended June 30, 2010.

The following discussion is based on our consolidated financial information.

Six months ended June 30, 2010 compared to six months ended June 30, 2009

Revenue. For the six months ended June 30, 2010, our revenue was RMB2,497.9 million (US\$368.3 million), representing an increase of 69.7% compared to RMB1,471.8 million for the six months ended June 30, 2009. This increase was primarily due to an increase in aggregate GFA sold and delivered from 130,799 sq.m. in the six months ended June 30 2009 to 155,238 sq.m. in the six months ended June 30, 2010 in accordance with our project development cycle as well as a RMB43,096 increase in our recognized average selling price from RMB11,244 per sq.m. in the six months ended June 30, 2009 to RMB16,082 per sq.m. in the six months ended June 30, 2010. The delivery of Shanghai Bay (Phase I) commenced in the second half of 2009 with an average selling price of RMB37,581 per sq.m. contributed 63.5% of our revenue for the six months ended June 30, 2010. The delivery of Sunshine Holiday (Phase III) with an average selling price of RMB8,875 per sq.m. contributed 26.7% of our revenue for the six months ended June 30, 2010.

Cost of Sales. Our cost of sales for the six months ended June 30, 2010 was RMB1,156.6 million (US\$170.6 million), representing an increase of 54.7% compared to RMB747.8 million six months ended June 30, 2009. The increase was primarily due to an increase in aggregate GFA delivered, compounded by the effect of higher construction costs due to an increase in the proportion of high quality residential properties we sold and delivered in the six months ended June 30, 2010.

The higher average cost of sales of RMB7,450 per sq.m. in the six months ended June 30, 2010 compared to RMB5,717 per sq.m. in the six months ended June 30, 2009 was primarily due to an increase in the proportion of high quality residential properties we sold and delivered in the current period.

Gross Profit. Our gross profit for the six months ended June 30, 2010 was RMB1,341.4 million (US\$197.8 million), representing an increase of 85.3% from a gross profit of RMB724.0 million for the six months ended June 30, 2009. The increase in consolidated gross profit was mainly due to the increase in revenue and higher profit margin on the properties delivered in the six months ended June 30, 2010. Our gross profit margin for the six months ended June 30, 2010 was 53.7%, compared to 49.2% during the six months ended June 30, 2009. This was primarily due to the higher recognized average selling price for the properties sold and delivered in the six months ended June 30, 2010, of which a higher proportion was derived from the sale of high quality residential properties in the Shanghai region.

Other Losses, Net. Other losses, net for the six months ended June 30, 2010 amounted to RMB36.9 million (US\$5.4 million), which was primarily due to the recognition of a loss on redemption of the promissory notes of RMB33.8 million (US\$5.0 million).

Selling and marketing expenses. Selling and marketing expenses for the six months ended June 30, 2010 were RMB71.1 million (US\$10.5 million), which was 31.8% higher than RMB53.9 million during the six months ended June 30, 2009 due to more marketing activities for the promotion of our business and an increased number of projects approaching pre-sale stages thus requiring more project launching activities.

Administrative expenses. Administrative expenses for the six months ended June 30, 2010 were RMB216.8 million (US\$32.0 million), representing an increase of 51.7% compared to RMB142.9 million for the six months ended June 30, 2009, primarily due to an increased level of business activities as a result of an increased number of property development projects, expanded management team size and the recognition of share-based compensation expenses of RMB38.7 million with respect to the pre-IPO share option scheme.

Finance costs. Gross finance costs for the six months ended June 30, 2010 were RMB533.7 million (US\$78.7 million), representing a decrease of 18.3% from RMB653.6 million for the six months ended June 30, 2009. For the six months ended June 30, 2010, finance costs of RMB526.1 million (US\$77.6 million) have been capitalised, leaving RMB7.6 million (US\$1.1 million) charged directly to the statement of comprehensive income.

Profit before income tax. Our profit before income tax for the six months ended June 30, 2010 was RMB1,042.7 million (US\$153.8 million), representing a decrease of 17.7% compared to RMB1,266.9 million for the six months ended June 30, 2009. This decrease was primarily due to the inclusion of a fair value gain of our investment properties of RMB745.9 million in the six months ended June 30, 2009 and the loss on redemption of the promissory notes of RMB33.8 million in the six months ended June 30, 2010.

Income tax expenses. Income tax expenses for the six months ended June 30, 2010 were RMB676.6 million (US\$99.8 million), representing an increase of 62.2% as compared to RMB417.1 million for the 2009. The increase was primarily driven by an increase in LAT from RMB105.9 million for the six months ended June 30, 2009 to RMB475.3 million for the six months ended June 30, 2010 as a result of higher proportion of higher profit margin properties being sold and delivered in the current period. The effective income tax rate was 64.9% for the six months ended June 30, 2010, compared to 32.9% for the six months ended June 30, 2009.

Profit attributable to the equity holders. As a result of the foregoing, our profit for the period attributable to our equity holders for the six months ended June 30, 2010 was RMB366.4 million (US\$54.0 million), representing a decrease of 56.9% compared to RMB849.9 million for the six months ended June 30, 2009 primarily due to no fair value gain of investment properties for the six months ended June 30, 2010. Profit attributable to our equity holders as a percentage of revenue was 14.7% for the six months ended June 30, 2010, compared to 57.7% for the six months ended June 30, 2009.

Year ended December 31, 2009 compared to year ended December 31, 2008

Revenue. Our revenue for 2009 was RMB6,171.1 million (US\$910.0 million), representing an increase of 56.3% compared to RMB3,949.0 million in 2008, primarily due to an increase in aggregate GFA sold and delivered from 436,907 sq.m. in 2008 to 570,597 sq.m. in 2009 in accordance with our project development cycle as well as a 19.5% increase in our recognized average selling price from RMB9,038 per sq.m. in 2008 to RMB10,802 per sq.m. in 2009. The increase in GFA sold and delivered was due in part to the completion of Shanghai Bay (Phase I) in December 2009, which contributed 35.9% of our revenue in 2009, and other new projects, including No. 1 City Promotion (Phase II) and Sunshine Holiday (Phase III) as well as sales from existing projects such as Sunshine Venice (Phase III B) and Shanghai Park Avenue. The increase in our recognized average selling price per sq.m. was largely due to the sales from Shanghai Bay (Phase I), which had an average recognized selling price of RMB28,601 (US\$4,218) per sq.m.

Cost of sales. Our cost of sales in 2009 was RMB3,201.7 million (US\$472.1 million), representing an increase of 39.6% compared to RMB2,293.3 million in 2008. This was primarily due to the increase in aggregate GFA delivered as well as higher construction costs due to an increase in the proportion of high quality residential properties sold and delivered in 2009.

Gross profit. We recorded a gross profit of RMB2,969.4 million (US\$437.9 million) in 2009, representing an increase of 79.4% compared to RMB1,655.6 million in 2008. Our gross profit margin increased from 41.9% in 2008 to 48.1% in 2009. The increase in our gross profit margin resulted primarily from an increase in the recognized average selling price per sq.m. due to the increased proportion of sales of high quality properties.

Other income. Our other income in 2009 was RMB27.4 million (US\$4.0 million), representing an increase of 27.8% compared to RMB21.4 million in 2008, primarily due to an increase in rental income contributed by certain properties in Chateau De Paris (Phase II).

Other gains/(losses). Our other gains, net, in 2009 were RMB1,218.8 million (US\$179.7 million), primarily included revaluation gains on our investment properties of RMB1,027.0 million (US\$151.4 million) and a gain on extinguishment of financial liability of RMB198.7 million (US\$29.3 million) in connection with the restructuring of the original promissory notes. Our other gains, net, of RMB825.6 million in 2008 primarily included the fair value gain of our investment properties in Shanghai, including the Shanghai Bay office building.

Selling and marketing expenses. Our selling and marketing expenses were RMB151.3 million (US\$22.3 million) in 2009, representing a slight increase of 0.6% from RMB150.5 million in 2008.

Administrative expenses. Our administrative expenses were RMB351.4 million (US\$51.8 million) in 2009, representing an increase of 63.6% from RMB214.8 million in 2008, primarily due to recognition of share-based compensation expenses of RMB69.9 million (US\$10.3 million) with respect to our pre-IPO share option scheme and penalty charges of RMB59.8 million (US\$8.8 million) due to late deliveries of Sunshine Venice properties.

Finance costs. Our finance costs were RMB27.1 million (US\$4.0 million) in 2009, representing a decrease of 50.3% from RMB54.5 million in 2008, which was primarily due to a decrease in interest rates.

Profit before income tax. As a result of the foregoing, our profit before income tax in 2009 was RMB3,685.8 million (US\$543.5 million), representing an increase of 77.0% compared to RMB2,082.8 million in 2008.

Income tax expenses. Our income tax expenses increased by 59.4% to RMB1,319.6 million (US\$194.6 million) in 2009 from RMB827.8 million in 2008 primarily as a result of the increase in our profit before income tax. Our effective income tax rate decreased to 35.8% in 2009, compared to 39.7% in 2008. This was primarily due to the inclusion of the gain on extinguishment of financial liability, which was not taxable.

Profit for the year attributable to our equity owners. As a result of the foregoing, our profit for the year attributable to our equity owners in 2009 was RMB2,366.1 million (US\$348.9 million), representing an increase of 88.5% compared to RMB1,255.0 million in 2008. Profit for the year attributable to our equity owners as a percentage of revenue was 38.3% in 2009, compared to 31.8% in 2008.

Year ended December 31, 2008 compared to year ended December 31, 2007

Revenue. Our revenue for 2008 was RMB3,949.0 million, representing an increase of 120.4% compared to RMB1,791.9 million in 2007, primarily due to an increase in GFA sold and delivered from 278,352 sq.m. in 2007 to 436,907 sq.m. in 2008 and an increase in sales of high quality residential properties, resulting in an increase in average selling price from RMB6,438 per sq.m. in 2007 to RMB9,038 per sq.m. in 2008. This increase in GFA sold and delivered was primarily from new projects, including Chateau De Paris (Phase II), Sunshine Holiday (Phase II) and Sunshine Venice (Phase IIIB) as well as existing projects such as Shanghai Park Avenue.

Cost of sales. Our cost of sales in 2008 was RMB2,293.3 million, representing an increase of 96.9% compared to RMB1,164.8 million in 2007. This increase was primarily due to an increase in GFA sold and delivered in 2008 and higher average construction cost per sq.m. for our high quality residential properties.

Gross profit. Our gross profit was RMB1,655.6 million in 2008, representing an increase of 164.0% from RMB627.1 million in 2007. Our gross profit margin increased from 35.0% in 2007 to 41.9% in 2008. This increase was primarily due to an increase in sales of high quality residential properties, such as Shanghai Park Avenue and Chateau De Paris (Phase II), which were sold at a much higher average selling price and margin.

Other income. Our other income in 2008 was RMB21.4 million, representing an increase of 24.5% compared to RMB17.2 million in 2007, primarily due to rental income arising from certain properties in Chateau De Paris (Phase II) and Sunshine Venice and interest income generated by increased bank balances.

Other gains/(losses). Our other gains, net, in 2008 were RMB825.6 million, which were primarily due to fair value gain on our investment properties in Shanghai, including the Shanghai Bay office building. Other losses, net, in 2007 were RMB34.5 million, which were primarily due to foreign exchange losses as a result of RMB appreciation on the promissory notes issued to pre-IPO investors.

Selling and marketing expenses. Our selling and marketing expenses were RMB150.5 million in 2008, representing an increase of 94.4% from RMB77.4 million in 2007. This increase was primarily due to an increase in promotion activities intended to improve our corporate image and marketing activities connected to the pre-sale of our properties, including Shanghai Bay.

Administrative expenses. Our administrative expenses were RMB214.8 million in 2008, representing an increase of 103.3% from RMB105.7 million in 2007. This increase was primarily due to an increase in our headcount and corresponding salaries and welfare costs.

Finance costs. Our finance costs in 2008 were RMB54.5 million, representing a decrease of 44.0% from RMB97.2 million in 2007. This decrease was primarily due to an increase in the proportion of interest capitalized as a result of an increase in the number of projects under construction and development.

Profit before income tax. Our profit before income tax in 2008 was RMB2,082.8 million, representing an increase of 532.1% compared with RMB329.5 million in 2007. This increase was primarily due to an increase in sales of high quality residential properties, such as Shanghai Park Avenue and Chateau De Paris (Phase II), which were sold at a higher average selling price, and a fair value gain on our investment properties in 2008.

Income tax expenses. Our income tax expenses in 2008 increased by 273.9% to RMB827.8 million from RMB221.4 million in 2007. This increase was primarily due to an increase in our profit and an increase in land appreciation tax and deferred income tax liability as a result of fair value gain on our investment properties in 2008. Our effective income tax rate, with LAT included in income tax expense, was 39.7% in 2008, representing a decrease from 67.2% in 2007. This decrease in the effective tax rate was due, in part, to the change of PRC corporate income tax from 33% in 2007 to 25% in 2008. The recognition of deferred income tax liability at 25% in respect of the fair value gain on investment properties, which accounted for 40.6% of the total profit before income tax for the year ended December 31, 2008, also contributed to the decrease in our effective tax rate in 2008.

Profit for the year attributable to our equity owners. Profit for the year attributable to our equity owners in 2008 was RMB1,255.0 million, representing an increase of 1,061.0% compared with RMB108.1 million in 2007 primarily due to an increase in gross profit margin arising from high quality residential properties and a fair value gain on our investment properties. Profit for the year attributable to our equity owners as a percentage of revenue increased from 6.0% in 2007 to 31.8% in 2008.

The following table sets forth our completed properties held for sale, our properties under development, advances from pre-sale proceeds and investment properties as of December 31, 2009.

Completed properties held for sale⁽¹⁾

	Sunshine Venice	Shanghai Bay	No. 1 City Promotion Phase I	Sunshine Holiday Phases I, II and III	Sunny Town Phases I and II	Shanghai Park Avenue	Chateau De Paris	Classical Life	Sunshine Bordeaux Phase IA	Total
Completed properties held for sale, at cost (RMB'000)	<u>136,162</u>	<u>402,866</u>	<u>297,553</u>	<u>42,210</u>	<u>66,028</u>	<u>143,058</u>	<u>246,680</u>	<u>16,773</u>	<u>38,802</u>	<u>1,390,132</u>

Properties under development⁽¹⁾

	Shanghai Bay Phase I	Royal Laketront Phase 1A	Hefei Villa Glorious Phase I	Sunshine Holiday Phase III	Royal Mansion Phases I and II ⁽²⁾	Tianjin Royal Bay Seaside	Tianjin Royal Bay Lakeside	Sunny Town Phase III	Harbin Villa Glorious Phase I	Other projects	Total
Completion date or expected completion date	Nov 2009/ Dec 2010	Dec 2010	Oct 2009/ Sep 2011	Jun 2010	Dec 2011	Dec 2011	June 2013	May 2010/ Dec 2011	Dec 2010	—	—
Pre-sale commencement date	Sep 2007	Dec 2009	Nov 2009	Jan 2008	Oct 2009	Nov 2010	May 2011	Jun 2009	Nov 2009	—	—
Properties under development, at cost (RMB'000)	<u>1,516,977</u>	<u>562,374</u>	<u>436,399</u>	<u>642,649</u>	<u>563,675</u>	<u>1,302,254</u>	<u>1,920,251</u>	<u>457,440</u>	<u>695,330</u>	<u>3,032,654</u>	<u>11,130,003</u>

Pre-sale proceeds from customers

	Shanghai Bay	Royal Lakefront	Hefei Villa Glorious	Sunshine Holiday	Royal Mansion	Sunny Town	Harbin Villa Glorious	Other Projects	Total
Total advances (RMB'000)	<u>1,637,013</u>	<u>149,103</u>	<u>221,774</u>	<u>304,837</u>	<u>476,770</u>	<u>216,755</u>	<u>508,053</u>	<u>113,298</u>	<u>3,627,603</u>

Investment properties

	Sunshine Venice Phases I, II, IIIA, IIIB and IIIC	Chateau De Paris Phase II	Sunglow Xinjing	Shanghai Bay Phase III	Total
Completed properties held for leasing purposes					
Fair value (RMB'000)	561,120	58,860	46,910	—	666,890
Gross floor area (sq.m.)	<u>41,649</u>	<u>1,877</u>	<u>2,076</u>	<u>—</u>	<u>45,602</u>
Properties under development					
Fair value (RMB'000)	471,510	—	—	1,346,800	1,818,310
Gross floor area (sq.m.)	<u>58,658</u>	<u>—</u>	<u>—</u>	<u>114,611</u>	<u>173,269</u>
Total fair value (RMB'000)	<u>1,032,630</u>	<u>58,860</u>	<u>46,910</u>	<u>1,346,800</u>	<u>2,485,200</u>
Total gross floor area (sq.m.)	<u>100,307</u>	<u>1,877</u>	<u>2,076</u>	<u>114,611</u>	<u>218,871</u>

Notes:

- (1) In this “Management’s Discussion and Analysis of Financial and Other Data” section, the classification of properties into “completed properties held for sale” and “properties under development” is on the same basis as adopted in the preparation of the consolidated financial statements beginning on page F-1 of this offering memorandum.
- (2) Land costs of Royal Mansion Phase II are included.

LIQUIDITY AND CAPITAL RESOURCES

We have funded our projects principally from proceeds from pre-sales of properties, bank loans, shareholders contributions, the promissory notes issued to certain pre-IPO investors, the Shanghai Bay Arrangements and proceeds from the IPO. As of December 31, 2007, 2008 and 2009 and June 30, 2010, our current ratio (calculated as the total current assets divided by the total current liabilities) was 1.18, 1.01, 2.58 and 2.83, respectively. The decrease of the current ratio in 2008 was mainly due to the increase in current liabilities from RMB10,746.5 million to RMB11,529.3 million as a result of accrued interest on the promissory notes, which in turn increased the total balance of our borrowings. The increase in 2009 primarily reflects the net proceeds received from our IPO.

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

	For the year ended December 31,				For the six months ended June 30,		
	2007	2008	2009		2009	2010	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
Net cash generated from (used in) operating activities	1,960,823	(2,726,410)	(3,035,813)	(447,661)	19,457	(5,026,205)	(741,164)
Net cash generated from (used in) investing activities	1,769,325	783,437	(149,057)	(21,980)	(320,209)	(46,422)	(6,845)
Net cash generated from (used in) financing activities	(606,515)	(935,672)	7,902,583	1,165,315	456,261	3,616,828	533,337
Net increase (decrease) in cash and cash equivalents	<u>3,123,633</u>	<u>(2,878,645)</u>	<u>4,717,713</u>	<u>695,674</u>	<u>155,509</u>	<u>(1,455,799)</u>	<u>(214,672)</u>
Cash and cash equivalents	<u>3,199,105</u>	<u>297,221</u>	<u>5,013,296</u>	<u>739,261</u>	<u>452,717</u>	<u>3,555,751</u>	<u>524,331</u>

Cash flow from operating activities

We derive our cash flow from operating activities principally from the pre-sale and sale of properties. Our cash outflow from operations is principally for investments in property under development. We are subject to certain restrictions on how we use pre-sale proceeds, see “Regulation — Summary of PRC Laws Relating to the Property Sector — Property Transactions — Sale of Commodity Properties”.

In 2009, we had a net cash outflow from operating activities of RMB3,035.8 million (US\$447.7 million), compared to a net cash outflow of RMB2,726.4 million in 2008. This outflow primarily consisted of cash outflows from changes in operating assets and liabilities of RMB5,007.4 million (US\$738.4 million) and income tax payments of RMB128.6 million

(US\$19.0 million) and interest payments of RMB476.1 million (US\$70.2 million) partially offset by net cash inflow from operation before changes in working capital of RMB2,576.3 million (US\$379.9 million). Our cash outflows from changes in operating assets and liabilities were primarily due to an increase of RMB1,970.1 million (US\$290.5 million) in trade and other receivables and prepayments and an increase of RMB2,544.9 million (US\$375.3 million) in properties under development and completed properties held for sale, partially offset by an increase in trade and other payables of RMB583.6 million (US\$86.1 million).

In 2008, we had a net cash outflow from operating activities of RMB2,726.4 million, consisting of cash outflows from changes in operating assets and liabilities of RMB3,180.3 million, an income tax payment of RMB271.3 million and interest payments of RMB590.7 million, offset by cash inflow from operations before changes in working capital of RMB1,316.0 million. Our cash outflows from changes in operating assets and liabilities were due primarily to an increase in properties under development and completed properties held for sale of RMB1,643.3 million and an increase in trade and other receivables and other prepayments of RMB999.0 million, partially offset by an increase in trade and other payables of RMB198.6 million.

In 2007, we had a net cash inflow from operating activities of RMB1,960.8 million, consisting of net cash inflow from operations before changes in working capital of RMB458.9 million and cash inflows from changes in operating assets and liabilities of RMB1,928.7 million, offset by income tax payments of RMB84.6 million and interest payments of RMB342.1 million. Our cash inflows from changes in operating assets and liabilities were primarily due to additional advanced proceeds received from customers of RMB3,420.7 million, partially offset by a decrease in trade and other payables of RMB314.6 million and an increase in trade and other receivables and prepayments of RMB380.8 million.

Cash flow from investing activities

Our investing activities mainly comprise advances, including advances to independent third parties as well as to related parties, acquisitions of subsidiaries, additions to investment properties and purchases of property, plant and equipment.

In 2009, we had a net cash outflow from investing activities of RMB149.1 million (US\$22.0 million), compared to a net cash inflow of RMB783.4 million from investing activities in 2008. This net cash outflow in 2009 primarily comprised purchases of property, plant and equipment of RMB99.2 million (US\$14.6 million) and cash outflow in the construction of investment properties of RMB52.5 million (US\$7.7 million).

In 2008, we had a net cash inflow from investing activities of RMB783.4 million, which primarily comprised settlement of advances to related parties and third parties of RMB791.4 million and interest income of RMB7.9 million, partially offset by purchases of property and equipment of RMB16.9 million.

In 2007, we had a net cash inflow from investing activities of RMB1,769.3 million, which primarily comprised net advances from related parties and third parties of RMB1,763.6 million and interest income of RMB6.7 million, partially offset by purchases of property and equipment of RMB5.1 million.

Cash flow from financing activities

Our financing activities consist primarily of deemed distributions to our equity owners, bank borrowings, Notes borrowings, and capital contributions by our subsidiaries' then shareholders prior to the acquisitions by us.

In 2009, we had a net cash inflow from financing activities of RMB7,902.6 million (US\$1,165.3 million), compared to a net cash outflow of RMB935.7 million in 2008. This inflow primarily consisted of receipt of RMB6,893.3 million (US\$1,016.5 million) of net IPO proceeds and inflow of new bank loans and other financing of RMB5,866.1 million (US\$865.0 million), partially offset by repayment of borrowings of RMB4,971.3 million (US\$733.1 million).

In 2008, we had a net cash outflow from financing activities of RMB935.7 million. This outflow primarily comprised repayment of bank loans of RMB1,062.6 million and repayment of advances from related parties and third parties of RMB362.1 million, partially offset by the inflow of new bank loans of RMB489.0 million.

In 2007, we had a net cash outflow from financing activities of RMB606.5 million. This outflow primarily comprised repayment of and proceeds from advances from related parties and third parties of RMB1,475.4 million, payments of RMB2,333.7 million made to Mr. Zhang Zhi Rong for the acquisition of regional and project companies pursuant to the Reorganization and a net decrease in borrowings of RMB640.2 million, partially offset by borrowing of RMB3,717.4 million under our promissory notes issued to certain pre-IPO investors. The payments of RMB2,333.7 million made to Mr. Zhang Zhi Rong for the acquisition of regional and project companies were determined with reference to valuations of these companies as of May 31, 2007 prepared by an independent valuer.

Restricted cash

Restricted cash comprises (i) funds borrowed under project loans that are subject to restriction of use until certain prescribed stages of construction works are achieved, (ii) guaranteed deposits for the mortgage loan facilities granted by banks to purchasers of our properties, (iii) bank deposits of Shanghai Penghui for which the usage of funds is subject to approval from the purchaser under the Shanghai Bay Arrangements, (iv) funds borrowed under the Shanghai Bay Arrangements that are pledged as collateral for the promissory notes and could only be used for operating expenses and permitted uses until such financing was repaid, and (v) bank deposits under irrevocable payment instructions in relation to the acquisition of Tianjin Dong'an Group. As of December 31, 2007, 2008 and 2009, the balance of restricted cash was RMB66.7 million, RMB84.5 million and RMB1,039.1 million (US\$153.2 million), respectively.

Working capital

As of December 31, 2007, 2008 and 2009, our cash and cash equivalents, excluding restricted cash, amounted to RMB3,199.1 million, RMB297.2 million and RMB5,013.3 million (US\$739.3 million), respectively.

Capital expenditures

For the years ended December 31, 2007, 2008 and 2009, we incurred capital expenditures in the amounts of RMB5.1 million, RMB16.9 million and RMB168.5 million (US\$24.8 million), respectively.

Contractual commitments

We were contractually committed to spend RMB6,907.0 million as of December 31, 2007, RMB8,004.7 million as of December 31, 2008 and RMB15,381.3 million (US\$2,268.1 million) as of December 31, 2009 on expenditures required for land use rights, property development expenditures and construction materials.

The following table sets forth our contractual commitments as of the dates indicated:

	As of December 31,			
	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	US\$'000
Land use rights	1,237,070	2,911,901	9,917,704	1,462,465
Property development expenditures	5,669,911	5,092,779	5,387,032	794,372
Construction materials	—	—	76,580	11,292
Total	<u>6,906,981</u>	<u>8,004,680</u>	<u>15,381,316</u>	<u>2,268,129</u>

Operating Lease

The following table summarizes our operating lease commitments as of the following dates:

	As of December 31,			
	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	US\$'000
Not later than one year	12,338	20,845	14,316	2,111
Later than one year and not later than five years	27,102	32,676	19,808	2,921
Later than five years	49,146	48,607	—	—
Total	<u>88,586</u>	<u>102,128</u>	<u>34,124</u>	<u>5,032</u>

The majority of our operating lease commitments that are for more than five years represent our commitment under lease agreements with independent third parties for office areas in Shenzhen, which we use as office buildings for the Company and for subleasing. The lease for the office space in Shenzhen will expire in 2012 for one of the two floors and 2013 for the other.

INDEBTEDNESS AND CONTINGENT LIABILITY STATEMENTS

Borrowings

Our borrowings as of December 31, 2007, 2008 and 2009 and as of June 30, 2010 were as follows:

	As of December 31,				As of June 30,	
	2007	2008	2009		2010	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
						(unaudited)
Borrowings included in non-current liabilities:						
Bank borrowings — secured	2,317,730	537,000	2,970,149	437,978	7,282,892	1,073,935
Shanghai Bay Arrangements — secured	—	—	2,070,935	305,380	1,903,845	280,741
Subtotal	2,317,730	537,000	5,041,084	743,358	9,186,737	1,354,676
Borrowings included in current liabilities:						
Bank borrowings — secured	204,000	1,630,110	1,161,388	171,258	1,574,682	232,203
Borrowings from a related party — unsecured	680,000	—	—	—	—	—
Notes borrowing — secured	3,665,155	4,307,015	447,034	65,920	—	—
Other borrowings	—	—	198,438	29,262	—	—
Total borrowings in current liabilities	<u>4,549,155</u>	<u>5,937,125</u>	<u>1,806,860</u>	<u>266,440</u>	<u>1,574,682</u>	<u>232,203</u>
Total borrowings	<u>6,866,885</u>	<u>6,474,125</u>	<u>6,847,944</u>	<u>1,009,798</u>	<u>10,761,419</u>	<u>1,586,879</u>

The maturities of our borrowings as of December 31, 2007, 2008 and 2009 and as of June 30, 2010 were as follows:

	As of December 31,				As of June 30,	
	2007	2008	2009		2010	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
Within 1 year	4,549,155	5,937,125	1,806,860	266,440	1,574,682	232,203
After 1 and within 2 years . .	857,730	537,000	3,555,529	524,298	6,077,449	896,181
After 2 and within 5 years . .	1,460,000	—	939,606	138,554	2,539,653	374,497
After 5 years	—	—	545,949	80,506	569,635	83,998
	<u>6,866,885</u>	<u>6,474,125</u>	<u>6,847,944</u>	<u>1,009,798</u>	<u>10,761,419</u>	<u>1,586,879</u>

The weighted average effective interest rates of our bank borrowings at each of the balance sheet dates as of December 31, 2007, 2008 and 2009 were 8.06%, 6.33% and 7.89%, respectively.

The carrying amounts of all our borrowings for the three years ended December 31, 2009 were denominated in Renminbi. The promissory notes and convertible notes issued to certain pre-IPO investors in 2009 in connection with the restructuring of the original promissory notes, were denominated in US dollars.

Our gearing ratio, calculated as our net debt divided by total equity attributable to the equity holders, as of December 31, 2008 and 2009 and as of June 30, 2010 was 662.9%, 7.0% and 50.0%, respectively.

Bank Borrowings. Our bank borrowings of RMB2,521.7 million, RMB2,167.1 million, RMB4,131.5 million (US\$609.2 million) and RMB8,857.6 million (US\$1,306.1 million) as of December 31, 2007, 2008 and 2009 and as of June 30, 2010, respectively, were secured by certain properties under development and completed properties held for sale.

As of June 30, 2010, we had total banking facilities of RMB23,010.2 million (US\$3,393.1 million), consisting of used banking facilities of RMB9,185.2 million (US\$1,354.4 million) and unused banking facilities of RMB13,825.0 million (US\$2,038.6 million).

On July 2, 2009, we entered into a strategic cooperation agreement with China Construction Bank, Shanghai Pudong Branch (“CCB Shanghai”) pursuant to which CCB Shanghai expressed its intent to extend to us a RMB5.05 billion line of credit. CCB Shanghai has undertaken to offer us preferential terms and pricing for our banking business and a range of banking, finance and credit related services. In exchange, we have undertaken to give priority to CCB Shanghai to handle our main banking business and a range of banking, finance and credit related services for us, including financial transactions, loans and project and funds management. The strategic cooperation agreement with CCB Shanghai has a three-year term.

On September 7, 2009, we entered into a strategic cooperation agreement with China Construction Bank, Shenzhen Branch (“CCB Shenzhen”) pursuant to which CCB Shenzhen expressed its intent to extend to us a RMB6.0 billion line of credit. Such credit facilities are still subject to approval by CCB Shenzhen. CCB Shenzhen has undertaken to offer us preferential terms and pricing for these services within the range specified by the relevant regulators. We have undertaken not to enter into a strategic cooperation agreement with any other bank for three years and not to obtain credit facilities from other banks unless they are on terms that are comparable with or more favorable than those offered by CCB Shenzhen. We are in the process of seeking a waiver of this provision from CCB Shenzhen. Either party may terminate the strategic cooperation agreement on thirty days written notice.

For a description of certain additional bank borrowings subsequent to June 30, 2010, see “Description of Other Material Indebtedness.”

Pre-IPO Notes. In November and December 2007, we issued promissory notes to certain pre-IPO Investors in a total aggregate principal amount of RMB3,717.4 million (the “original promissory notes”) and received US\$495.7 million in proceeds therefrom. Interest accrued on the original promissory notes at the rate of 10% per annum and was payable semi annually on May 2 and November 2 of each year. The entire principal amount of the original promissory notes was payable on the earlier of (x) November 2, 2009 and (y) the date of our IPO. In connection with the subscription of the original promissory notes, the pre-IPO investors and their affiliates also received from one of our controlling shareholders a total of 700,000 shares for no additional monetary consideration. We made interest payments of RMB158.8 million and RMB186.9 million on the original promissory notes on May 2, 2008 and November 2, 2008, respectively. We did not make interest payments on the original promissory notes on May 2, 2009 as we were negotiating to restructure them. In August 2009, the original promissory notes were restructured as follows: (a) the denomination of the original promissory notes was changed from RMB to US\$; (b) we paid interest that was due and outstanding on the original promissory notes (as converted into US\$) in cash in the aggregate amount of US\$27.2 million; (c) we redeemed an aggregate principal amount of US\$192.8 million of the original promissory notes (as converted into US\$); and (d) the remaining US\$490.0 million of the original promissory notes were replaced by the following two tranches of notes: (i) US\$325.0 million of promissory notes with a tenor of 18 months and a final maturity date of December 31, 2010; and (ii) US\$165.0 million of convertible notes which were mandatorily converted into shares upon our IPO at the IPO offer price. On the date of our IPO, the US\$165.0 million of convertible notes were converted into 290,645,623 of our ordinary shares. In October and December 2009, we redeemed US\$201.6 million and US\$50.0 million, respectively, of the promissory notes leaving US\$73.4 million of promissory notes outstanding. On March 1, 2010, we redeemed the remaining US\$73.4 million in full, together with accrued interest.

Shanghai Bay Arrangements. In August 2009, pursuant to the Shanghai Bay Arrangements, we transferred our legal ownership interests in Blocks Nos. 2 and 8 of Shanghai Bay Phase I, with a total GFA of 56,202 sq. m., to Shanghai Industrial Group. In return, we received a payment of US\$190.2 million (equivalent to RMB1.3 billion) which we used to partially redeem the original promissory notes.

In December 2009, we received a second payment in an amount equal to the US\$ equivalent of RMB0.7 billion when we pledged our 30% equity interest in Shanghai Xintai and agreed to transfer our legal interests in additional Blocks Nos. 9 and 10 of Shanghai Bay with a total GFA of 53,984 sq. m. to Shanghai Industrial Group on or before December 31, 2011. The payments we received from Shanghai Industrial Group are accounted for as a loan on our balance sheet. The “shareholder return” is accounted for in our financial statements as interest.

Under the Shanghai Bay Arrangements, we have the right and obligation to reacquire Shanghai Penghui Property Development Co., Ltd. (上海鵬輝置業有限公司) (“Shanghai Penghui”), the legal entity that owns Blocks Nos. 2 and 8 of Shanghai Bay and that will own Blocks No. 9 and 10 when they are transferred, and Shanghai Industrial Group has the right and obligation to resell Shanghai Penghui to us on December 1, 2011. The consideration for the reacquisition of Shanghai Penghui will be RMB2.0 billion (the RMB equivalent of the amount we received from Shanghai Industrial Group). Upon payment of such consideration, the pledge to Shanghai Industrial Group of 30% of the equity in our subsidiary, Shanghai Xintai, will also be released. As part of such arrangements, we have agreed to ensure that Shanghai Industrial Group receives a “shareholder return” (net of tax) for each of the three years ending December 31, 2011 equal to 18% per annum of the consideration paid by Shanghai Industrial Group. The payments we received from Shanghai Industrial Group are accounted for as a loan on our balance sheet. The “shareholder return” is accounted for in our financial statements as interest.

The commercial intention for entering into the Shanghai Bay Arrangements was to enable us to obtain financing from, and grant collateral for such financing to, Shanghai Industrial Group. As such, pursuant to the terms of the Shanghai Bay Arrangements and following the

transfer of each of the transferred blocks and prior to December 31, 2011, (i) we continue to bear the risks associated with the development of the transferred blocks and (ii) unless a non-performing event occurs, we still retain the right to manage and control the construction, pre-sale, sale, and development of the transferred blocks and manage the daily operations of Shanghai Penghui, the entity that was legal ownership of the transferred blocks during such period.

Guarantees

We have arranged bank financing for certain purchasers of our property units and provided guarantees to secure the 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 one to two years upon the completion of guarantee registration; or (ii) the satisfaction of the mortgage loan by the purchasers of our properties.

Pursuant to the terms of the guarantees, upon any default in mortgage payments by these purchasers, we are responsible to repay the outstanding mortgage principal together with accrued interest and any penalty owed by the defaulting purchasers to the banks, and we are entitled to take over the legal title and possession of the related properties. Our guarantee period starts from the date of the grant of the respective mortgage.

As of December 31, 2007, 2008, 2009 and June 30, 2010, the amount of outstanding guarantees for mortgages was RMB1,860.8 million, RMB2,662.1 million, RMB2,749.8 million (US\$405.5 million) and RMB3,790.1 million (US\$558.9 million), respectively.

As of December 31, 2009, properties under development with carrying value of RMB193.4 million (US\$28.5 million) were pledged as collateral for borrowings of third parties in the amount of RMB280.0 million (US\$41.3 million). As of June 30, 2010, the Group had pledged certain of its subsidiaries' shares, construction in progress, investment properties, properties under development and completed properties held for sale to secure its borrowings as collateral for borrowings of third parties.

Financial instruments

As of June 30, 2010, we have not entered into any financial instruments for hedging purposes.

Off-balance sheet commitments and arrangements

As of June 30, 2010, we had not entered into any material off-balance sheet transactions or arrangements.

MARKET RISKS

Interest rate risk

We are exposed to interest rate risks resulting from fluctuations in interest rates on our debts. Most of our bank loans bear interest rates that are subject to adjustment by our lenders in accordance with changes made by the PBOC. If the PBOC raises interest rates, our interest cost with respect to variable rate borrowings will increase. In addition, to the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of new debt. An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand in China. We currently do not use and we do not expect to use any derivative instruments to modify the nature of our debt so as to manage our interest rate risks. See "Risk Factors — Risk relating to our business — Our business may be adversely affected by future increases in interest rates" of this offering memorandum.

Commodities risk

While we are exposed to the increase in prices of raw materials for our property developments, primarily steel and cement, such exposure is mitigated by our contracting arrangements with Shanghai Ditong, and Shanghai Ditong's sub-contracting activities. Our purchase costs of steel and cement are generally accounted for as part of our contractor fees paid to Shanghai Ditong. Our contractors generally procure basic building materials such as cement and steel. However, we are still exposed to the risks of the increase in the costs of raw materials over time as rising prices for construction materials affect our construction costs in the form of increased fees payable to our contractors. We currently do not and do not expect to engage in commodities hedging activities.

Inflation

According to National Bureau of Statistics of China, China's overall national inflation rate, as represented by changes in the general consumer price index, was approximately 4.8%, 5.9% and -0.7% for the years ended December 31, 2007, 2008 and 2009, respectively. Inflation did not have a significant effect on our business in the three years ended December 31, 2009. However, there can be no assurance as to the impact of a sustained increase in inflation on our business, financial condition, results of operations or prospects.

Foreign exchange risk

We conduct our operations in the PRC and most of our transactions, if not all, are settled in RMB. Our exposure to foreign exchange risk is principally due to our U.S. dollar-denominated debt and our bank deposits in foreign currencies, mainly Hong Kong dollars and U.S. dollars. As of June 30, 2010, we had no U.S. dollar-denominated debt.

We recognize foreign exchange gain or loss on our income statement due to changes in value of assets and liabilities denominated in foreign currencies during the relevant accounting period.

Appreciation of the Renminbi against the U.S. dollar generally results in a gain arising from our U.S. dollar-denominated debt and a loss arising from our bank deposits in Hong Kong dollars and U.S. dollars. A depreciation of the Renminbi against the U.S. dollar would have the opposite effect. In addition, a depreciation of Renminbi would negatively affect the value of dividends paid by our PRC subsidiaries, which may in turn affect our ability to service foreign currency-denominated debts.

Fluctuations in the foreign exchange rate have had and will continue to have an impact on our business, financial condition and results of operations. See "Risk Factors — Risks Relating to the Notes — We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly U.S. dollars." We currently do not hedge our foreign exchange risk but may do so in the future.

Credit risk

Credit risk is managed on a Company basis. Our credit risk arises from cash deposits, and trade and other receivables. Our management has policies to continuously monitor our exposures to these credit risks. We have policies to ensure that sales are made to customers with an appropriate credit history and deposits are placed with banks with appropriate credit ratings. We have arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Our management makes periodic collective assessments as well as individual assessments on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. We believe that we do not have a significant concentration of credit risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash from operating activities and the availability of funding through an adequate amount of committed credit facilities. Aside from certain amounts of discretionary cash available, we maintain flexibility in funding by keeping committed credit lines available. We regularly prepare financial plans and submit such plans to our banks, which usually grant us credit lines for such financial plans.

NON-GAAP FINANCIAL MEASURES

We use Adjusted EBITDA and Adjusted EBITDA margin to provide additional information about our operating performance. Adjusted EBITDA refers to our net profit for the period plus finance costs, income tax expenses, share-based compensation expenses, depreciation and amortization and minus fair value gains on investment properties, gains on extinguishment of financial liability and fair value gains on financial derivatives. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue.

Adjusted EBITDA is not a standard measure under either HKFRS or U.S. GAAP. 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 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 and U.S. GAAP measure to Adjusted EBITDA is net profit for the period/year. We use Adjusted EBITDA in addition to profit before income tax because profit tax includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of land use rights. 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 land use rights amortization, Adjusted 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 before income tax under HKFRS to our definition of Adjusted EBITDA for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,	
	2007	2008	2009		2010	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
Net profit for the year	108,094	1,254,991	2,366,144	348,912	366,097	53,985
Adjustments						
Income taxes	221,394	827,806	1,319,608	194,589	676,571	99,767
Finance costs, net	97,225	54,479	27,068	3,991	7,640	1,127
Depreciation	5,526	6,571	7,677	1,132	5,016	740
Amortization	2,634	2,948	6,912	1,019	250	37
Share-based compensation expenses	—	—	69,898	10,307	38,689	5,705
Fair value gain on investment properties	—	(846,085)	(1,026,985)	(151,439)	—	—
Gain on extinguishment of financial liability	—	—	(198,729)	(29,304)	—	—
Loss on redemption of the promissory notes	—	—	—	—	33,768	4,979
Adjusted EBITDA	<u>434,873</u>	<u>1,300,710</u>	<u>2,571,593</u>	<u>379,207</u>	<u>1,128,031</u>	<u>166,340</u>

You should not consider our definition of Adjusted EBITDA in isolation or construe it as an alternative to operating profit or as an indicator of operating performance or any other standard measure under HKFRS or U.S. GAAP. Our definition of Adjusted EBITDA does not account for taxes and other non-operating cash expenses. Our Adjusted EBITDA measures may not be comparable to similarly titled measures used by other companies. You should also note that Adjusted EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See “Description of the Notes — Definitions” for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture 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 Purchaser or any of our or its affiliates or advisors. The information may not be consistent with other information compiled within or outside the PRC.

THE ECONOMY OF THE PRC

Over the last quarter of a century, the PRC government has introduced reforms that have transformed the PRC economy from a centrally planned system into a more liberalized market economy. The significant economic development that has resulted from such reforms has been accelerated by China's accession to the World Trade Organization ("WTO") in 2001. China has experienced average annual GDP growth rate of approximately 9.8% from 2000 to 2009.

The table below sets forth selected PRC economic statistics for the years indicated:

Leading PRC Economic Indicators (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Population (million)	1,267	1,276	1,285	1,292	1,300	1,308	1,314	1,321	1,328	1,335	0.6%
Nominal GDP (RMB billion)	9,921	10,966	12,033	13,582	15,988	18,322	21,192	25,731	30,067	33,535	14.5%
Real GDP growth (%)	8.4	8.3	9.1	10.0	10.1	10.4	11.6	13.0	9.0	8.7	N/A
GDP per capita (RMB)	7,858	8,622	9,398	10,542	12,336	14,053	16,165	19,524	22,698	25,125	13.8%
CPI growth (%)	0.4	0.7	-0.8	1.2	3.9	1.8	1.5	4.8	5.9	-0.7	N/A
Urban population (million)	459.1	480.6	502.1	523.8	542.8	562.1	577.1	593.8	606.7	621.9	3.4%
Urbanization (%)	36.2	37.7	39.1	40.5	41.8	43.0	43.9	44.9	45.7	46.6	N/A
Unemployment rate (%)	3.1	3.6	4.0	4.3	4.2	4.2	4.1	4.0	4.2	4.3	N/A
Per capita disposable income (RMB)	6,280	6,860	7,703	8,472	9,422	10,493	11,759	13,786	15,781	17,175	11.8%
Retail sales of consumer goods (RMB billion)	3,911	4,306	4,814	5,252	5,950	6,718	7,641	8,921	10,849	12,534	13.8%
Foreign direct investment (US\$ billion)	40.7	46.9	52.7	53.5	60.6	60.3	69.5	74.8	92.4	90.0	9.2%
Fixed asset investment (RMB billion)	3,292	3,721	4,350	5,557	7,048	8,877	11,000	13,732	17,283	22,485	23.8%
Real estate investment (RMB billion)	498	634	779	1,015	1,316	1,591	1,942	2,529	3,120	3,623	24.7%

Source: *China Statistical Yearbooks, 2001-2009, China Real Estate Index System
2009 China National Economy and Social Development Statistical Communique*

Notes:

- (1) N/A represents not applicable or not available.
- (2) Some figures have been revised in accordance with the latest published Statistics Yearbook 2009.
- (3) CAGR refers to compound annual growth rate.
- (4) Urbanization denotes the proportion of the total population residing in urban areas.

THE REAL ESTATE MARKET IN THE PRC

Real Estate Reform

Real estate reform in the PRC did not commence until the 1990s, prior to which the PRC real estate development industry was part of the nation's planned economy. In the 1990s, China's real estate and housing sector began its transition to a market-based system. A brief timeline of the key housing reforms is set out below:

- 1988 The National People's Congress amended the national constitution to permit the transfer of state-owned land use rights.
- 1992 Public housing sales to private enterprises and individuals in major cities commenced.
- 1994 The PRC government implemented further real estate reforms and established an employer/employee-funded housing fund system.
- 1995 The PRC government issued regulations regarding the sales and pre-sales of real estate, which were later amended in 2004.
- 1998 The PRC government abolished state-allocated housing policy.
- 1999 The PRC government extended the maximum mortgage term to 30 years, increased the maximum percentage of mortgage financing from 70% to 80% and formalized the secondary market for real property.
- 2000 The PRC government issued regulations to standardize the quality of construction projects.
- 2001 The PRC government issued regulations on commodity property sales.
- 2002 The PRC government promulgated the "Rules Regarding the Grant of State-owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定)" and eliminated the dual system for domestic and overseas home buyers in China.
- 2003 The PRC government promulgated new rules to specify the requirements for banks to provide loans for the purposes of property development and individual home mortgage.
- 2004 The State Council issued a notice requiring real estate development projects (excluding affordable housing programs) to be financed by developers' own capital funds at least 35%, rather than the previous 20%, of the total projected capital outlay for such projects.
- The China Banking Regulatory Commission further strengthened the risk control of commercial banks over their real estate financing.
- 2005 The PRC government adopted additional measures to discourage speculation in the real estate market, including increasing the minimum down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% on the proceeds from re-sale of properties that occur within two years after purchase and prohibiting the re-sale of uncompleted properties.

- 2006 The PRC government announced further measures to “promote healthy development of the real estate market”, including: (i) requiring 70% of residential developments in certain regions be allocated to units no larger than 90 sq.m. by GFA; (ii) imposing business tax of 5% on the total proceeds from the sale of residential housing purchased and held for less than 5 years; (iii) prohibiting commercial banks from providing financing to development projects before the developer has committed more than 35% of the total project costs; (iv) imposing hefty penalties or revoking land use rights where developers left land idle or failed to develop within the specified timeframe; (v) placing restrictions on foreigners purchasing residential properties in China; and (vi) placing restrictions on off-shore institutional investors investment in the Chinese real estate market.
- 2007 The State Administration of Tax issued a notice requiring local tax authorities to strictly enforce the collection of Land Appreciation Tax (“LAT”), imposing additional requirements for loans with respect to second and subsequent purchases of properties by individuals, increasing minimum down payments for non-first home buyers from 30% to 40%, and increasing the mortgage rate for non-first home buyers from 85% to 110% of the standard interest rate.
- 2008 The State Council issued the *Notice on Promoting the Saving and Intensification of Use of Land* (國務院關於促進節約集約用地的通知), which required that at least 70% of any residential land development project be used for developing low-cost rental units, small-to-medium sized units, low-to-medium cost units and units with a GFA of less than 90 sq.m. The notice also imposed an additional land premium surcharge on idle land.
- The Ministry of Finance and the State Administration of Taxation of the PRC adjusted real estate related tax rates for individual property sale or purchase, including temporarily lowering the deed tax rate to 1% for individual first time purchase of residential with a GFA of no more than 90 sq.m., suspending land appreciation tax for sale of residential properties and suspending stamp duty for purchase or sale of residential properties.
- The State Council implemented several tax related policies, including shortening the business tax exemption term for the transfer of ordinary residential properties from five years to two years beginning the earlier of the date of issuance of building ownership certificates or the date of the deed tax payment receipt, and revising the basis for calculating the business tax by fixing it at the balance between the transfer price and the purchase price if the individual owner transfers the property within two years after purchase.
- In support of first time purchasers of ordinary residential properties, the PBOC adjusted the lower limit of the lending rate for residential properties of a commercial nature for individuals to 70% of the benchmark lending rate and adjusted the minimum down payment to 20% of the total purchase price. The PBOC also lowered the lending rate for real estate developers of low-rent housing to 90% of the bench mark lending rate.
- 2009 On December 22, 2009, the Ministry of Finance and State Administration of Taxation issued “The Notice on the Business Tax Policies on Individual Housing Transfer” (Cai Shui [2009] No.157) 《關於調整個人住房轉讓營業稅政策的通知》(財稅[2009]157號) (the “Notice”). The Notice requires anyone selling an ordinary residential apartment or house within five years of its purchase to pay a sales tax of 5.5 per cent, extending the taxable period from the previous two years. The Notice took effect starting on January 1, 2010.

2010 On April 17, 2010, the State Council announced that purchasers of first homes exceeding 90 sq.m. must pay a minimum of 30% of the purchase price of the property before they can finance their purchases through mortgages. In addition, the State Council also increased the minimum down payment percentage of second home purchases from 40% to 50% and required mortgage rates for second home purchases to be no less than 110% of benchmark lending rates. The State Council also instructed banks to increase the minimum down payment percentages and interest rates significantly for purchases of third homes and above. Finally, the State Council further instructed banks to tighten the provision of mortgages, including potentially suspending mortgage lending for purchases of third homes and above as well as to any non-resident borrower unable to provide evidence of having made at least one year of tax or social security payments in such regions.

SHANGHAI PROPERTY MARKET

Shanghai is an international trade and financial center. Between 2004 and 2009, Shanghai's population grew from approximately 13.2 million to approximately 13.8 million, representing a CAGR of 0.5%. As one of the most prosperous cities in China and the economic bellwether of the Yangtze River Delta Region, Shanghai maintained a double-digit real GDP growth rate from 1992 to 2007. However, due in part to the slowing global economy, real GDP growth in Shanghai declined to 9.7% in 2008 and 8.2% in 2009. In 2009, Shanghai's total GDP was RMB1,490 billion and Shanghai's GDP per capita ranked first amongst all the provinces and municipalities in China.

The table below sets forth selected economic indicators for Shanghai for the years indicated:

Shanghai Economic Indicators of (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Population (million)	13.2	13.3	13.3	13.4	13.5	13.6	13.7	13.8	13.9	13.8	0.5%
Nominal GDP (RMB billion)	477	521	574	669	807	916	1,037	1,219	1,370	1,490	13.5%
Real GDP growth rate (%)	11.0	10.5	11.3	12.3	14.2	11.1	12.0	14.3	9.7	8.2	N/A
GDP per capita (RMB)	30,047	32,333	35,445	40,130	46,755	52,060	57,695	66,367	73,124	77,556	11.1%
FDI (US\$ billion)	3.2	4.4	5.0	5.9	6.5	6.9	7.1	7.9	10.1	10.5	14.2%
Retail sales of consumer goods (RMB billion)	186.5	201.6	220.4	240.5	265.7	297.3	336.0	384.8	453.7	517.3	12.0%
Fixed asset investment (RMB billion)	187.0	199.5	218.7	245.2	308.5	354.3	392.5	445.9	482.9	527.3	12.2%
Urbanization (%)	74.6	75.3	76.4	77.6	81.2	84.5	85.8	86.8	87.5	88.0	1.9%
Per capita disposable income (RMB)	11,718	12,883	13,250	14,867	16,683	18,645	20,668	23,623	26,675	28,838	10.5%

Source: Shanghai Statistical Yearbooks, 2001-2009, China Real Estate Index System
2009 Shanghai Economy and Social Developments Statistical Communique

Notes:

(1) N/A represents not applicable or not available.

A large number of foreign companies and investors have entered the Shanghai market because of its economic growth and position as the leading financial center in China. Between 2000 and 2009, total foreign direct investment (“FDI”) in Shanghai grew from US\$3.2 billion to US\$10.5 billion, representing a CAGR of 14.2%. Although the global financial crisis has depressed foreign investment by large multinational companies and individuals, FDI in Shanghai grew to US\$10.5 billion in 2009.

Per capita disposable income in Shanghai has increased steadily over the past few years. In 2000, per capita disposable income was RMB11,718, rising to RMB28,838 in 2009, representing a CAGR of 10.5%. In addition, retail sales of consumer goods in Shanghai totalled RMB517.3 billion in 2009 and had increased at a CAGR of 12.0% since 2000.

The PRC central government’s policies issued in April 2009 aim to develop Shanghai into an international financial and shipping center and to enhance the development of its service and manufacturing industries.

Infrastructure Developments

To further improve living conditions and prepare for the Shanghai World Expo 2010, the Shanghai government has increased its infrastructure investment in recent years. In 2009 government investment in infrastructure in Shanghai reached RMB211.3 billion, representing an increase of 21.9% compared to 2008. The Shanghai government has initiated the following plans for infrastructure improvement:

- construction of six metro lines and light railways to be completed in Shanghai by 2012; and
- construction of the Shanghai-Beijing Express Railway scheduled to be completed in 2013.

Real Estate Investment in Shanghai

Between 2000 and 2009, real estate investment in Shanghai grew at a CAGR of 11.1%. Real estate investment totalled RMB146.4 billion in 2009.

In 2008, 17.6 million sq.m. of residential GFA were completed and 19.7 million sq.m. were sold in Shanghai, representing declines of 36.0% and 40.0%, respectively, compared to 2007. Developers slowed down construction of projects in light of the cooling property market and global financial assets, resulting in decreased supply in 2008 and the first few months of 2009. However, the total volume of residential properties sold in 2009 reached 20.3 million sq.m., increasing by 48.9% compared with 2008 as a result of recovery of the global economy.

Between 2000 and 2007, the average property prices of commodity and residential properties in Shanghai grew at a CAGR of approximately 13%, before declining slightly in 2008. In 2009, property prices of commodity and residential properties averaged RMB12,840 per sq.m. and RMB12,364 per sq.m., representing a year-on-year growth of 56% and 51%, respectively.

The table below sets forth selected property market indicators of Shanghai between 2000 and 2009:

Property Market Indicators of Shanghai (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	56.6	63.1	74.9	90.1	117.5	124.7	127.6	130.8	136.7	146.4	11.1%
GFA of commodity properties completed (million sq.m.)	16.4	17.9	19.8	24.9	34.4	40.0	32.7	33.8	24.8	21.0	2.8%
GFA of residential properties completed (million sq.m.)	13.9	15.2	17.1	21.4	30.8	27.4	27.0	27.5	18.0	15.1	0.9%
GFA of commodity properties sold (million sq.m.)	15.6	18.0	19.7	23.8	34.9	31.6	30.3	36.9	23.0	33.7	8.9%
GFA of residential properties sold (million sq.m.)	14.5	16.8	18.5	22.2	32.3	28.5	26.2	32.8	19.7	29.3	8.1%
Average selling price of commodity properties (RMB per sq.m.)	3,565	3,866	4,134	5,118	6,489	6,842	7,196	8,361	8,255	12,840	15.3%
Average selling price of residential properties (RMB per sq.m.)	3,326	3,659	4,007	4,989	6,385	6,698	7,039	8,253	8,182	12,364	15.7%

Source: Shanghai Statistics Bureau, China Real Estate Index System

Note:

(1) 2009 figures are preliminary data from the Shanghai Statistics Bureau.

Mid to High-end Residential Market in Shanghai

Shanghai's mid to high-end residential properties are mainly concentrated in ten urban districts and often have well-developed ancillary facilities.

Demand for mid to high-end residential properties in Shanghai comes mainly from end-users. The property market in Shanghai is maturing gradually. Investment demand for residential properties is expected to result from a steadily growing proportion. The following factors are expected to contribute to such demand in Shanghai:

- the improving infrastructure and social, economic, political and cultural environment;
- the increasing income of the emerging middle class and the growth of wealthy groups; and
- the growing population of expatriate and migrant residents as a result of the growth of multinational companies and business activity in Shanghai.

Steady growth in the average price of mid to high-end residential properties is expected in the coming years, due, in part, to the increasing income of residents and the active property leasing market that is expected to result from an inflow of expatriates, together with the expected inflow of tourists during the Shanghai World Expo.

Mid to High-end Retail Market in Shanghai

Shopping centers and department stores are among the major retail properties in Shanghai. Many such retail spaces are located in the six central areas, namely, West Nanjing Road in the Jing'an District, East Nanjing Road in the Huangpu District, Huaihai Road in the Luwan District, Xujiahui in the Xuhui District, Zhongshan Park in the Changning District, Lujiazui in the Pudong District. Other retail spaces are located in emerging commercial centers such as the Wujiaochang Area in the Yangpu District and the Daning International Area in the Zhabei District. With limited land supply in the central areas, mid to high-end retail properties are expected to see strong demand in the long term.

As retail properties are often considered a long-term investment asset, the majority of units within shopping centers and department stores are only for lease.

Due, in part, to the growing number of wealthy residents and expatriates, and increasing investment from foreign retailers, demand for mid to high-end retail space is expected to grow strongly. Between 2000 and 2009, retail sales in Shanghai grew from RMB186.5 billion to RMB517.3 billion, representing a CAGR of 12.0%, and the rate of such growth gradually increased during that period. The vacancy rate of retail properties with prime locations remained low at the end of 2009 due to limited supply, while newly launched properties in other areas are expected to have higher vacancy rates.

Shanghai Five-star Hotel Market

Demand for five-star hotels in Shanghai is expected to grow as a result, in part, of the growing number of domestic and international visitors to Shanghai, together with large-scale business events and the general economic growth. Since 2000, the number of international visitors has grown at a CAGR of 14.8%, reaching 6.3 million in 2009. Shanghai has become an important destination for conventions and exhibitions in Asia, and its meetings, incentives, conferences and exhibitions industry has been developing rapidly in recent years. Shanghai has been ranked by the Yearbook of China Tourism Statistics 2001 and 2007 among the cities with the highest room rates for five-star hotels in mainland China.

TIANJIN PROPERTY MARKET

Tianjin, located southeast of Beijing, is one of the most important industrial cities in Northern China. It is also an international transportation hub with port facilities and is one of two major cities in the Bohai Rim Economic Zone. Tianjin covers an area of 11,760 sq.km. and had a population of 9.8 million in 2009.

Tianjin has maintained rapid GDP growth since 2003, with real GDP growth rate higher than 14.0% from 2003 to 2009. Its GDP output reached RMB750.1 billion in 2009 with a real GDP growth rate of 16.5% compared with the national growth rate of 8.7%.

Between 2000 and 2009, disposable income per urban resident in Tianjin increased from RMB8,141 to RMB21,430, representing a CAGR of 11.4%.

The table below sets forth selected economic indicators of Tianjin between 2000 and 2009:

Economic Indicators of Tianjin (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Population (million)	9.1	9.1	9.2	9.3	9.3	9.4	9.5	9.6	9.7	9.8	0.8%
Nominal GDP (RMB billion)	170.2	191.9	215.1	257.8	311.1	369.8	434.4	505.0	635.4	750.0	17.9%
Real GDP growth rate (%)	10.8	12.0	12.7	14.8	15.8	14.7	14.5	15.1	16.5	16.5	N/A
GDP per capita (RMB)	17,353	19,141	21,387	25,544	30,575	35,783	41,022	46,122	55,473	62,403	15.3%
FDI (US\$ billion)	2.6	3.2	3.8	1.6	2.5	3.3	4.1	5.3	7.4	9.0	14.8%
Fixed asset investment (RMB billion)	60.9	70.5	81.1	104.7	125.9	151.7	185.0	238.9	340.4	500.6	26.4%
Urbanization (%)	58.4	58.6	58.9	59.4	59.6	59.9	60.2	60.5	60.7	61.1	0.5%
Per capita disposable income (RMB)	8,141	8,959	9,338	10,313	11,467	12,639	14,283	16,357	19,423	21,430	11.4%

Source: Tianjin Statistical Yearbooks, 2001-2009, China Real Estate Index System
2009 Tianjin Economy and Social Development Statistical Communique

Notes:

(1) N/A represents not applicable or not available.

Infrastructure Developments

In order to implement its development plan both in the city area and the surrounding Bohai Rim Economic Zone, the Tianjin government has increased investment in infrastructure developments. The Tianjin government has initiated the following plans for infrastructure improvement:

- construction of the third Jing-Jin-Tang Expressway linking Beijing, central Tianjin and the Tanggu District of Tianjin;
- construction of the Jin-Qin Express Railway linking Tianjin and Qinhuangdao;
- construction of the Jing-Hu Express Railway linking Beijing, Tianjin and Shanghai;
- construction of the Chengde-Tianjin Expressway;
- implementation of Extension Project Phase Two of the Tianjin Binhai International Airport; and
- construction of Metro Lines 2 and 3 in Tianjin.

Real Estate Investment in Tianjin

Between 2000 and 2009, real estate investment in Tianjin grew steadily from RMB13.4 billion to RMB73.5 billion, representing a CAGR of 20.8%.

The GFA of commodity properties completed and of commodity properties sold in Tianjin grew at CAGR of 19.3% and 16.9%, respectively, from 2000 to 2009. Completion and transaction volumes in terms of GFA grew in 2005 due primarily to the implementation of city redevelopment plans and plan of the Binhai New Area. In 2009, the GFA of commodity properties completed increased by 10.7%. Commercial properties completed, including office and retail properties, accounted for 38.8% of the commodity properties completed in 2009.

Between 2000 and 2009, the average selling price of commodity properties in Tianjin increased at a CAGR of 12.8%. Since 2004, such average selling price has increased rapidly, reaching a high of RMB6,886 per sq.m. in 2009.

The table below sets forth selected property market indicators of Tianjin between 2000 and 2009:

Property Market Indicators of Tianjin (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	13.4	16.1	17.6	21.1	26.4	32.8	40.2	50.5	65.4	73.5	20.8%
GFA of commodity properties completed (million sq.m.)	5.8	6.9	7.5	9.1	11.1	14.8	15.2	17.0	25.6	28.4	19.3%
GFA of residential properties completed (million sq.m.)	5.3	6.3	6.7	7.5	10.1	12.7	13.1	14.0	15.1	17.4	14.1%
GFA of commodity properties sold (million sq.m.)	3.9	5.4	5.6	7.9	8.5	14.1	14.6	15.5	12.5	15.9	16.9%
GFA of residential properties sold (million sq.m.)	3.8	5.1	5.4	7.2	8.0	12.6	13.3	14.0	11.4	14.6	16.1%
Average selling price of commodity properties (RMB per sq.m.)	2,328	2,375	2,487	2,518	3,115	4,055	4,774	5,811	6,015	6,886	12.8%
Average selling price of residential properties (RMB per sq.m.)	2,274	2,308	2,414	2,393	2,950	3,987	4,649	5,576	5,598	6,605	12.6%

Source: Tianjin Statistics Bureau, China Real Estate Index System

Note:

(1) 2009 figures are preliminary data from Tianjin Statistics Bureau.

Mid to high-end Residential Market in Tianjin

Mid to high-end residential developments in Tianjin are mainly situated in urban areas, such as Hexi, Nankai, Hedong districts and the Tianjin Economic and Technological Development Area of Binhai New Area. Given plans for development eastward in Tianjin, Hedong is expected to undergo development in the mid to high-end residential market due to its well-developed transportation network between the traditional urban area and Binhai New Area.

Demand for mid to high-end residential developments in Binhai New Area is expected to grow. It is expected that many foreign companies and high-income expatriates and migrant workers will relocate to Tianjin, especially Binhai New Area. According to the “Eleventh Five Year Plan for Tianjin Economic and Social Development (天津市國民經濟和社會發展第十一個五年規劃)”, the population in Binhai New Area is expected to reach 1.8 million in 2010 and 3.0 million in 2020. The demand for mid to high-end residential properties in this area is expected to increase as a result of that expected population growth.

Mid to high-end residential properties in Tianjin are expected to become more affordable due, in part, to strong economic growth. Influenced by the integrated development strategy of Beijing, Tianjin and Hebei Province and the Beijing-Tianjin Express Railway commissioned in 2008, more investors are expected to be attracted to the property market of Tianjin, resulting in growth of investment demand for mid to high-end residential properties.

As more developers enter the market and introduce new products, such as well-furnished housing and professional property management services, the quality of mid to high-end residential properties is expected to improve and stimulate growth in property prices.

Tianjin Five-star Hotel Market

Demand for five-star hotel accommodation in Tianjin is expected to increase due, in part, to Tianjin's position as an international harbor city and an economic center of Northern China. Tianjin has attracted an increasing number of international and domestic companies along with business and economic activities. According to the Tianjin Statistics Bureau, between 2000 and 2009, the number of international visitors grew at a CAGR of 16.5% and international tourism revenue grew at a CAGR of 19.8%.

The average daily room rate of five-star hotels in Tianjin increased in recent years. However, from 2010 to 2012, due, in part, to an increase in supply, the average occupancy rate is expected to decline, although the average room rate is expected to increase due, in part, to the participation and entry of a large number of international branded hotels in the market, which often charge higher room rates.

BEIJING PROPERTY MARKET

By successfully hosting the 2008 Olympic Games, Beijing attracted worldwide attention to its social and economic development.

At the end of 2009, Beijing covered an area of 16,411 sq.km. and its population had grown to 12.5 million in 2009 from 11.1 million in 2000, representing a CAGR of 1.3% from 2000 to 2009. Beijing has also maintained strong economic growth since 2000 with nominal GDP growing from RMB316.0 billion in 2000 to RMB1,187 billion in 2009, representing a CAGR of 15.8%. Between 2000 and 2009, Beijing's GDP per capita grew from RMB24,122 to RMB68,788, making its GDP the second highest amongst Chinese provinces and municipalities and representing a CAGR of 12.3%.

Beijing maintained an average real GDP growth rate of 11.9% per annum between 2000 and 2009. As a result of the slowdown in the Chinese and global economies in 2008, Beijing's real GDP growth rate decreased to 9.0% in 2008. However, it rose in 2009 to 10.1%.

The table below sets forth selected economic indicators of Beijing between 2000 and 2009:

Economic Indicators of Beijing (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Population (million)	11.1	11.2	11.4	11.5	11.6	11.8	12.0	12.1	12.3	12.5	1.3%
Nominal GDP (RMB billion)	316	371	433	502	606	689	787	935	1,049	1,187	15.8%
Real GDP growth rate (%)	11.8	11.7	11.5	11.0	14.1	11.8	12.8	13.3	9.0	10.1	N/A
GDP per capita (RMB)	24,122	26,998	30,840	34,892	41,099	45,444	50,467	58,029	63,029	68,788	12.3%
FDI (US\$ billion)	2.5	1.8	1.8	2.1	3.1	3.5	4.6	5.1	6.1	6.1	10.5%
Fixed asset investment (RMB billion)	129.7	153.1	181.4	215.7	252.8	282.7	337.2	396.7	384.9	485.8	15.8%
Urbanization (%)	77.5	78.1	78.6	79.1	79.5	83.6	84.3	84.5	84.9	85.0	1.0%
Per capita disposable income (RMB)	10,350	11,578	12,464	13,883	15,638	17,653	19,978	21,989	24,725	26,738	11.1%

Source: Beijing Statistical Yearbooks, 2001-2009, China Real Estate Index System
2009 Beijing Economy and Social Development Statistical Communique

Notes:

(1) N/A represents not applicable or not available.

Infrastructure Developments

The Beijing government has invested a substantial amount in the city's infrastructure in recent years. The Beijing government has initiated the following plans for infrastructure improvement:

- construction of five new subway lines including Daxing Line, Yizhuang Line, Phase I of Changping Line, Fangshan Line and Phase I of Line 15;
- construction of four new subway lines including nos. 6, 8, 9 and Phase II of Line 10; and
- construction of the Beijing-Shanghai Express Railway.

Real Estate Investment in Beijing

Real estate investment in Beijing increased from RMB52.2 billion in 2000 to RMB199.6 billion in 2007, representing a CAGR of 21.1%. Real estate investment in Beijing decreased by 4.4% to RMB190.9 billion in 2008 but subsequently increased by 22.5% to RMB233.8 billion in 2009.

GFA completed and sold for commodity properties in Beijing grew at a CAGR of 22.4% and 23.9%, respectively, from 2000 to 2005. With the PRC central government's introduction of regulatory limitations and tighter control on bank lending activities after 2005, both completed area and sold area of commercial property decreased to 26.8 million sq.m. and 23.6 million sq.m., respectively, in 2008.

Property prices showed growth of over 20% in 2005 and 2006 but started to slow down in 2007 and 2008. In recent years, the supply of affordable housing increased due to favorable government policies. According to the Beijing Statistics Bureau, the average unit prices of pre-sold residential properties in urban areas located within the 4th Ring Road, between the 4th Ring Road and the 5th Ring Road, between the 5th Ring Road and the 6th Ring Road and outside of the 6th Ring Road were RMB21,305, RMB16,958, RMB10,388 and RMB8,484, respectively, in 2009.

The table below sets forth selected property market indicators of Beijing between 2000 and 2009:

Property Market Indicators of Beijing (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	52.2	78.4	98.9	120.3	147.3	152.5	172.0	199.6	190.9	233.8	18.1%
GFA of commodity properties completed (million sq.m.) . . .	13.7	17.1	23.8	25.9	30.7	37.7	31.9	28.9	25.6	26.8	7.7%
GFA of residential properties completed (million sq.m.) . . .	10.1	13.9	19.3	20.8	23.4	28.4	21.9	18.5	14.0	16.1	5.3%
GFA of commodity properties sold (million sq.m.)	9.6	12.0	17.1	19.0	24.7	28.0	26.1	21.8	13.4	23.6	10.5%
GFA of residential properties sold (million sq.m.)	9.0	11.3	16.0	17.7	22.9	25.7	22.1	17.3	10.3	18.8	8.5%
											2000-2009 CAGR
Average price of commodity properties (RMB per sq.m.) . .	4,919	5,062	4,764	4,737	5,053	6,274	8,280	11,553	12,418	13,798	12.1%
Average Price of residential properties (RMB per sq.m.) . .	4,557	4,716	4,467	4,456	4,747	5,853	7,376	10,661	11,648	13,224	12.6%

Source: Beijing Statistics Bureau, China Real Estate Index System

Notes:

(1) 2009 figures are preliminary data from the Beijing Statistics Bureau.

Mid to high-end Residential Market in Beijing

Mid to high-end residential properties in Beijing are mainly concentrated within the 5th Ring Road. Due, in part, to the limited land supply in the urban areas and increasing demand for residential properties, new mid to high-end residential properties in Beijing are expected to be constructed in suburban areas that will be served by the expanding and improving subway transportation system in the coming years.

Disposable income of residents is a key driver for the mid to high-end residential market in Beijing. Economic growth and the growing population in Beijing are expected to provide strong support for its residential market. The annual growth rate of the permanent population in Beijing averaged at 2.8% from 2000 to 2009. In addition, corporations setting up offices in Beijing are expected to create employment and thereby stimulate new demand for mid to high-end residential properties in the future.

WUXI PROPERTY MARKET

Wuxi is a well-known tourist destination in China and is one of the economic hubs in the Yangtze River Delta Region. It is located in the southern part of Jiangsu Province with Shanghai to its East and Nanjing to its West. In 2009, it had a population of 4.7 million.

The GDP of Wuxi reached RMB499.2 billion in 2009 and has maintained double-digit growth for more than ten years.

The table below sets forth selected economic indicators of Wuxi between 2000 and 2009:

Economic Indicators of Wuxi (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Population (million)	4.3	4.4	4.4	4.4	4.5	4.5	4.6	4.6	4.6	4.7	0.8%
Nominal GDP (RMB billion)	117.7	132.9	153.4	183.3	225.1	280.5	330.1	385.9	442.0	499.2	17.4%
Real GDP growth rate (%)	11.2	11.5	12.8	15.4	17.4	15.1	15.3	15.3	12.4	11.6	N/A
GDP per capita(RMB)	27,109	30,526	35,087	41,616	50,592	50,958	57,719	65,212	73,053	81,151	13.0%
FDI (US\$ billion)	1.1	1.4	1.7	2.7	3.3	2.0	2.8	2.8	3.2	3.2	12.6%
Fixed asset investment (RMB billion)	35.0	40.5	53.8	89.3	111.4	133.6	147.5	167.4	187.7	238.8	23.8%
Per capita disposable income (RMB)	8,603	9,454	9,988	11,647	13,588	16,005	18,189	20,898	23,605	25,027	12.6%

Source: Wuxi Statistical Yearbooks, 2001-2009

2009 Wuxi Economy and Social Development Statistical Communique

Note:

(1) N/A represents not applicable or not available.

Between 2000 and 2009, fixed asset investments in Wuxi grew from RMB35.0 billion to RMB238.8 billion, representing a CAGR of 23.8%. There are a number of infrastructure projects in Wuxi planned for the next few years, including the expansion of the existing airport into an international airport.

Real Estate Investment in Wuxi

Between 2000 and 2009, real estate investment in Wuxi grew from RMB4.5 billion to RMB46.3 billion, representing a CAGR of 29.6%.

The commodity property market in Wuxi experienced significant development since 2000. Annual growth in the GFA of both commodity and residential properties completed reached at a CAGR of 12.2% and 11.3% respectively from 2000 to 2009. The GFA sold for commodity properties in 2008 decreased by approximately 29.9% from 7.7 million sq.m. in 2007 to 5.4 million sq.m. and then rose to 10.1 million sq.m. in 2009. The average price of residential properties increased during the period from 2000 to 2008 at a CAGR of 15.3%. The average price of commodity properties grew at a CAGR of 15.5%, reaching RMB6,266 per sq.m. in 2009.

The table below sets forth selected property market indicators of Wuxi between 2000 and 2009:

Property Market Indicators of Wuxi (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	4.5	4.9	7.7	13.2	19.6	22.8	27.7	37.8	45.0	46.3	29.6%
GFA of commodity properties completed (million sq.m.) . . .	2.4	2.5	2.9	5.1	4.8	6.9	7.9	7.4	7.1	6.8	12.2%
GFA of residential properties completed (million sq.m.) . . .	2.0	2.1	2.5	4.6	4.0	5.4	6.1	6.0	5.9	5.2	11.3%
GFA of commodity properties sold (million sq.m.)	2.2	2.0	2.4	3.0	4.1	6.0	6.5	7.7	5.4	10.1	18.4%
GFA of residential properties sold (million sq.m.)	2.0	1.8	2.2	2.8	3.5	5.1	5.5	6.8	4.6	8.8	17.9%
Average price of commodity properties (RMB per sq.m.) . .	1,718	1,808	1,813	2,216	2,534	3,679	4,000	4,573	5,375	6,266	15.5%
Average price of residential properties (RMB per sq.m.) . .	1,632	1,726	1,712	2,006	2,278	3,472	3,687	4,363	5,096	N/A	15.3%*

Source: Wuxi Statistics Bureau

Note:

(1) 2009 figures are preliminary data from the Wuxi Statistics Bureau.

* Represents 2000-2008 CAGR as 2009 figure is not available.

Mid to High-end Residential Market in Wuxi

Mid to high-end residential properties in Wuxi are mainly located in three areas, namely Sub-central Area (including Nanchang (南川區), Beitang (北塘區) and Chong'an District (崇安區)), Binhu District (濱湖區) and the New District (新區). The Sub-central Area is close to the city downtown area, Binhu District has a pleasant environment and Wuxi New District has a national Economic Development Zone with a large number of enterprises established there.

Demand for mid to high-end residential properties in Wuxi is expected to be supported by local wealthy residents and the expected influx of foreign professionals. With an increase in disposable income per capita, demand for larger and newer apartments in Wuxi has increased. Wuxi is an important manufacturing base for the Yangtze River Delta Region. According to the Wuxi government, at the end of July 2007, 76 of the Fortune Global 500 Companies had invested in Wuxi, including companies such as General Electric, Toyota Motor and Matsushita Electric.

Wuxi Five-star Hotel Market

As one of the most popular tourism centers in China, Wuxi has attracted a growing number of domestic and overseas visitors. Between 2000 and 2009, the total number of visitors grew from 11.5 million in 2000 to 43.8 million in 2009, representing a CAGR of 16.0%.

International tourists and business travelers are the main source of guests for five-star hotels. Demand for five-star hotels in Wuxi has increased in the past few years due, in part, to rapid economic growth and limited room supply. As a well-known tourist destination, Wuxi is expected to attract a considerable amount of tourists during the 2010 Shanghai Expo, contributing to the growth of the hotel industry in Wuxi.

SUZHOU PROPERTY MARKET

Suzhou, a well-known tourism and cultural city in China, is located in southern Jiangsu Province, to the North of Shanghai. It covers a total area of 8,488 sq.km. and had a population of 6.3 million in 2009.

GDP of Suzhou reached RMB740.0 billion in 2009, ranking second among cities in the Yangtze River Delta Region. Its real GDP growth rate averaged 14.5% from 2000 to 2009. GDP per capita increased with a CAGR of 18.9% between 2000 and 2008.

The table below sets forth selected economic indicators of Suzhou between 2000 and 2009:

Economic Indicators of Suzhou (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Population (million)	5.8	5.8	5.8	5.9	6.0	6.1	6.2	6.2	6.3	6.3	1.0%
Nominal GDP (RMB billion)	154.1	176.0	208.0	280.2	345.0	402.7	482.0	570.0	670.1	740.0	19.0%
Real GDP growth rate (%).	12.6	12.3	14.5	18.0	17.6	15.3	15.5	16.0	12.5	11.0	N/A
GDP per capita (RMB)	26,692	30,384	35,733	47,693	57,992	66,766	78,802	91,911	106,863	N/A	18.9%*
FDI (US\$ billion)	2.9	3.0	4.8	6.8	5.0	5.1	6.1	7.2	8.1	8.2	12.3%
Fixed asset investment (RMB billion)	51.6	56.5	81.3	140.9	155.5	187.0	210.7	236.6	261.0	296.7	21.5%
Per capita disposable income (RMB)	9,274	10,515	10,617	12,361	14,451	16,276	18,532	21,260	23,867	26,320	12.3%

Source: Suzhou Statistical Yearbooks, 2001-2009

2009 Suzhou Economy and Social Development Statistical Communique

Notes:

(1) N/A represents not applicable or not available.

* represents 2000-2008 CAGR as 2009 figure is not available.

Real Estate Investment in Suzhou

Development of the real estate market in Suzhou has been largely supported by the tourism industry and a strong local economy. Total GFA completed and sold for commodity properties in Suzhou increased from 2000 to 2007, reaching 18.7 million sq.m. and 19.1 million sq.m., respectively, in 2007. However, the global economic crisis negatively impacted the property market in Suzhou in 2008. The GFA of commodity properties sold in 2008 decreased by 47.1% from 2007 but subsequently increased to 21.8 million sq.m. in 2009, exceeding the previous high reached in 2007.

The average price of commodity properties has increased since 2000, reaching RMB5,692.0 per sq.m. in 2008. However, the growth rate has slowed down substantially since 2004.

The table below sets forth selected property market indicators of Suzhou between 2000 and 2009:

Property Market Indicators of Suzhou (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	6.1	6.9	10.7	17.8	33.4	41.4	47.1	60.2	71.8	72.4	31.6%
GFA of commodity properties completed (million sq.m.)	4.4	4.7	5.6	8.3	14.6	16.8	18.2	18.7	14.8	14.9	14.5%
GFA of residential properties completed (million sq.m.)	3.8	3.9	4.6	7.1	12.7	13.8	14.8	14.8	11.3	N/A	14.6%*
GFA of commodity properties sold (million sq.m.)	3.7	4.8	5.4	6.1	8.5	7.9	13.9	19.1	10.1	21.8	21.8%
GFA of residential properties sold (million sq.m.)	3.3	4.3	4.8	5.3	7.5	6.8	11.9	16.5	8.3	18.8	21.3%
Average price of commodity properties (RMB per sq.m.)	1,778	1,843	2,157	2,574	3,108	3,863	4,591	5,146	5,692	6,464	15.4%
Average price of residential properties (RMB per sq.m.)	1,662	1,730	2,044	2,481	2,964	3,718	4,415	5,004	5,533	6,358	16.1%

Source: Suzhou Statistics Bureau

Note:

(1) 2009 figures are preliminary data from the Suzhou Statistic Bureau.

Suzhou Residential Market

The GFA of residential properties sold in Suzhou recorded a historical high in 2007 with 16.5 million sq.m. However, the volume in 2008 dropped by 49.7% to approximately 8.3 million sq.m.

To stimulate the property market, the Suzhou government implemented some stimulus measures in October 2008, including granting residence permits (“Hukou”), reducing transaction taxes and relaxing the payment term for developers’ purchase of land. Such measures have contributed to an increase in demand with the GFA of residential properties sold in 2009 growing to 18.8 million sq.m., 126.5% higher than in 2008.

Between 2000 and 2008, the average price of residential properties in Suzhou grew at a CAGR of 16.2%, reaching RMB5,533.0 per sq.m. in 2008. Property price increased rapidly in 2005 and 2006 on the back of the strong demand driven by economic growth, but such growth has slowed down gradually in the past two years. The anticipated economic growth in Suzhou and the government stimulus measures are expected to drive demand and price level of the residential properties in the coming years.

NANTONG PROPERTY MARKET

Nantong is located in Jiangsu Province, to the Northwest of Shanghai. It covered a total area of 8,001 sq. km and had a registered population of 7.6 million at the end of 2009. Nantong is one of the most populous cities in Jiangsu Province. Its key economic sectors include manufacturing and port-related industries.

Between 2000 and 2009, Nantong experienced strong economic growth, with the real GDP growth rate increasing from 10.9% to 14.0%. The GDP for Nantong reached RMB287.3 billion in 2009.

With the economic growth in Nantong, the disposable income per capita of urban residents in Nantong increased to RMB21,001 in 2009, with a CAGR of 11.5% between 2000 and 2009.

The table below sets forth selected economic indicators of Nantong from 2000 to 2009:

	Economic Indicators of Nantong (2000-2009)										2000-2009 CAGR
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Population (million) . . .	7.8	7.8	7.8	7.8	7.7	7.7	7.7	7.7	7.6	7.6	-0.3%
Nominal GDP (RMB billion)	72.1	79.0	86.5	98.0	119.6	147.2	175.8	211.2	251.0	287.3	16.6%
Real GDP growth rate (%)	10.9	10.1	11.1	13.4	15.6	15.4	15.7	16.2	13.3	14.0	N/A
GDP per capita (RMB) .	9,176	10,078	11,073	12,584	15,415	19,060	22,826	27,500	32,815	40,231	17.8%
Fixed asset investment (RMB billion)	24.0	25.8	31.0	44.8	60.5	81.5	104.9	126.6	150.5	180.2	25.1%
Per capita disposable income (RMB)	7,911	8,485	8,640	9,598	10,937	12,384	14,058	16,451	18,903	21,001	11.5%

Source: *Nantong Statistical Yearbooks, 2001-2009*
2009 Nantong Economy and Social Developments Statistical Communique

Notes:

(1) N/A represents not applicable or not available.

Infrastructure Developments

The Nantong government has initiated the following plans for infrastructure improvement:

- construction of a railway from Nantong to Qidong; and
- construction of a railway from Nantong to Shanghai.

Real Estate Investment in Nantong

Real estate investment in Nantong grew at a CAGR of 25.0% between 2000 and 2009. Such investment reached RMB20.1 billion in 2009, representing an increase of 16.1% compared to 2008.

The GFA of commodity properties completed in 2009 was 5.5 million sq.m., in which 4.4 million sq.m. was constituted by residential properties. The GFA of commodity properties and residential properties sold in Nantong steadily increased between 2000 and 2007, reaching 5.2 million sq.m. and 4.7 million sq.m. in 2007, respectively. The transaction volume of commodity properties and residential properties decreased in 2008 and then rose to 6.7 million sq.m. and 6.0 million sq.m., respectively, in 2009.

The average price of commodity properties grew between 2000 and 2007 but dropped by 9.1% to RMB3,247.0 per sq.m. in 2008. The average price for residential properties also dropped by 9.5% to RMB3,010.0 per sq.m. during the same year.

The table below sets forth selected property market indicators of Nantong between 2000 and 2009:

Property Market Indicators of Nantong (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	2.6	3.3	3.6	4.8	5.9	8.0	10.8	13.7	17.3	20.1	25.0%
GFA of commodity properties completed (million sq.m.)	2.0	1.9	2.5	1.8	2.5	3.3	3.8	3.9	5.2	5.5	11.9%
GFA of residential properties completed (million sq.m.)	1.7	1.7	2.1	1.4	2.1	2.8	3.1	3.4	4.3	4.4	11.1%
GFA of commodity properties sold (million sq.m.)	1.7	1.6	2.0	2.0	2.3	3.3	4.7	5.2	4.2	6.7	16.4%
GFA of residential properties sold (million sq.m.)	1.5	1.5	1.8	1.7	2.0	2.8	4.1	4.7	3.8	6.0	16.6%
Average price of commodity properties (RMB per sq.m.)	1,405	1,533	1,631	1,829	2,119	2,579	3,212	3,571	3,247	N/A	11.0%*
Average price of residential properties (RMB per sq.m.)	1,298	1,484	1,564	1,765	1,899	2,304	2,926	3,325	3,010	N/A	11.1%*

Source: Nantong Statistics Bureau

Note:

(1) 2009 figures are preliminary data from the Nantong Statistic Bureau.

* represents 2000-2008 CAGR as 2009 figure is not available.

Mid to High-end Residential Market in Nantong

Mid to high-end residential properties in Nantong are concentrated mainly in the Chongchuan District (崇川區), including both its traditional and new areas. The new area of Chongchuan District is a planned cultural, political and commercial center in Nantong. Due, in part, to the limited land supply for mid to high-end residential properties in 2007 and 2008, the GFA of properties completed in urban areas is expected to decrease in the coming years.

Demand for mid to high-end residential properties in Nantong is expected to increase due, in part, to increasing per capita disposable income as a result of industrial development. Nantong has a national economic development zone that is subject to various preferential policies. This status could attract more domestic enterprises and multi-national corporations as the transportation network improves, through such planned construction projects as the Suzhou (Changshu)-Nantong Bridge and Shanghai-Nantong railway.

With the development of Yangkou Port, Nantong is well-positioned to be a ship-building base in Asia and to be a developed manufacturing base in the Yangtze River Delta Region according to the “Eleventh Five Year Plan for Nantong Economic and Social Development (南通市國民經濟和社會發展第十一個五年規劃)”. It is expected that the demand for mid to high-end residential properties in Nantong will grow in the coming years.

HEFEI PROPERTY MARKET

Hefei is the capital of Anhui Province. It is located near the Central Plain region of China between the Yangtze and Huaihe Rivers and close to the steadily developing Yangtze River Delta Region. Hefei covers a total area of 7,029 sq.km and had a population of 4.9 million at the end of 2009.

Hefei has experienced steady economic development with two-digit GDP growth rate for more than 20 years. In 2009, Hefei's GDP reached RMB210.2 billion and its real GDP growth rate was 17.3%. In 2009, total foreign direct investment ("FDI") in Hefei was US\$1.3 billion.

The selected economic statistics of Hefei for the period between 2000 and 2009 are set forth in the following table:

Economic Indicators of Hefei (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Population (million) . . .	4.4	4.4	4.5	4.6	4.4	4.6	4.7	4.8	4.9	4.9	1.2%
Nominal GDP (RMB billion)	36.9	42.4	49.7	59	72.2	87.8	107.4	133.4	166.5	210.2	21.3%
Real GDP growth rate (%)	12	15.2	16.4	16.8	17.3	17	17.5	17.8	17.2	17.3	N/A
GDP per capita (RMB)	8,505	9,632	11,173	13,047	16,377	19,512	23,203	28,125	34,482	41,543	19.3%
FDI (US\$ billion)	0.13	0.15	0.06	0.1	0.18	0.17	0.38	0.87	0.77	1.3	29.2%
Fixed assets investment (RMB billion)	13.1	14.3	16.9	25.5	36.3	49.5	82.5	131	183.9	246.8	38.6%
Per capita disposable income (RMB)	6,389	6,817	7,145	7,785	8,610	9,684	11,013	13,427	15,591	17,158	11.6%

Source: Hefei Statistical Yearbooks, 2001-2009
2009 Hefei Economy and Social Developments Statistical Communique

Notes:

(1) N/A represents not applicable or not available.

Hefei is well-known for its scientific research resources and education institutions. More than 200 science and research institutes and nearly 100 institutions of higher learning and technical colleges are located in Hefei. Two national-level development zones, Hefei Economy and Technology Development Area and Hefei Hi-tech Development Area, are situated in the southern part of the city.

Infrastructure Developments and Urban Planning

With the help of PRC central government's "Central China Rise" policy, in 2005 the Hefei government designed the "One-Four-One" plan for city development, including redevelopment of the downtown area, development of four sub-centers to the East, West, South and North of the core city and development of Binhu New District near Chao Lake to the Southeast of the city to further boost its economic growth and city development. The Hefei government has initiated the following plans for infrastructure improvement:

- an urban renewal plan;
- construction of the outer ring road and the highways between Hefei and three counties;

- the development of Binhu New District, started in 2006, with a total area of 190 sq. km.; and
- construction of a new airport in Hefei, Xinqiao International Airport.

Real Estate Investment in Hefei

Real estate investment in Hefei has grown since 2000. The total real estate investment reached RMB67.0 billion at the end of 2009, which was more than 29.0 times greater than that of 2000 representing a CAGR of 45.5%. Following the implementation of redevelopment plans in 2005, investment in real estate in Hefei increased and the annual net increase exceeded RMB10.0 billion in recent years.

The commodity property market in Hefei has grown since 2000. GFA of completed commodity property increased at a CAGR of 19.6% from 2000 to 2009. At the same time, the demand for commodity property also grew, resulting in GFA of commodity property sold increasing at a CAGR of 34.5% between 2000 and 2009 and contributing to increases in property prices.

In 2009, the average price of commodity properties in Hefei was RMB4,228.0 per sq.m. The average price of commodity properties increased at a CAGR of 9.3% between 2000 and 2009.

The table below sets forth selected property market indicators of Hefei between 2000 and 2009:

Property Market Indicators of Hefei (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	2.3	2.6	4.0	9.0	14.0	19.0	28.1	38.5	56.5	67.0	45.5%
GFA of commodity properties completed (million sq.m.)	1.2	1.4	2.2	3.3	4.7	5.1	5.3	6.0	5.6	6.0	19.6%
GFA of residential properties completed (million sq.m.)	0.9	1.2	1.8	2.6	3.9	4.1	4.4	5.1	4.6	4.8	20.4%
GFA of commodity properties sold (million sq.m.)	0.9	1.0	1.9	2.9	4.0	5.9	6.4	10.3	9.3	13.0	34.5%
GFA of residential properties sold (million sq.m.)	0.8	0.8	1.8	2.4	3.5	5.3	5.8	9.4	8.6	11.8	34.9%
Average price of commodity properties (RMB)	1,893	1,893	1,750	2,095	2,492	3,015	3,131	3,326	3,595	4,228	9.3%
Average price of residential properties (RMB)	1,678	1,676	1,616	1,895	2,314	2,807	2,891	3,172	3,428	4,095	10.4%

Source: Hefei Statistics Bureau

Note:

(1) 2009 figures are preliminary data from the Hefei Statistic Bureau.

Mid to High-end Residential Market in Hefei

The residential property markets in Hefei encompasses eight urban districts. Mid and high-end residential developments in Hefei are largely clustered in the Baohe and Shushan Districts where there is a better natural environment and, on average, a higher income population.

The demand for mid to high-end residential properties in Hefei has been supported, in part, by end-users. It is expected that such demand will be further driven by expected economic growth and infrastructure improvement that are expected to result from the implementation of the “One-Four-One” scheme and “Central China Rise” policy in the next few years.

Economic growth in Hefei has attracted migrants to Hefei and thereby increased its urbanization rate. According to the “Eleventh Five Year Plan for Hefei Economic and Social Development (合肥市經濟和社會發展第十一個五年規劃)”, the urbanization rate is expected to reach 60% in 2010. With the increased urban population and limited land resources, it is estimated that price levels for mid to high-end residential properties will continue to growth.

Prime Retail Market in Hefei

The prime retail market in Hefei includes department stores and shopping centers. Most of its well-known department stores and shopping centers are located in its traditional retail area along Changjiang Zhong Road of Luyang District. The traditional retail area is being redeveloped and will function as the city’s retail center. Two new retail areas will be developed in the east and west to radiate the city periphery and the neighboring cities by providing more convenient accessibility.

Growing disposable income in Hefei in recent years has supported the development of the local retail market. Disposable income per urban resident in Hefei increased at a CAGR of 11.6% from 2000 to 2009 and retail sales reached RMB70.3 billion in 2009 with a CAGR of 18.9%. Most of the prime retail properties are for lease only. Leading domestic and international retailers such as Beijing Hualian, Wal-mart and Carrefour have already established presences in Hefei, and other large retailers may enter the market. It is expected that Tesco and RT-Mart will invest RMB307.0 million and RMB400.0 million, respectively, to build hypermarkets along Tongling Road in Yaohai District. The two multinational retailers are expected to open their businesses at the end of 2010 and 2011. The entry of those large players could create strong demand for retail properties and produce opportunities for related businesses.

SHENYANG PROPERTY MARKET

Shenyang is the capital of Liaoning Province. It covers a total area of 12,980 sq. km. and had a population of 7.9 million at the end of 2009. Shenyang is a transportation hub in Northeast China that serves as a communication, commerce, science and culture center.

As a heavy industrial base, Shenyang has experienced strong economic growth in recent years as a result of the PRC central government policy of “Revitalizing Northeast China”. Each of Shenyang’s GDP, disposable income per urban resident and retail sales of consumer goods grew from 2004 through 2009.

The table below sets forth selected economic indicators of Shenyang between 2000 and 2009:

Economic Indicators of Shenyang (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Population (million) . . .	6.9	6.9	6.9	6.9	6.9	7.0	7.0	7.1	7.8	7.9	1.5%
Nominal GDP (RMB billion)	106.7	117.4	132.6	150.2	177.3	208.4	252.0	322.1	386.1	435.9	16.9%
Real GDP growth rate (%)	10.3	10.1	13.1	14.2	15.5	16.0	16.7	22.8	16.3	14.1	N/A
GDP per capita (RMB) .	15,666	17,084	19,242	21,798	25,640	29,935	35,940	45,582	54,106	55,816	15.2%
FDI (US\$ billion)	0.71	0.85	1.4	2.2	2.4	2.1	3.0	5.0	6.0	5.4	25.3%
Fixed asset investment (RMB billion)	26.2	30.3	40.2	58.3	97.1	136.3	179.0	236.2	300.9	367.6	34.1%
Per capita disposable income (RMB)	5,850	6,386	7,050	7,961	8,924	10,098	11,651	14,607	17,295	18,560	13.7%

Source: *Shenyang Statistical Yearbooks, 2001-2009*
2009 Shenyang Economy and Social Developments Statistical Communique

Notes:

(1) N/A represents not applicable or not available.

Infrastructure Developments

The Shenyang government has initiated the following plans for infrastructure improvement:

- construction of Metro Lines 1 and 2;
- construction of the Central Urban Corridor (“CUC”), stretching from North to South with the central axis integrating business, service, governmental affairs and cultural facilities; and
- development of Hunnan New Area into a high-tech industrial area.

Real Estate Investment in Shenyang

Between 2000 and 2008, real estate investment in Shenyang grew from RMB6.4 billion to RMB101.1 billion, representing a CAGR of 41.2% and accounting for 33.6% of the fixed asset investment in Shenyang during that period.

Between 2000 and 2008, the GFA of commodity properties completed in Shenyang grew from 3.5 million sq.m. to 12.9 million sq.m., representing a CAGR of 17.7%. Over the same period, the GFA of commodity properties sold in Shenyang grew from 2.1 million sq.m. to 14.7 million sq.m., representing a CAGR of 27.5%. The average price increased from RMB2,686 per sq.m. in 2000 to RMB4,127 per sq.m. in 2008 representing a CAGR of 5.5%. In early 2009, the Shenyang government promulgated “25 policies to stimulate the Shenyang real estate market”.

The table below sets out selected property market indicators of Shenyang between 2000 and 2008:

Property market indicators of Shenyang (2000-2008)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Real estate investment (RMB billion).	6.4	7.8	11.6	17.7	34.3	41.4	53.8	73.0	101.1	41.2%
GFA of commodity properties completed (million sq.m.). . .	3.5	3.5	3.6	5.9	8.1	10.6	11.9	12.9	12.9	17.7%
GFA of residential properties completed (million sq.m.). . .	2.9	3.0	3.1	4.9	7.2	9.3	10.2	10.9	11.0	18.1%
GFA of commodity properties sold (million sq.m.).	2.1	2.0	2.1	3.2	5.2	10.0	12.4	14.6	14.7	27.5%
GFA of residential properties sold (million sq.m.).	1.8	1.7	1.8	2.9	4.9	9.3	11.5	13.6	13.1	28.2%
Average price of commodity properties (RMB) per sq.m. . .	2,686	2,743	2,738	2,916	2,911	3,187	3,376	3,689	4,127	5.5%
Average price of residential properties (RMB) per sq.m. . .	2,545	2,609	2,601	2,753	2,852	3,027	3,184	3,525	3,856	5.3%

Source: Shenyang Statistics Bureau

Mid to High-end Residential Market in Shenyang

Mid to high-end residential developments in Shenyang are distributed mainly in the urban districts. The mid to high-end residential market is supported, in part, by growing demand of owner-occupiers from local and peripheral cities. Wealthy residents have been attracted to higher quality properties as a result of the urban development. The planned improvement of transportation facilities is expected to further stimulate demand for residential properties.

Demand for mid to high-end residential properties is expected to increase after the completion of Liaoning Central Ring Road in 2010, connecting six cities around Shenyang, including Tieling, Fushun, Benxi, Liaoyang, Liaozhong and Xinmin in 2010. Upon completion, the whole region would be integrated by transportation links that could stimulate regional economic development and increase population mobility. As a core city in the area, Shenyang is expected to attract more investment and higher income residents, which would increase demand for mid to high-end residential properties.

With increased economic growth, the price of mid to high-end residential properties is expected to continue to grow due, in part, to developing infrastructure, including the planned construction of metro lines, construction of the Shenyang central business district and redevelopment of the Old Tiexi industrial area.

HARBIN PROPERTY MARKET

The capital of Heilongjiang Province, Harbin is well-known for its trade links with Russia and as a tourist destination that offers an annual ice and snow festival and winter sports activities. Harbin covers a total area of 53,100 sq.km. and had a registered population of 9.9 million in 2009.

From 2000 to 2009, Harbin experienced steady economic growth. Harbin has had a real GDP growth rate of at least 13% in each year since 2003. In 2009, Harbin's GDP was RMB325.8 billion.

With Harbin's steady economic growth, the disposable income of urban residents in Harbin has also steadily increased from RMB5,632 in 2000 to RMB15,887 in 2009, representing a CAGR of 12.2%.

The table below sets forth selected economic statistics of Harbin between 2000 and 2009:

Economic Indicators of Harbin (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Population (million) . . .	9.4	9.4	9.5	9.5	9.7	9.7	9.8	9.9	9.9	9.9	0.6%
Nominal GDP (RMB billion)	98.0	109.2	119.9	135.6	160.5	183.0	209.4	243.7	286.8	325.8	14.3%
Real GDP growth rate (%)	12.4	11.2	11.5	13.5	14.7	14.1	13.5	13.5	13.2	13.0	N/A
GDP per capita (RMB) .	10,322	11,547	12,642	14,254	16,674	18,821	21,374	24,768	29,012	32,886	13.7%
FDI (US\$ billion)	0.17	0.18	0.21	0.23	0.26	0.31	0.37	0.44	0.57	0.6	15.1%
Fixed asset investment (RMB billion)	25.4	31.2	36.1	43.6	53.3	63.9	81.0	103.1	134.1	189.2	25.0%
Per capita disposable income (RMB)	5,632	6,407	7,004	7,907	8,490	10,065	11,231	12,772	14,589	15,887	12.2%

Source: Harbin Statistical Yearbooks, 2001-2009

2009 Harbin Economy and Social Developments Statistical Communique

Notes:

(1) N/A represents not applicable or available.

Infrastructure Developments

The Harbin government has initiated the following plans for infrastructure improvement:

- construction of the Qunli New Area, a planned mixed use development in West Harbin;
- construction of the Daowai 20th Avenue Bridge, connecting Songbei District and central districts of Harbin across Songhua River; and
- implementation of Phase I of the Harbin subway.

Real Estate Investment in Harbin

Both the GFA of commodity properties completed and sold in Harbin peaked in 2007, reaching 7.0 million sq.m. and 7.5 million sq.m., respectively. However, GFA completed and sold decreased by 32.9% and 21.3%, respectively, in 2008 but increased by 12.8% and 18.6%, respectively, in 2009.

From 2000 to 2009, GFA of both residential properties completed and residential properties sold continually increased with CAGR of 3.1% and 11.8%, respectively. However in 2008, both GFA of residential properties completed and residential properties sold dropped more than 20% compared to 2007. Both GFA figures then rose by more than 10% in 2009. From 2003 to 2009, the take-up ratio in Harbin was higher than 100%, resulting in continuous growth of average residential price during those years.

The table below sets forth selected property market statistics of Harbin between 2000 and 2009:

Property Market Indicators of Harbin (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	6.4	8.4	9.0	10.6	12.0	14.0	15.8	18.7	21.6	27.9	17.8%
GFA of commodity properties completed (million sq.m.)	4.5	5.2	3.8	4.2	5.1	5.2	6.7	7.0	4.7	5.3	1.8%
GFA of residential properties completed (million sq.m.)	3.4	4.3	3.2	3.0	3.4	3.9	5.4	5.0	3.9	4.5	3.1%
GFA of commodity properties sold (million sq.m.)	2.7	3.2	3.5	3.9	4.6	5.8	6.7	7.5	5.9	7.0	11.2%
GFA of residential properties sold (million sq.m.)	2.3	2.6	2.9	3.3	3.5	4.8	5.8	6.7	5.0	6.3	11.8%
Average price of commodity properties (RMB per sq.m.)	2,154	2,257	2,336	2,353	2,494	2,700	2,703	3,053	3,793	5,576	11.1%
Average price of residential properties (RMB per sq.m.)	2,033	2,127	2,157	2,183	2,215	2,384	2,503	2,943	3,515	5,382	11.4%

Source: Harbin Statistics Bureau

Note:

(1) 2009 figures are preliminary data from the Harbin Statistic Bureau.

The Harbin government announced new measures to “promote stable and healthy development of the real estate industry” in February 2009. These measures are expected to stimulate consumption and investment in the real estate market, and may positively impact property market development, especially for residential development in Harbin. The measures include tax reduction and exemption, favorable loan policies to consumers and supporting policies for developers.

Mid to High-end Residential Market in Harbin

Mid to high-end residential developments in Harbin are concentrated in Harbin’s core urban districts, including Nangang District and Daoli District, which currently have the greatest supply of such developments. Positioned as a financial district and ecological residential area, Qunli New Area may be an emerging market for mid to high-end residential properties in the coming years.

In addition, Songbei District will be a major area for mid to high-end residential development as it has become the municipal administrative center following the relocation of the Harbin government to Songbei District in 2005. With the improved transportation between traditional downtown areas and Songbei District, demand for residential developments in Songbei District is expected to grow, particularly in the mid to high-end residential property sector.

Increasing disposable income, which is expected to result from economic growth in Harbin, is expected to be the key driver of growth for the mid to high-end residential sector. Economic growth in Harbin is expected to be supported, in part, by the PRC central government policy of “Revitalizing Northeast China” in the coming years. The Harbin government is determined to develop its electro-machinery manufacturing industry and to improve trade with Russia according to the “Eleventh Five Year Plan for Harbin Economic and Social Development (哈爾濱市國民經濟和社會發展第十一個五年規劃)”.

NANJING PROPERTY MARKET

Nanjing, the capital city of Jiangsu Province, is situated in the northwest portion of the Yangtze River Delta Region. Nanjing has been the capital of China in previous dynasties and was also the capital of the Republic of China before 1949.

Nanjing has maintained a steady economic growth during the past nine years, with over 15% increases in real GDP real growth from 2003 to 2007. While Nanjing’s economy growth slowed in 2008 and 2009 to 12.1% and 11.5%, respectively, as a result of the global economic downturn, it remained approximately 3% higher than the national average.

The table below sets forth selected economic statistics of Nanjing between 2000 and 2009:

Economic Indicators of Nanjing (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Population (million)	5.4	5.5	5.6	5.7	5.8	6.0	6.1	6.2	6.2	N/A	1.7%*
Nominal GDP (RMB billion)	107.3	121.9	138.5	169.1	206.7	241.1	277.4	328.4	377.5	423.0	16.5%
Real GDP growth rate (%)	12.3	11.1	12.8	15.0	17.3	15.1	15.1	15.7	12.1	11.5	N/A
GDP per capita (RMB)	19,838	22,196	24,816	29,780	35,770	40,887	46,113	53,500	50,327	75,529.0	12.1%
FDI (US\$ billion)	0.8	0.8	1.5	2.2	2.6	1.4	1.7	2.0	2.3	2.4	13.0%
Fixed asset investment (RMB billion)	41.2	46.4	60.3	95.4	120.2	140.3	161.4	186.8	215.4	266.8	23.1%
Per capita disposable income (RMB)	8,233	8,848	9,157	10,196	11,602	14,998	17,538	20,317	23,123	25,504	13.4%

Source: Nanjing Statistics Bureau

Notes:

(1) N/A represents not applicable or available.

(2) 2009 figures are preliminary data from the Nanjing Statistic Bureau.

* represents 2000-2008 CAGR as 2009 figure is not available.

Per capita disposable income in Nanjing has increased steadily over the past nine years, from RMB8,233 in 2000 to RMB25,504 in 2009, representing a CAGR of 13.4%. The retail sales of consumer goods in Nanjing reached RMB196.2 billion in 2009, representing a growth rate of 18.8% compared with 2008. Nanjing’s population also increased steadily from 5.4 million in 2000 to 6.2 million in 2008, representing a CAGR of 1.7%.

Infrastructure Developments

The Nanjing government has initiated the following plans for infrastructure improvement:

- extension of Metro Line 1;

- construction of Metro Lines 2 and 3; and
- construction of the Nanjing South Railway Station.

Real Estate Investment in Nanjing

Real estate investment in Nanjing maintained a rapid growth from 2000 to 2009 with a CAGR of 22.0% and grew to RMB59.6 billion in 2009. Residential properties completed and sold also grew rapidly during the same period with a CAGR of 16.4% and 21.7%, respectively. The Nanjing property market, however, was adversely affected by the global economic downturn in 2008 and the GFA of residential properties sold decreased by 38% in 2008 and the average residential price declined from RMB5,011 per sq.m. in 2007 to RMB4,786 per sq.m. in 2008, representing a larger decrease than the national average.

As a result of the easing of real estate credit and tax policies by the PRC government in late 2008, however, residential property transactions increased in 2009 to 11.1 million, up 68% from 2008 and surpassing the 2007 transaction level by nearly 5%. In addition, the average residential price in Nanjing increased to a new high of RMB6,893 per sq.m. with growth rates of 44% and 37% compared to 2008 and 2007, respectively. Accordingly, the average residential price during the period of 2000 and 2009 recorded a CAGR of 11.4%.

The table below sets forth selected property market statistics of Nanjing between 2000 and 2009:

Property Market Indicators of Nanjing (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	99.3	111.0	13.8	18.4	29.3	29.6	35.1	44.6	50.8	59.6	22.0%
GFA of commodity properties completed (million sq.m.)	3.8	4.0	4.3	3.9	6.4	6.5	8.1	6.8	10.6	14.2	15.7%
GFA of residential properties completed (million sq.m.)	3.0	3.1	3.8	3.4	5.6	5.8	6.7	5.8	8.9	11.7	16.4%
GFA of commodity properties sold (million sq.m.)	2.2	2.8	3.8	4.4	6.1	9.4	10.1	11.4	7.0	11.9	20.5%
GFA of residential properties sold (million sq.m.)	1.9	2.5	3.4	4.0	5.4	8.9	9.4	10.6	6.6	11.1	21.7%
Average price of commodity properties (RMB per sq.m.)	2,795	2,907	2,923	3,148	3,516	4,072	4,477	5,304	5,089	7,185	11.7%
Average price of residential properties (RMB per sq.m.)	2,602	2,577	2,780	2,888	3,098	3,844	4,270	5,011	4,786	6,893	11.4%

Source: Nanjing Statistics Bureau

Notes:

(1) 2009 figures are preliminary data from the Nanjing Statistic Bureau.

Mid to High-end Residential Market in Nanjing

Nanjing's mid to high-end residential properties are mainly concentrated in four areas: Chengbei, Chengnan, Chengzhong and Hexi New Town. Hexi New Town and Chengzhong Area are the top two districts for the existing supply of mid to high-end residential properties in Nanjing, each accounting for more than 40% of the total supply.

Demand for mid to high-end residential properties in Nanjing mainly comes from local private entrepreneurs, white-collar workers from high-tech and financial industries and government employees. The steady population growth in Nanjing, which had a CAGR of 1.7% between 2000 and 2008, is expected to be one of the drivers for the mid to high-end residential property sector in Nanjing. In addition, it is expected that mid to high-end residential market in Nanjing will continue to see stable growth due to the increase income of Nanjing residents and improved public facilities.

CHANGCHUN PROPERTY MARKET

Changchun, located in northeast of China, is one of the largest cities and capital of Jilin province. Changchun covers an area of 20,571 sq.km. and had a population of 7.9 million in 2009.

Changchun has experienced GDP growth since 2000, with real GDP growth rate higher than 11% from 2003 to 2009. Its GDP output reached RMB301.3 billion in 2009 with a real GDP growth rate of 16.3% compared with the national growth rate of 8.7%. Between 2000 and 2009, disposable income per urban resident in Changchun increased from RMB5,550 to 17,346 , representing a CAGR of 13.5%.

The table below sets forth selected economic indicators of Changchun between 2000 and 2009:

	Economic Indicators of Changchun (2000-2009)										2000-2009 CAGR
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Population (million)	6.9	7.1	7.1	7.2	7.2	7.3	7.4	7.5	7.5	7.9	1.5%
Nominal GDP (RMB billion)	82.4	100.3	115.0	133.8	153.5	163.6	174.1	208.9	256.2	301.3	15.5%
Real GDP growth rate (%)	11.2	12.7	12.7	13.2	12.6	12.8	13.9	16.1	15.4	16.3	4.3%
GDP per capita (RMB).	11,760	14,300	16,300	18,705	21,285	22,137	23,677	28,131	34,193	38,367	14.0%
FDI (US\$ billion)	0.4	0.5	0.6	0.8	0.9	1.1	1.4	1.7	1.9	2.0	21.3%
Urbanization (%)	41.2	41.6	42.3	43.6	44.1	44.3	44.7	44.9	45.2	45.6	1.1%
Fixed asset investment (RMB billion)	23.52	28.5	32.05	38.96	46	65.78	95.04	135.06	181.88	223.6	28.4%
Per capita disposable income (RMB)	5,550	6,339	6,900	7,905	8,900	10,346	11,358	12,811	15,003	17,346	13.5%

Source: China Real Estate Index System

Real Estate Investment in Changchun

Between 2000 and 2009, real estate investment in Changchun increased from RMB2.7 billion to RMB44.3 billion, representing a CAGR of 36.5%. The GFA of commodity properties completed and of residential properties sold in Changchun grew at CAGR of 14.6% and 14.4 %, respectively, from 2000 to 2009.

Between 2000 and 2009, the average selling price of commodity properties and residential properties in Changchun increased at a CAGR of 9.8%. Since 2003, average commodity selling price has increased rapidly, from RMB2,155 per sq.m to reaching a high of RMB4,141 per sq.m.in 2009 whilst average price of residential selling price has increased substantially from RMB1,973 per sq.m. to RMB4,012 per sq.m in 2009.

The table below sets forth selected property market indicators of Changchun between 2000 and 2009:

Property Market Indicators of Changchun (2000-2009)											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	2.7	4.2	5.2	7	8.9	10.7	17.1	25.9	35.2	44.3	36.5%
GFA of commodity properties completed (million sq.m.)	17	18	29	25	28	30	33	54	48	58	14.6%
GFA of residential properties completed (million sq.m.)	15	16	23	19	21	24	28	47	41	50	14.4%
GFA of commodity properties sold (million sq.m.)	10	12	20	19	19	34	41	51	57	72	24.2%
GFA of residential properties sold (million sq.m.)	10	11	17	17	17	31	37	47	52	65	23.9%
Average price of commodity properties (RMB per sq.m.)	1,780	2,282	2,421	2,155	2,260	2,393	2,558	3,250	3,489	4,141	9.8%
Average price of residential properties (RMB per sq.m.)	1,725	2,196	2,064	1,973	2,119	2,272	2,408	3,118	3,344	4,012	9.8%

Source: China Real Estate Index System

Notes:

- (1) On November 16, 2007, the registered capital of Wuxi Wangjiarui was increased from RMB350,000,000 to RMB739,830,227. After the increase of the registered capital, the company was held as to 59.4% by Fuda Nantong, 35.28% by Zhuo Yi Nantong, 2.01% by Fusheng Nantong and 3.31% by Yonghe Nantong. On January 9, 2008, the registered capital of the company was further increased to RMB1,197,911,767 and its equity interests were held as to 66.44% by Fuda Nantong, 28.94% by Zhuo Yi Nantong, 1.24% by Fusheng Nantong and 3.38% by Yonghe Nantong. The increase in the registered capital of Wuxi Wangjiarui has been fully paid up in a timely manner using the net proceeds from our issuance of RMB denominated notes (the "Original Notes") to certain investors in November 2007.
- (2) Anhui Hengmao was established by Wuxi Wangjiarui in the PRC on October 24, 2007.
- (3) On January 14, 2008, the registered capital of Shanghai Yijing was increased from RMB50,000,000 to RMB563,587,214. After the increase of the registered capital, the company was held as to 16.34% by Nantong Jigui, 45.22% by Henghui Nantong, 21.11% by Fusheng Nantong and 17.33% by Fuda Nantong. The increase in the registered capital of Shanghai Yijing has been fully paid up in a timely manner using the net proceeds from our issuance of the Original Notes.
- (4) On November 16, 2007, the registered capital of Liaoning Yangguang Xindi was increased from RMB50,000,000 to RMB796,515,500. After the increase of the registered capital, the company was held as to 18.99% by Nantong Jiangle, 15.22% by Nantong Lehua, 10.24% by Fusheng Nantong, 29.54% by Henghui Nantong, 13.94% by Nantong Jigui and 12.07% by Nantong Huangshi Hui. On January 7, 2008, the registered capital of Liaoning Yangguang Xindi was further increased to RMB1,333,502,483. After the increase of the registered capital, the company was held as to 17.77% by Nantong Jiangle, 15.52% by Nantong Lehua, 6.12% by Fusheng Nantong, 33.73% by Henghui Nantong, 8.32% by Nantong Jigui, 7.21% by Nantong Huangshi Hui and 11.33% by Yonghe Nantong. The increase in the registered capital of Liaoning Yangguang Xindi has been fully paid up in a timely manner using the net proceeds from our issuance of the Original Notes.
- (5) On January 10, 2008, the registered capital of Tianjin Yangguang Xindi was increased from RMB448,143,370 to RMB806,039,565. After the increase of the registered capital, the company was held as to 80.53% by Yonghe Nantong and 19.47% by Nantong Huangshi Hui. The increase in the registered capital of Tianjin Yangguang Xindi has been fully paid up in a timely manner using the net proceeds from our issuance of the Original Notes.
- (6) Harbin Yangguang was established by Liaoning Yangguang Xindi in the PRC on December 19, 2007.
- (7) On March 6, 2008, Nantong Rongsheng was acquired by Wuxi Wangjiarui from Jiangsu Rongsheng Investment Group Co., Ltd. (江蘇榕盛投資集團有限公司), a company controlled by Mr. Zhang Zhi Rong, for a consideration of RMB31,803,400. The consideration was determined by reference to the appraised net asset value of Nantong Rongsheng as of February 20, 2008.
- (8) On May 9, 2008, Shanghai Yijing acquired a 45% equity interest in Shanghai Chuangmeng from the Founder for a consideration of RMB4,500,000. The consideration was determined by reference to the registered capital of Shanghai Chuangmeng at the time of acquisition.
- (9) On March 13, 2008, Tianjin Tianxingjian Real Estate Investment Co., Ltd. was acquired by Tianjin Yangguang Xindi from Tianjin City Kaixiang Steel Trading Co., Ltd. (天津市凱祥鋼材貿易有限公司), an independent third party, for a consideration of RMB388,000,000. The consideration was determined by reference to the preliminary valuation of a piece of land held by Tianjin Tianxingjian Real Estate Investment Co., Ltd. at the time of signing of the agreement. On August 14, 2008, Tianjin Yangguang Xindi and Tianjin City Kaixiang Steel Trading Co., Ltd. (天津市凱祥鋼材貿易有限公司) signed a supplemental agreement, pursuant to which the parties agreed to change the consideration to RMB454,180,000, which amount was determined based on the market value of the land on or about the settlement date.
- (10) On November 25, 2008, Tianjin Hongyun was acquired by Nantong Zhuowei from Tianjin Yangguang Xindi for a consideration of RMB88,000,000. The consideration was determined by reference to the registered capital of Tianjin Hongyun at the time of acquisition.
- (11) On April 7, 2008, Shanghai Hongye was established by Wuxi Wangjiarui. On May 9, 2008, Shanghai Hongye was acquired by Suzhou Hongsheng from Wuxi Wangjiarui for a consideration of RMB50,000,000. The consideration was determined by reference to the registered capital of Shanghai Hongye at the time of acquisition.
- (12) Shanghai Shuntianlong was established by Nantong Zhuowei in the PRC on November 14, 2008.
- (13) On September 24, 2008, Shanghai Qiwei was established by Shanghai Xintai. On 24 October 2008, Shanghai Qiwei was acquired by Nantong Zhuowei from Shanghai Xintai for a consideration of RMB5,000,000. The consideration was determined by reference to the registered capital of Shanghai Qiwei at the time of acquisition.
- (14) On December 15, 2008, Shanghai Mingbao was acquired by Nantong Zhuowei from Shi Xiaolei (施曉蕾) and Shi Xiaoyu (施曉宇), both are independent third parties, for an aggregate consideration of RMB2,500,000. The consideration was determined after arm's length negotiation between the parties.
- (15) On October 12, 2009, we entered into a share purchase agreement with two third party individuals to acquire the entire equity interest in Tianjin Gangtian Real Estate Investment Co., Ltd. ("Tianjin Gangtian") for cash consideration of approximately RMB848.8 million. Tianjin Gangtian owned certain land use rights in Binhai New District, Tianjin. The acquisition was completed in December 2009 and the cash consideration was fully paid.

- (16) On October 15, 2009, we signed an agreement with Nanjing Jiaotong, an independent third party, for the formation of a project company in which we will own a 60% equity interest upon completion of the transaction. Our total initial investment in relation to this transaction is RMB1,915.1 million. We have made an aggregate investment of RMB1,835.0 million in such entity to acquire a 60% equity interest in the project company, Nanjing Jiangxu.
- (17) On November 20, 2009, through Wuxi Wangjiarui, we entered into a purchase agreement with Jiangsu Rongsheng, a company in which Mr. Zhang Zhi Rong, our chairman, holds a controlling stake, to acquire 100% of the equity interests in one or more subsidiaries of Jiangsu Rongsheng that are expected to acquire the land use rights for two parcels of land located in Xuhui District, Shanghai, for a total consideration of RMB2.0 billion. We have paid RMB1.8 billion of the consideration and expect to pay the remaining RMB0.2 billion after obtaining the relevant land use right certificate.
- (18) On December 18, 2009, we entered into a share purchase agreement with a third party company to acquire the entire equity interest in Highest Reach and an outstanding shareholder loan in the amount of approximately HK\$386.8 million, owed by Fast Right, the sole wholly-owned subsidiary of Highest Reach to the seller for a total consideration equal to the US\$ equivalent of RMB1,149.4 million. We had paid acquisition consideration of approximately RMB399.6 million at December 31, 2009. Through Fast Right, Highest Reach indirectly owns a 70% equity interest in Tianjin Dong'an, which owns a parcel of land in the southern part of Tianjin. The acquisition was completed in December 2009. The Group paid further amounts in the aggregate amount of RMB549.8 million in 2010, with the remainder of the consideration of RMB200.0 million being payable in January 2011 when certain conditions are met.
- (19) On December 30 and 31, 2009, we won auctions and entered into land grant contracts for two parcels of land in Nantong, Jiangsu at a total consideration of RMB4,141.7 million. We have paid RMB3,136.3 million and owe a remaining balance of RMB1,005.4 million in various installments through February 25, 2011. See "Description of Material Indebtedness — Nantong Trust Arrangements".

BUSINESS

OVERVIEW

We are one of the leading property developers focused on the development and sale of high quality properties in key economic cities in the PRC. Our Land Bank is highly diversified and is located in prime locations. As of June 30, 2010, it comprised a total planned GFA of 17,682,726 sq.m. Approximately 15.7% of our total planned GFA was located in Shanghai, 25.3% was located in Tianjin and Beijing as of June 30, 2010 and the remaining 58.9% of our total planned GFA was located in eight other key economic cities in the PRC.

We offer a wide range of products, including apartments, townhouses, retail properties, offices and hotels. We develop and sell our premium residential properties while seeking to selectively retain long-term ownership of certain commercial properties to benefit from potential capital appreciation as well as to diversify our future income stream.

Since we commenced our business in 1996, we have been dedicated to developing property in key economic cities in China. During the past 14 years, we have developed, sold and delivered more than 3.5 million sq.m. of GFA in China. As of June 30, 2010, we had developed or were developing projects in eleven different cities across the PRC: three municipalities (Shanghai, Tianjin, Beijing), five provincial capitals (Hefei, Shenyang, Harbin, Changchun, Nanjing) and three key regional economic cities in the Yangtze River Delta (Wuxi, Suzhou, Nantong). From 2007 through 2009, the GDP growth rates of each of these cities except Shanghai exceeded the national average, and the combined economic contribution of these ten cities to national GDP was 19.4%, 18.7% and 18.9% in 2007, 2008 and 2009, respectively. In 2008, the average per capita GDP of these cities was approximately three times the PRC per capita GDP. The urbanization rates in 2009 in each of these cities also exceeded the urbanization rate of the PRC.

During the past 14 years, we have developed, sold and delivered more than 2.1 million sq.m. of GFA in Shanghai. As of June 30, 2010, we had nine projects in Shanghai in various stages of development. Our flagship project, Shanghai Bay, is situated along the west bank of the Huangpu River and faces the Shanghai World Expo site. Shanghai Bay was among the top three real estate development projects in Shanghai in terms of total sales contract value achieved in 2008, based on sales data collected and compiled by www.soufun.com (a leading real estate portal in China), and was recognized as a 2009-2010 Real Estate New Landmark in China Shanghai City by China Index Research Institute and China Real Estate Association in 2009.

For the year ended December 31, 2009 and the six months ended June 30, 2010, our total revenue was RMB6,171.1 million (US\$910.0 million) and RMB2,497.9 million (US\$368.3 million), respectively. For the same periods, our Adjusted EBITDA (as defined herein) was RMB2,571.6 million (US\$379.2 million) and RMB1,128.0 million (US\$166.3 million), respectively. Our shares have been listed on the Hong Kong Stock Exchange since October 2, 2009 under stock code 845.HK. Our market capitalization as of October 15, 2010 was HK\$22.2 billion.

COMPETITIVE STRENGTHS

Leading developer in key economic cities in China, such as Shanghai and Tianjin, positioned to benefit from future economic growth.

The growth potential of a city's property market is to a significant extent driven by the development and prospects of the city's economy, and we are of the view that certain key economic cities are at the forefront of China's economic development. We believe that our established strong presence and leading role in these key economic cities have and will continue to position us, to benefit from the expected strong economic growth in these cities and their active property markets.

Shanghai is an economic and financial center of China and had one of the highest GDPs per capita in China in 2009. We have successfully established ourselves as a leading property developer in Shanghai over the past 14 years. During that time Shanghai has grown from a city having a less mature property market in 1996 when the average property price was RMB2,968.0 per sq.m. to one of the most appealing cities in China with an average property price of RMB12,840 per sq.m. for 2009. We have high quality Land Bank at prime locations in Shanghai. The PRC government has made it a high-level strategic objective to develop Shanghai into an international financial and shipping center. The Shanghai Municipal Government also has a clear aim to develop Shanghai into a domestic and international trade center. In addition, we expect that the Shanghai World Expo 2010 will have a positive effect on the urban development of Shanghai and provide further support to Shanghai's real estate market.

After Shanghai, Tianjin is the second city into which we ventured. We started developing our business in Tianjin in 2003 and have established a solid foothold after seven years of well recognized efforts. Tianjin is one of the four municipalities administered directly by the PRC central government. We believe that our achievements in Tianjin have demonstrated that we have the capability of replicating our success in Shanghai in other cities. We believe that, by leveraging on our success and strength in Shanghai and Tianjin, we are well positioned to continue to benefit from the strong growth in these cities while further expanding and strengthening our position in other strategically selected key economic cities.

Large, low-cost, high-quality Land Bank, providing us with long-term development opportunities in key economic cities, including Shanghai, Tianjin and Beijing.

As of June 30, 2010, we had a Land Bank of 7,260,007 sq.m. located in Shanghai, Tianjin and Beijing, representing 41.1% of our total Land Bank (of which, 1,444,306 sq.m. was GFA for which we have signed master agreements). We believe that our projects in Shanghai, Tianjin and Beijing are strategically located either in well established prime locations or in areas which have high growth potential. We believe that the prime location of the properties in our Land Bank is difficult for our competitors to replicate and has laid a strong foundation for the success of our future property development.

Our flagship project, Shanghai Bay, in Shanghai is situated along the west bank of the Huangpu River and faces the Shanghai World Expo site. The project has a total planned GFA of approximately 896,555 sq.m. and is one of the largest integrated comprehensive developments along the Huangpu River, which includes two high quality hotels, one shopping mall, offices and high-end residential units. The hotels and offices are expected to commence operations in 2012 and 2013, respectively, in anticipation of the increasing demand for hotels and offices that the Shanghai World Expo in 2010 may bring. We expect that the Shanghai World Expo site and its surrounding area will become a symbol for the modernization of Shanghai and attract domestic and international tourists, boosting the demand for hotels, high-end residential properties, recreational centers and shopping malls in the area and providing a suitable environment for high-end office buildings.

For the year ended December 31, 2009, our average unit land cost based on GFA was lower than 10% of our average unit selling price. We believe our low-cost Land Bank not only supports our future profitability but also gives us greater flexibility to diversify our product portfolio, to cater to a broader customer base, and to respond more effectively to changing market conditions.

Prudent and strategic approaches to replenish our low-cost Land Bank.

We have acquired a portion of our current Land Bank by participating directly in the tender process held by local governments. By adopting this direct acquisition approach in building up our Land Bank, we are able to acquire land at early stages of its appreciation cycle.

We also cooperate with various local governments in their urban development programs which lead to a number of master agreements with such local governments for land sites. This approach has yielded a total planned GFA of 4,963,608 sq.m. in Shanghai, Tianjin, Beijing, Nantong and Shenyang as of June 30, 2010. Under these master agreements, we may obtain a right to be involved in the urban development or government zoning process at an early stage. In this manner we are able to gain more insight into a particular land parcel and development plans of local governments, which we believe increases our chances of obtaining the relevant land use rights in the subsequent public tender process. We have developed numerous projects using this approach, including Bashangjie Project and Hefei Villa Glorious Project in Hefei, Anhui Province. We also have a successful track record of acquiring small to medium size property development companies that have already obtained suitable land grant contracts or land use rights.

Wide product offering, innovative design and effective product positioning help our projects stand out in a competitive marketplace.

We offer a wide range of products including apartments, townhouses, retail properties, offices and hotels in ten different cities across the PRC. We develop both high quality apartments in prime locations such as Shanghai Bay in Shanghai and large-scale residential or complex developments in suburban areas such as Sunshine Bordeaux in Beijing. We believe that we are able to use innovative designs to differentiate our projects from our competitors and our projects have been well received by our target customers.

We believe that quality product design and positioning is crucial to our business. For this reason, we have been innovative and flexible in developing our projects in order to cater to the different needs of our customers. For example, in 2004, we acquired the land for Shanghai Bay in anticipation of the Shanghai World Expo and to take advantage of its unique view of the Huangpu River. This high quality project now features a view of the Shanghai World Expo site and the Huangpu River. The areas surrounding Shanghai Bay have been re-developed by the Shanghai Municipal Government in an effort to prepare it as a showcase for the Shanghai World Expo. As a result, we have experienced increased demand for our products in Shanghai Bay.

We have engaged domestically and internationally renowned designers who are experienced in planning and landscaping large-scale properties during the concept design phase of property developments. We also have an in-house development and design center which is responsible for our product development and design and consists of experienced research and design staff with strong knowledge in the local market. In recognition of the high quality and innovative design of our projects, we have received numerous awards from different organizations. For example, in 2007, our No.1 City Promotion project in Wuxi was designated by the Friends of the United Nations (聯合國友好理事會) and the United Nations Human Settlement Programme (聯合國人居署) as an “International Culture Community” (國際文化社區) and recognized as one of the Top 10 Famous Properties in China (中國房地產十大名盤) in 2007 in the China Property Market Development Annual Forum 2007 (2007 中國房地產發展年會) hosted by Enterprise Research Institution of Development Research Center of the State Council, Institute of Real Estate Studies of Tsinghua University and SouFun China Index Institute. Our Sunshine Holiday project in Tianjin was awarded “The Most Suitable for Marriage Real Estate” (天津房地產網路人氣榜最適婚房樓盤) in 2009 by Tianjin Real Estate Internet Ranking List.

Highly experienced management team with a proven track record supported by a well-trained workforce.

Our management team has a strong track record in the property development industry and has developed, sold and delivered projects with more than 3.5 million sq.m. of GFA since 1996. Our management team has adopted a forward looking approach in identifying target land and has strong execution capabilities. The strategic vision of our management team is demonstrated by the timing of our entry into Shanghai, Tianjin and Harbin in 1996, 2003 and 2008, respectively. In all three cities, we have benefited from the upward trend of local property prices. Over the past three years, our key management members have remained substantially unchanged and they share our core corporate values and operating philosophy.

Our management team is also supported by a well-trained workforce. We are highly selective in our hiring process and endeavour to recruit and train employees who have the potential to become long-term effective management staff. We have implemented an incentive scheme combining both a performance-based bonus and an individually tailored career development platform. We believe that recruiting and retaining top talent with local knowledge and overseas experience have enabled us to capitalize on their collective expertise in both the local and international property markets.

BUSINESS STRATEGIES

Our principal business strategies are to:

Strengthen our market position in Shanghai while expanding our operations in Tianjin, Beijing and other key cities with high-growth potential.

We plan to continue to strengthen our market positions in Shanghai, Tianjin and Beijing as we believe property developments in these cities will continue to be profitable given their expected strong economic growth. By maintaining a strong presence in these cities, we believe we can enhance our brand profile, increase our pricing power and attract more industry talent.

While we expect to benefit from the continued economic expansion in Shanghai, Tianjin and Beijing, we also intend to increase our focus on other key economic cities in China with a view to capturing the economic growth in these cities and to geographically broaden our revenue base. A key part of our expansion strategy is to build a successful business model in regional hubs including Shanghai, Tianjin and Beijing and then expand into other key economic cities in these regions. Our success in Shanghai, for example, has led to our gradual expansion to the cities in the Yangtze River Delta area including Wuxi, Nantong, Suzhou, Nanjing and Hefei. Our position in Tianjin and Beijing has also presented opportunities for us to enter the property markets in the neighboring cities in the Pan Bohai Rim area.

Increase our focus on integrated, high quality developments in prime locations.

Our long-term strategy is to focus on developing integrated, high quality projects in prime locations and positioning our “Glorious Property” brand as a premier brand across the PRC. We have already acquired and will continue to replenish our premium Land Bank which is suitable for our project strategies.

We intend to continue to promote our “Glorious Property” brand by engaging internationally renowned architects and expanding our experienced in-house design team, creating innovative and distinctive products, using premium materials and fittings in the construction and furnishing of our properties, delivering top quality products to our customers and providing strong after-sales support. We have established the Huangpu Customers Club (皇浦薈客戶俱樂部) to provide quality after-sales services to our customers and enhance the nationwide recognition of our brand. We are confident that we will be able to develop “Glorious Property” into a brand name synonymous with excellence, quality and trust in the property industry in China.

Selectively grow our Land Bank.

Our management team will continue applying our strategic vision to explore different ways to acquire and replenish our Land Bank. We have adopted a strategy of gradual and prudent Land Bank expansion, taking into account our financial capacity before making new acquisitions. In addition to acquiring land by entering into land grant contracts with the PRC government, we will continue to leverage our proven expertise to acquire project companies that have access to suitable sites. We will also continue to collaborate with various local governments in urban development, as this will give us an opportunity to be involved in the early stages of development plans, help us gain insights into the relevant land and place us in a competitive position to bid for the cleared land. We base our land acquisition decisions on thorough research and analysis of a project’s expected return in the context of forecasted future property and economic trends in the relevant city.

Maintain prudent financial management policies.

We will continue to monitor closely our capital and cash positions and gauge our development scale and time our land acquisition and development schedule accordingly. We have financial planning and cash management at the individual project level as well as the group level. We will continue to manage our development cost for each project during the course of its development, with an emphasis on cost reduction and cost efficiency. We will actively manage our sale and pre-sales for adequate cash flow for our ongoing capital requirements. We will also remain disciplined in our capital commitments and seek to maintain a balanced capital structure.

Diversify income streams through the holding of investment properties.

We intend to expand gradually into the hotel, retail and office property sectors in China to diversify and to enhance the stability of our revenue streams. We aim to achieve a diversified earnings base balanced between development activities, which generate profits from selling completed development projects, and holding of investment properties, which generate recurring rental income through our retention of office, retail and hotel assets for long-term investment purposes. With our increasing exposure to investment properties, we expect that our revenues from rental income will increase in the future.

As part of our integrated and diversified business model, we are also in the process of developing, and plan to develop, several hotels. We have entered into long-term management agreements with internationally renowned hotel management companies for the management and operations of the hotels in Shanghai Bay and No. 1 City Promotion, respectively. We believe that the management of our hotels by such internationally renowned hotel management companies can enhance the profile and prospects of our hotel properties.

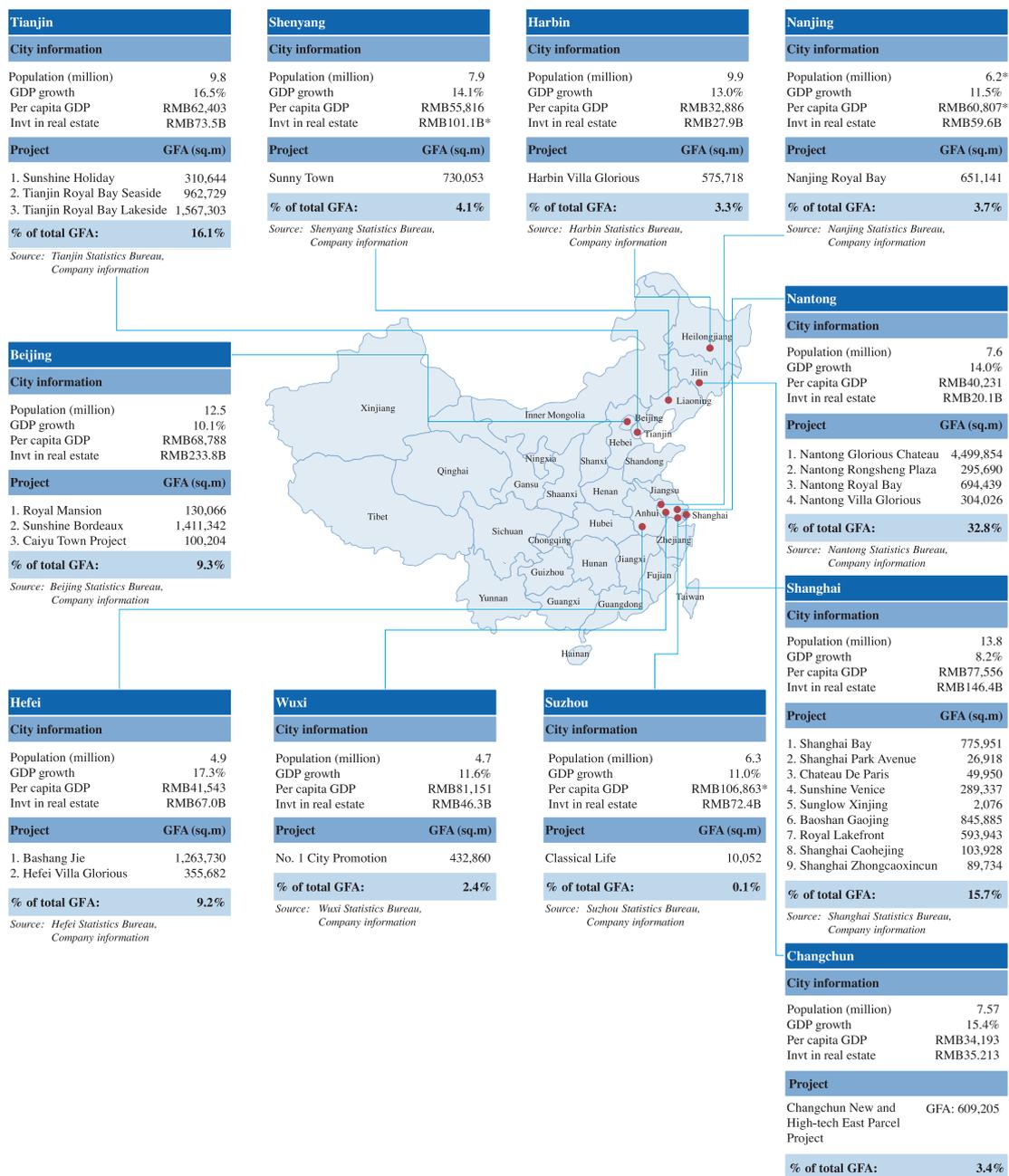
OUR BUSINESS

Our Land Bank

As of June 30, 2010, we had 27 projects in various stages of development, with a total Land Bank of approximately 17,682,726 sq.m. We categorize our projects into the following types:

- (i) projects with a total planned GFA of approximately 7,910,682 sq.m. for which the relevant government authorities had granted the land use rights certificates;
- (ii) projects with a total planned GFA of approximately 4,808,437 sq.m. for which we had signed land grant contracts or had successfully tendered but had not, as of June 30, 2010, obtained the land use rights certificates;
- (iii) projects with a total planned GFA of approximately 193,661 sq.m. for which we have signed acquisition or investment agreements with third parties which are subject to satisfaction of conditions precedent (including the obtaining of land rights use certificates) that have not yet been satisfied; and
- (iv) projects with a total planned GFA of approximately 4,963,608 sq.m. for which we have entered into master agreements with the local governments but had not, as of June 30, 2010, completed the public tender process or entered into land grant contracts.

The following map shows the locations and other information of our total Land Bank as of June 30, 2010.



* This figure is based on 2008 data.

Overview of Our Projects

Our properties are located in Shanghai, Tianjin, Beijing, Wuxi, Suzhou, Nantong, Hefei, Changchun, Shenyang, Harbin and Nanjing and can be broadly classified as follows:

- Completed properties held for sale or investment, which comprise property projects we had completed but had not disposed of as of June 30, 2010, with the certificates of completion issued by the relevant government authorities;
- Properties under development, which comprise property projects with respect to which we had received land use rights certificates and construction permits or approval letters for early construction but had not, as of June 30, 2010, obtained the certificates of completion;
- Properties held for future development, which comprise property projects with respect to which we had obtained the land use rights certificates but had not, as of June 30, 2010, obtained the requisite construction permits or approval letters for early construction;
- Properties contracted to be acquired, which comprise property projects with respect to which we had signed the relevant land grant contracts with the relevant PRC land administrative authorities or had successfully tendered for the relevant project but had not, as of June 30, 2010, obtained the land use rights certificates;
- Property projects with respect to which we have signed an acquisition or investment agreement with third parties but have not, as of the date hereof, consummated the related acquisition or investment, which are subject to satisfaction of conditions precedent specified in the relevant acquisition or investment agreement, including the obtaining of land use rights certificates; and
- Projects to be acquired for future development, which comprise property projects with respect to which we had signed master agreements with the local government authorities, but had not, as of June 30, 2010, completed the public tender, auction or listing for bidding process, had not entered into a land grant contract and had not obtained the land use rights certificates.

Pursuant to the master agreements we enter into with local governments, we obtain the right to participate in such local government's early-stage urban development or zoning process. In certain instances, we advance to the relevant governmental agency amounts to cover these expenses associated with land compensation and relocation. If we successfully tender for the subject land and sign a land grant contract, these advances are deducted from the land premium we pay for the land use rights. By participating in the early-stage development and zoning, we are able to gain insight into the particular land parcels and development plans of the relevant government authorities. This increases our chances of success in obtaining the relevant land use rights in the public tender and auction processes. However, even though we enter into master agreements, we are still required to go through the public tender, auction or listing for bidding process. If we are successful in the public tender, we still must enter into a land grant contract and pay the relevant land premiums in full before we are eligible to apply for the land use rights certificates. As such, there is no assurance that we will be successful in securing the land grant contracts and/or obtaining the relevant land use rights certificates in respect of projects falling within the category of "properties to be acquired for future development". In the event that we are not successful in the public tender and auction process in respect of such projects, we will not be able to engage in the development of such projects and will not have access to any of the associated GFA for development or sale.

The consummation of the acquisitions or investments for which we have signed acquisition or investment agreements with third parties are subject to the satisfaction of conditions precedent including the obtaining of land use rights certificates. We cannot assure you that such conditions precedent (including obtaining land use rights certificates) will be satisfied or that such acquisitions or investments will be consummated on the terms set forth in such agreements.

As of June 30, 2010, our Land Bank comprised a total completed GFA of 596,263 sq.m., a total GFA under development of 2,571,979 sq.m., a total planned GFA of 5,805,809 sq.m. held for future development, a total planned GFA of 3,745,067 sq.m. contracted to be acquired, a total planned GFA of 193,661 sq.m. for which we have signed acquisition or investment agreements and a total planned GFA of 4,963,608 sq.m. to be acquired for future development. The total planned GFA of 4,963,608 sq.m. to be acquired for future development is attributed to our future projects in respect of which we have only entered into master agreements but have not yet completed the public tender auction or listing for bidding process, entered into relevant land grant contracts or obtained the relevant land use rights certificates. Details of these projects are separately set out in the section paragraph headed “— Projects to be acquired for future development”. For risks associated with these projects, see “Risk Factors — Risks relating to our business — We are party to long-term master agreements and land grant contracts with PRC government entities, which may not be implemented as agreed”.

The following table sets forth details of our projects as of June 30, 2010 in accordance with the classification above (other than properties for which we properties to be acquired for future development).

Completed Projects Held for Sale/Investment

Land Bank

Project name	Location	Total GFA (sq.m.)	GFA sold and delivered as of June 30, 2010 (sq.m.) ⁽¹⁾	GFA pre-sold and undelivered as of June 30, 2010 (sq.m.)	Total saleable/leasable unsold GFA (sq.m.)			Construction commencement/Expected date of construction commencement	Construction completion/Expected completion time	Pre-sales commencement day	Interest attributable to us (%)
					Residential	Retail ⁽³⁾	Office				
Completed projects held for sale/investment											
Shanghai Park Avenue 恒盛•皇家花園	Shanghai	102,482	75,564	1,300	417	1,541	—	23,660	April 2007	November 2006	100%
Chateau De Paris (Phase I) 恒盛•陽光巴黎 (第一期)	Shanghai	30,891	26,082	—	—	321	—	4,488	April 2002	January 2003	100%
Chateau De Paris (Phase II) 恒盛•陽光巴黎 (第二期)	Shanghai	98,490	53,349	196	282	17,148	—	27,514	November 2004	February 2007	100%
Sunshine Venice (Phases I, II & IIIA) ⁽⁵⁾ 恒盛•陽光威尼斯 (第一期、二期和三期A)	Shanghai	792,475	664,933	—	—	33,793	—	93,749	November 2002	January 2003	100%
Sunshine Venice (Phase IIIB) 恒盛•陽光威尼斯 (第三期B)	Shanghai	219,310	184,398	2,642	5,358	7,856	—	19,056	April 2005	November 2006	100%
Shanghai Bay (Phase I) 恒盛•尚海灣 (第一期)	Shanghai	221,501	120,604	17,190	50,450	5,661	—	27,596	May 2006	September 2007	100%
Sunglow Xinjing 陽光新景	Shanghai	2,076	—	—	—	2,076	—	—	N/A	N/A	100%
No.1 City Promotion (Phase I) 恒盛•第一國際 (第一期)	Wuxi, Jiangsu	192,445	159,155	(5)	3,398	—	—	29,898	June 2005	November 2005	100%
No.1 City Promotion (Phase II) 恒盛•第一國際 (第二期)	Wuxi, Jiangsu	217,927	164,188	5,199	10,028	—	—	38,512	January 2007	February 2008	100%
Classical Life (Phase I) 恒盛•海上一品 (第一期)	Suzhou, Jiangsu	34,224	32,325	—	—	1,627	—	272	June 2006	January 2007	100%
Classical Life (Phase II) 恒盛•海上一品 (第二期)	Suzhou, Jiangsu	37,330	29,178	—	—	—	—	8,152	December 2007	January 2008	100%
Sunshine Bordeaux (Phase IA) 恒盛•波爾多小鎮 (第一期A)	Beijing	137,015	83,807	2,901	7,006	16,469	—	26,833	March 2008	June 2008	100%
Sunny Town (Phase I) 恒盛•陽光尚城 (第一期)	Shenyang, Liaoning	137,754	112,921	(16)	375	4,609	—	19,866	July 2006	August 2006	100%
Sunny Town (Phase II) ⁽⁶⁾ 恒盛•陽光尚城 (第二期)	Shenyang, Liaoning	74,087	44,962	0	5,550	12,925	—	10,649	March 2008	April 2008	100%
Sunshine Holiday (Phase I) 恒盛•陽光星期八 (第一期)	Tianjin	85,998	77,271	145	—	6,091	—	2,490	January 2005	April 2005	100%
Sunshine Holiday (Phase II) 恒盛•陽光星期八 (第二期)	Tianjin	200,630	159,636	—	998	6,113	—	33,883	August 2005	February 2006	100%
Sub-total		2,584,635	1,988,373	29,552	83,862	116,230	—	366,619			

Projects under Development

Project name	Location	Land Bank											
		Total GFA (sq.m.)	GFA sold and delivered as of June 30, 2010 (sq.m.) ⁽¹⁾	GFA pre-sold and undelivered as of June 30, 2010 (sq.m.) ⁽²⁾	Total saleable/ leaseable unsold GFA (sq.m.)			Construction commencement/ Expected date of construction commencement	Construction completion/ Expected completion time	Pre-sales commencement day	Interest attributable to us (%)		
					Residential	Office	Hotel					Others ⁽⁴⁾ (sq.m.)	
Projects under development													
Shanghai Bay (Phase I/A) 恒盛•尚海湾 (第二期A)	Shanghai	62,723	—	—	46,498	5,696	—	10,529	August 2006	Dec 10 & Dec 11	N/A	100%	
Shanghai Bay (Phase III) - Binjiang Centre (South block) 恒盛•尚海湾(第三期)：濱江中心(南樓)	Shanghai	123,653	—	—	—	—	89,700	33,953	September 2006	December 2012	N/A	100%	
Shanghai Bay (Phase III) - Binjiang Centre (North block) 恒盛•尚海湾(第三期)：濱江中心(北樓)	Shanghai	114,611	—	—	—	2,954	20,493	52,412	September 2006	November 2013	N/A	100%	
Sunshine Venice (Phase IIIC) 恒盛•陽光威尼斯(第三期C)	Shanghai	58,658	—	—	—	58,658	—	—	January 2008	December 2010	N/A	100%	
Royal Lakefront (Phase IA) 恒盛•湖畔豪庭(第一期A)	Shanghai	58,626	—	30,166	15,995	8,489	—	—	September 2009	December 2009	December 2009	100%	
Royal Lakefront (Phase IB) 恒盛•湖畔豪庭(第一期B)	Shanghai	176,279	—	40,905	49,762	53,293	—	—	October 2009	Jun 11 & Aug 12	October 2009	100%	
Royal Lakefront (Phase II) 恒盛•湖畔豪庭(第二期)	Shanghai	359,038	—	—	193,132	69,599	—	—	April 2010	Oct 11 & Dec 13	September 2010	100%	
Hefei Villa Glorious (Phase I) 合肥恒盛•豪庭(第一期)	Hefei, Anhui	103,191	—	98,064	1,758	—	—	—	March 2009	September 2011	October 2009	100%	
Hefei Villa Glorious (Phase II) 合肥恒盛•豪庭(第二期)	Hefei, Anhui	127,833	—	20,660	60,868	—	—	—	April 2010	June 2012	April 2010	100%	
Nantong Glorious Chateau (Phases IA & IB) 南通•恒盛莊園(第一期A、B)	Nantong, Jiangsu	297,514	—	5,235	229,465	24,110	—	—	January 2010	Nov 10 & Jun 11	June 2010	100%	
Nantong Villa Glorious 南通恒盛•豪庭	Nantong, Jiangsu	304,026	—	—	227,908	10,964	—	—	June 2010	June 2012	September 2010	100%	
Royal Mansion (Phase I) 恒盛•歐洲公館(第一期)	Beijing	67,474	—	36,441	10,131	3,393	—	—	March 2008	Oct 10 & Jun 11	October 2009	100%	
Sunshine Bordeaux (Phase IB) 恒盛•波爾多小鎮(第二期B)	Beijing	102,021	—	—	63,993	16,634	—	—	June 2010	November 2011	July 2010	100%	
Sunshine Holiday (Phase III) 恒盛•陽光星期八(第三期)	Tianjin	187,335	152,549	1,581	1,737	1,617	—	—	September 2007	Dec 09 & Apr 11	January 2008	100%	
Sunny Town (Phase III) 恒盛•陽光尚城(第三期)	Shenyang, Liaoning	141,625	—	91,694	26,538	6,147	—	—	April 2008	Aug 10 & Dec 10	June 2009	100%	
Harbin Villa Glorious (Phase I) 哈爾濱•恒盛豪庭(第一期)	Harbin, Heilongjiang	156,499	—	114,031	2,508	9,493	—	—	July 2009	December 2010	October 2009	100%	
Harbin Villa Glorious (Phase II) 哈爾濱•恒盛豪庭(第二期)	Harbin, Heilongjiang	283,422	—	46,912	193,091	2,075	—	—	May 2010	December 2011	June 2010	100%	
Sub-total		2,724,528	152,549	485,690	1,123,385	273,122	20,493	142,112	527,177				

Projects Held for Future Development

Land Bank

Project name	Location	Total GFA (sq.m.)	GFA sold and delivered as of June 30, 2010 (sq.m.) ⁽¹⁾	GFA pre-sold and undelivered as of June 30, 2010 (sq.m.) ⁽²⁾	Total saleable/leasable unsold GFA (sq.m.)			Construction commencement/Expected date of construction commencement	Construction completion/Expected completion time	Pre-sales commencement day	Interest attributable to us (%)	
					Residential	Retail ⁽³⁾	Office Hotel					
Projects held for future development												
Sunshine Venice (Phase IV)	Shanghai	68,225	—	—	37,700	—	—	30,525	January 2012	October 2014	N/A	100%
恒盛●陽光威尼斯 (第四期)										Oct 11 & Nov 12 & Nov 13		
Shanghai Bay (Phase IIB) 恒盛●尚海灣 (第二期B)	Shanghai	374,067	—	—	198,850	90,430	—	84,786	December 2010	May 15	N/A	100%
Royal Mansion (Phase II) 恒盛●歐洲公館 (第二期)	Beijing	62,592	—	—	31,589	7,233	—	23,770	July 2011	June 2013	N/A	100%
Tianjin Royal Bay Seaside (Phases I, II) 恒盛尚海灣濱海 (天行建) (第一期、二期)	Tianjin	330,993	—	—	208,142	42,344	—	80,507	October 2010	Dec 11 & Oct 12	N/A	100%
Tianjin Royal Bay Seaside (Phase III) 恒盛尚海灣濱海 (天行建) (第三期)	Tianjin	28,655	—	—	—	5,000	—	23,655	January 2011	December 2012	N/A	100%
Tianjin Royal Bay Seaside (West block) 恒盛尚海灣濱海 (天津港天) (西地塊)	Tianjin	262,471	—	—	191,586	2,600	—	68,285	October 2010	Dec 11 & Oct 12	N/A	100%
Tianjin Royal Bay Seaside (East block) 恒盛尚海灣濱海 (天津港天) (東地塊)	Tianjin	340,610	—	—	258,810	15,800	—	66,000	November 2010	May 12 & Jun 13	N/A	100%
Tianjin Royal Bay Lakeside (Phase I - Phase IV) ⁽⁷⁾ 恒盛●尚海灣濱湖 (第一期至第四期)	Tianjin	1,567,303	—	—	1,155,407	97,800	—	314,096	March 2011	June 2016	N/A	70%
No.1 City Promotion (Phase III) 恒盛●第一國際 (第三期)	Wuxi, Jiangsu	228,581	—	—	117,453	38,598	—	72,530	July 2010	Jun & Dec 12	N/A	100%
No.1 City Promotion (Phase IV) 恒盛●第一國際 (第四期)	Wuxi, Jiangsu	117,249	—	—	27,196	12,164	—	49,256	May 2011	Dec 12 & Dec 13	N/A	100%
Nantong Rongsheng Plaza 恒盛●崧盛大廈	Nantong, Jiangsu	295,690	—	—	—	49,046	85,330	76,424	March 2011	December 2015	N/A	100%
Nantong Glorious Chateau (Phase IC) 南通●恒盛莊園 (第一期C)	Nantong, Jiangsu	131,250	—	—	125,000	—	—	6,250	January 2011	December 2011	N/A	100%

Land Bank

Project name	Location	Total GFA (sq.m.)	GFA sold and delivered as of June 30, 2010 (sq.m.) ⁽¹⁾	GFA pre-sold and undelivered as of June 30, 2010 (sq.m.) ⁽²⁾	Total saleable/leasable unsold GFA (sq.m.)			Construction commencement/ Expected date of construction commencement	Construction completion/ Expected completion time	Pre-sales commencement day	Interest attributable to us (%)	
					Residential	Retail ⁽³⁾	Office					Hotel
Nantong Glorious Chateau (Phase II) 南通●恒盛莊園(第二期)	Nantong, Jiangsu	759,343	—	—	533,527	94,152	—	131,664	February 2011	December 2013	N/A	100%
Hefei Villa Glorious (Phase III) 合肥●恒盛豪庭(第三期)	Hefei, Anhui	120,253	—	—	85,645	—	—	34,608	October 2010	August 2012	N/A	100%
Hefei Villa Glorious (Phase IV) 合肥●恒盛豪庭(第四期)	Hefei, Anhui	4,405	—	—	—	4,405	—	—	May 2011	July 2012	N/A	100%
Nanjing Royal Bay (Phases I, II & III) ⁽⁷⁾ 恒盛●南京●尚海灣(第一、二、三期)	Nanjing, Jiangsu	651,411	—	—	438,317	43,749	—	169,345	January 2011	Jun 13 & Dec 14 & Nov 15	N/A	60%
Sunny Town (Phase IV) 恒盛●陽光尚城(第四期)	Shenyang, Liaoning	326,915	—	—	207,549	62,642	—	56,725	September 2010	Dec 11 & Dec 12	N/A	100%
Harbin Villa Glorious (Phase III) 哈爾濱●恒盛豪庭(第三期)	Harbin, Heilongjiang	135,796	—	—	100,551	—	—	35,245	April 2011	December 2012	N/A	100%
Sub-total		5,805,809	—	—	3,717,322	565,964	85,330	149,335				
								1,287,858				

Land Bank

Project name	Location	Total GFA (sq.m.)	GFA sold and delivered as of June 30, 2010 (sq.m.) ⁽¹⁾	GFA pre-sold and undelivered as of June 30, 2010 (sq.m.) ⁽²⁾	Total saleable/leasable unsold GFA (sq.m.)			Construction commencement/ Expected date of construction commencement	Construction completion/ Expected completion time	Pre-sales commencement day	Interest attributable to us (%)		
					Residential	Retail ⁽³⁾	Office					Hotel	Others ⁽⁴⁾ (sq.m.)
Projects contracted to be acquired													
Baoshan Gaojing (Phase I) ⁽⁵⁾ 寶山高境 (第一期)	Shanghai	312,860	—	—	258,347	1,015	—	—	53,498	October 2010	May 12 & Oct 12	N/A	100%
Baoshan Gaojing (Phase II) 寶山高境 (第二期)	Shanghai	445,665	—	—	317,663	30,187	—	—	97,815	May 2012	Aug 14 & Nov 15	N/A	100%
Caohijing Project 漕河涇項目	Shanghai	103,928	—	—	—	22,350	18,253	16,949	46,376	January 2011	Aug 13 & Dec 13	N/A	100%
Shanghai Zhongcaoxincun Project 上海中漕新村項目	Shanghai	89,734	—	—	—	14,759	—	37,783	37,192	June 2011	November 2013	N/A	100%
Nantong Royal Bay (Phases I & II) 恒盛●南通●尚海灣(第一、二期)	Nantong, Jiangsu	694,439	—	—	345,100	48,556	139,719	—	161,064	October 2010	June 2014	N/A	100%
Sunshine Holiday (Phase IV) 恒盛●陽光星期八 (第四期)	Tianjin	125,303	—	—	—	104,232	—	—	21,071	December 2010	April 2013	N/A	100%
Caiyu Town Project 采育西組團地塊	Beijing	100,204	—	—	81,833	—	—	—	18,371	November 2010	October 2012	N/A	100%
Changchun New and High-tech East Parcel Project 長春高新東區項目	Changchun, Jilin	609,205	—	—	510,973	27,433	—	—	70,799	April 2011	October 2014	N/A	100%
Bashang Jie 繡上街	Hefei, Anhui	1,263,730	—	—	406,922	260,283	235,657	95,907	264,961	October 2010	Apr 14 & Jun 15	N/A	100%
Sub-total		3,745,067	—	—	1,920,838	508,815	393,629	150,639	771,147			N/A	
Total		14,860,040	2,140,922	515,242	6,845,407	1,464,131	499,452	442,086	2,952,802				

Projects for which we have signed Land Grant Contracts

Land Bank

Project name	Location	Total GFA (sq.m.)	GFA sold and delivered as of June 30, 2010 (sq.m.) ⁽¹⁾	GFA pre-sold and undelivered as of June 30, 2010 (sq.m.) ⁽²⁾	Total saleable/ leaseable unsold GFA (sq.m.)			Construction commencement/ Expected date of construction commencement	Construction completion/ Expected completion time	Pre-sales commencement day	Interest attributable to us (%)
					Residential	Retail ⁽³⁾	Office Hotel				
Projects to be acquired for future development											
Baoshan Gaojing (Phase III) 寶山高境 (第三期)	Shanghai	87,360	—	—	65,520	7,280	—	April 2013	November 2015	N/A	100%
Sunshine Holiday (Phase V) 恒盛●陽光星期八 (第五期)	Tianjin	100,833	—	—	68,750	22,917	—	March 2011	Nov 12 & May 13	N/A	100%
Sunshine Bordeaux (Phase II - Phase IV) 恒盛●波羅多小鎮 (第二期至四期)	Beijing	1,256,113	—	—	1,172,194	56,419	—	March 2011	December 2016	N/A	100%
Nantong Glorious Chateau (Phase III - Phase VI) 南通●恒盛莊園 (第三至第六期)	Nantong, Jiangsu Shenyang, Liaoning	3,311,746	—	—	3,097,706	—	—	March 2013	December 2021	N/A	100%
Sunny Town (Phase V) 恒盛●陽光尚城 (第五期)	Liaoning	207,555	—	—	193,300	—	—	April 2011	October 2013	N/A	100%
Total		4,963,608	—	—	4,597,470	86,616	—				
Grand Total		19,823,648	2,140,922	515,242	11,442,877	1,550,746	499,452		442,086		3,232,324

- (1) The 26,082 sq.m. of GFA sold and delivered in Chateau De Paris Phase I included 4,778 sq.m. of retail area.
The 112,921 sq.m. of GFA sold and delivered in Sunny Town Phase I included 7501 sq.m. of retail and 2,359 sq.m. of carparks.
The 75,564 sq.m. of GFA sold and delivered in Shanghai Park Avenue included 4,161 sq.m. of carparks.
- (2) The 159,155 sq.m. of GFA sold and delivered in No.1 City Promotion (Phase I) included 661 sq.m. of carparks.
The 1,300 sq.m. of GFA pre-sold and undelivered in Shanghai Park Avenue included 823 sq.m. of retail area.
- (3) Includes saleable/leaseable clubhouses.
- (4) Includes saleable/leaseable carparks, convention centre and non-saleable/ non-leaseable GFA.
- (5) The 664,933 sq.m. GFA sold and delivered in Sunshine Venice (Phases I-III) included those sold and delivered before January 1, 2007.
- (6) The 12,925 sq.m. retail component of Sunny Town (Phase II) had not commenced construction as of June 30, 2010.
- (7) The interest of Nanjing Royal Bay attributable to us is 60%; and the interest of Tianjin Royal Bay Lakeside attributable to us is 70%.
- (8) The 312,860 sq.m. GFA of Baoshan Gaojing (Phase I) are all price-limit houses.

In general, land use rights in China are granted for a term of 70 years for residential properties, 40 years for commercial properties and 50 years for mixed-use properties. Formal land use rights certificates in respect of a parcel of land are not issued until the developer obtains both the construction land use approval and the land planning permit, and the land premium has been paid in full and the resettlement process completed. As a result, the land for a property development may be divided into one or more parcels for which multiple land use rights certificates are granted at different stages of development.

We formulate the site information for a project based on the relevant land use rights certificates, land grant contracts or tender documents, depending on which document is available. The total GFA of a project includes saleable and non-saleable GFA. "Saleable GFA" represents the GFA of a property which we intend to sell. Saleable GFA cannot exceed the specifications set forth in the relevant land grant contracts or other approval documents from the local governments. "Non-saleable GFA" represents the GFA of a property that is not for sale and largely includes ancillary facilities.

The figures for completed GFA in this offering memorandum are taken from figures provided in the relevant government documents. The following information in this offering memorandum is based on our internal records and estimates: (a) figures for GFA of projects under development, GFA of projects for future development, GFA of projects contracted to be acquired, GFA of projects to be acquired for future development, GFA sold, GFA pre-sold, saleable/leasable GFA, non-saleable/non-leasable GFA and (b) information regarding total development cost (mainly including land cost, construction costs and capitalized finance costs), outstanding cost for each project, planned construction period and average selling price. The information setting out the construction period for the completed blocks or phases of our projects in this offering memorandum is based on relevant government documents or our own internal records.

Properties are sold when the purchase contract with a customer has been executed and the property has been delivered to the customer. Properties are pre-sold when the purchase contract has been executed but the property has not yet been delivered to the customer. For the purpose of this section, average selling price in respect of each project, or, where applicable, each phase of a project, is derived by dividing total proceeds received from pre-sale and/or sale as of June 30, 2010 by the total GFA pre-sold and/or sold as of June 30, 2010. The average selling prices in this section therefore may differ from the recognized average selling prices disclosed in the section headed "Management's Discussion And Analysis Of Financial Condition And Results Of Operations" in two aspects: (i) each average selling price disclosed below corresponds to the period from the commencement of pre-sales and/or sales of each project (or of the relevant phase of a project) up to and as of June 30, 2010, whereas each recognized average selling price disclosed in the section headed "Management's Discussion and Analysis of Financial Condition and Results of Operations" only corresponds to the relevant financial year from the three years ended December 31, 2009; and (ii) the calculation of each average selling price disclosed below takes into account the proceeds from pre-sale before they have been recognized as revenue, as well as pre-sold GFA before they have been delivered, whereas each average selling price disclosed in the section headed "Management's Discussion And Analysis Of Financial Condition And Results Of Operations" is calculated based on the recognized revenue and total GFA delivered within the relevant financial year. Please refer to "Management's Discussion And Analysis Of Financial Condition And Results Of Operations — Selected Income Statement Items — Revenue" for the recognized average selling prices calculated based on recognized revenue for each of the three financial years ended December 31, 2009.

We include in this offering memorandum the project names, which we have used, or intend to use, to market our properties. Some of the names for our property developments are pending approval by the relevant government authorities and are subject to change.

OUR PROPERTY DEVELOPMENT PROJECTS

Shanghai

Shanghai Bay (恒盛•尚海灣)

Shanghai Bay — Phases I, II and III (Binjiang Center) are located on Wan Ping South Road (宛平南路), Xuhui District (徐滙區) along the west side of the Huangpu River (黃浦江), overlooking the Shanghai World Expo site. The project is one of the largest integrated developments on the Huangpu River. Once completed, the subway leading to the Shanghai World Expo site will run through this project. The subway commenced commercial operations in March 2010.

The project is adjacent to the Longhua Tourist City (龍華旅遊城). It occupies an aggregate site area of approximately 178,734 sq.m. and has a total planned GFA of approximately 896,555 sq.m., including 110,186 sq.m. of properties subject to the Shanghai Bay Arrangements (described below). Upon completion, Phases I and II of the project is expected to include 16 residential buildings with a total saleable residential GFA of approximately 433,593 sq.m. and retail facilities with a total leasable GFA of approximately 104,741 sq.m. The retail facilities of Phase IIB, which will include a shopping mall, will have a total leasable GFA of approximately 90,430 sq.m.

Upon completion, Phase III of Shanghai Bay, Binjiang Center (濱江中心), is expected to include two buildings, namely, the North Block and the South Block. The North Block of the Binjiang Center may include a high quality hotel with 290 guest rooms and a total leasable GFA of approximately 52,412 sq.m., a total leasable GFA of approximately 20,493 sq.m. for office use and a total leasable GFA of 2,954 sq.m. for retail use. The South Block of the Binjiang Center will be a high quality hotel with 660 guest rooms with a total leasable GFA of 89,700 sq.m. The total development costs incurred in respect of this hotel as of December 31, 2009 were approximately RMB436.1 million. We have entered into a hotel management agreement with Key International Hotels Management Co., Ltd for management of the hotel's daily operations. Key International Hotels Management Co., Ltd is a joint venture between Beijing Tourism Group and Kempinski Hotels S.A., which intends to deliver professional hotel management to the China tourism industry by developing and operating high quality Kempinski hotels in China. As a result, this hotel will become the first hotel in Puxi Shanghai licensed to use the brand name Kempinski. Pursuant to the hotel management agreement, the hotel management company will be responsible for managing the daily operation of the hotel, including formulating operational and strategic plans for the hotel's business. The management fees to be paid to the hotel management company will be calculated based on a percentage of the hotel's revenues plus certain incentive fees. These payment arrangements with the hotel management company are in line with industry practice and are designed to align the hotel management company's interests with ours. The hotel management company is also responsible for recruiting and training the hotel staff.

The project is located close to the Fenglin Biomedical Center (楓林生命科學園區), the third integrated business area after the Hongqiao Economic Development Zone (虹橋經濟技術開發區) and Lujiazui Central Financial District (陸家嘴中央商務區) in Shanghai. The project will also have a number of theme gardens and its green coverage ratio within the residential community is expected to exceed 40%. Upon completion, most of the residential apartments of Shanghai Bay will enjoy the scenic view of the Huangpu River. The residents in Shanghai Bay will have easy access to a wide range of amenities including clubhouses, a kindergarten and other retail and leisure facilities.

As of June 30, 2010, we completed Phase I of Shanghai Bay. Details of Phase I of Shanghai Bay as of June 30, 2010, were as follows:

Phase I ⁽¹⁾	Residential	Retail
	May 2006 — December 2009	May 2006 — December 2009
Planned construction period		
Total saleable/leasable GFA (sq.m.)	188,244	5,661
GFA sold/pre-sold (sq.m.)	137,794	N/A
Average selling price per sq.m. (RMB)	35,081	N/A

Note:

(1) Phase I of Shanghai Bay includes 586 saleable/leasable car park spaces.

Details of Phase IIA of Shanghai Bay as of June 30, 2010 were as follows:

Phase IIA ⁽¹⁾	Residential	Retail
	August 2006 — December 2010	August 2006 — October 2010
Planned construction period		
Total saleable/leasable GFA (sq.m.)	46,498	5,696

Note:

(1) Phase IIA of Shanghai Bay is expected to include 204 saleable/leasable car park spaces upon completion.

Details of Phase III (Binjiang Center) of Shanghai Bay as of June 30, 2010 were as follows:

Phase III (North block) ⁽¹⁾	Office	Retail	Hotel
	September 2006 — November 2013	September 2006 — November 2013	September 2006 — November 2013
Planned construction period			
Total saleable/leasable GFA (sq.m.)	20,493	2,954	52,412

Note:

(1) Phase III (North block) of Shanghai Bay is expected to include 362 saleable/leasable car park spaces upon completion.

Phase III (South block) ⁽¹⁾	Hotel
	September 2006 — December 2012
Planned construction period	
Total saleable/leasable GFA (sq.m.)	89,700

Note:

(1) Phase III (South block) of Shanghai Bay is expected to include 307 saleable/leasable car park spaces upon completion.

As of June 30, 2010, construction of Phase IIB of Shanghai Bay had not yet commenced. Details of Phase IIB of Shanghai Bay as of June 30, 2010 were as follows:

Phase IIB ⁽¹⁾	Residential	Retail
	December 2010 — May 2015	December 2010 — November 2013
Planned construction period		
Total saleable/leasable GFA (sq.m.)	198,850	90,430

Note:

(1) Phase IIB of Shanghai Bay is expected to include 1,458 saleable/leasable car park spaces upon completion.

We entered into two land grant contracts with the local government in respect of Shanghai Bay in August 2004 and December 2004 respectively. All relevant land use rights certificates have been obtained and the land premium has been fully paid for all phases of Shanghai Bay.

We are developing this project through our wholly-owned subsidiary Shanghai Xintai Property Development Co., Ltd. (上海鑫泰房地產發展有限公司).

Shanghai Bay Arrangements with the Shanghai Industrial Group

In August 2009, pursuant to the Shanghai Bay Arrangements, we transferred our legal ownership interests in Blocks Nos. 2 and 8 of Phase I of Shanghai Bay, with a total GFA of 56,202 sq.m., to Shanghai Industrial Group. In return, we received a payment of US\$190.2 million (RMB1.3 billion).

In December 2009, we received a second payment in an amount equal to the US\$ equivalent of RMB0.7 billion when we pledged 30% of the total equity interests of our subsidiary, Shanghai Xintai, to Shanghai Industrial Group, and agreed to transfer our legal interests in Blocks Nos. 9 and 10 of Phase IIA of Shanghai Bay with a total GFA of 53,984 sq. m. to Shanghai Industrial Group by December 31, 2011.

Under the Shanghai Bay Arrangements, we are obligated to reacquire Shanghai Penghui, the legal entity that owns Blocks No.2 and 8 of Shanghai Bay and that will own Blocks No.9 and 10 if they are transferred, and Shanghai Industrial Group is obligated to resell Shanghai Penghui to us on December 1, 2011. The consideration for the reacquisition of Shanghai Penghui will be RMB2.0 billion. Upon payment of such consideration, the pledge to Shanghai Industrial Group of 30% of the equity in our subsidiary, Shanghai Xintai, will also be released. As part of such arrangements, we have agreed to ensure that Shanghai Industrial Group receives a “shareholder return” (net of tax) for each of the three years ending December 31, 2011 equal to 18% per annum of the consideration paid by Shanghai Industrial Group. See “Description of other Material Indebtedness — Shanghai Bay Arrangements”.

As of June 30, 2010, we completed the construction of Block Nos. 2 and 8 and were still in the process of developing Block Nos. 9 and 10 of Shanghai Bay which are subject to the Shanghai Bay Arrangements. The projects have a total planned GFA of approximately 110,186 sq.m. Details of these projects as of June 30, 2010 were as follows:

	Block No.2	Block No.8	Block No.9	Block No.10	Total
Saleable GFA.....	25,626	28,620	26,519	25,676	106,441
Non-saleable GFA.....	1,011	945	857	932	3,745
Total GFA.....	26,637	29,565	27,376	26,608	110,186
Completion/Expected					
Completion Date of	December	December	December	December	
Construction.....	2009	2009	2010	2010	N/A
Expected Commencement Date	September	September	August	August	
of Pre-sale.....	2009	2009	2010	2010	N/A

As of June 30, 2010, we had not commenced the construction of Block No. 6 of Shanghai Bay. Block No. 6 of Shanghai Bay had a total planned GFA of approximately 29,763 sq.m., of which 28,766 sq.m. is saleable GFA. The expected completion date of construction for Block No. 6 is November 2012 and the expected commencement date of pre-sale for Block No. 6 is October 2011. Block 6 is part of Phase IIB of Shanghai Bay. As part of the Shanghai Bay Arrangements, we have also agreed to provide additional security to Shanghai Industrial Group in the form of a pledge of our legal interests in Block No. 6 of Shanghai Bay (once Block No. 6's development status meets the required standard to be pledged). The pledge of Block 6, if made, will be released at the time that we repurchase Shanghai Penghui or when the amount of pre-sale proceeds from Block No. 6 received by Shanghai Penghui reaches RMB350.0 million (whichever is earlier).

Sunglow Xinjing (陽光新景)

Sunglow Xinjing was developed by one of our wholly-owned subsidiaries, Shanghai Xintai (上海鑫泰房地產發展有限公司). The project is located on Tiandeng Road (天等路), Xuhui District, Shanghai and has a total site area of 27,353 sq.m. and completed GFA of 56,261 sq.m., of which 2,076 sq.m. of GFA was retained by us as investment property. The construction of Sunglow Xinjing was completed in December 2001. We have sold substantially all the GFA in Sunglow Xinjing other than the portion retained by us as investment property.

Shanghai Park Avenue (皇家花園)

Shanghai Park Avenue is located at the intersection of Yili Road (伊犁路) and Anshun Road (安順路) in Changning District (長寧區), adjacent to the Gubei business district (古北商業區). Yan'an Viaduct and Inner Ring Viaduct run through this area and a subway station within walking distance is under construction. Shanghai Park Avenue is adjacent to Hongqiao Central Park (虹橋中心公園) and some of its apartments offer a view of the Hongqiao Central Park. The Xijiao national guest villa community (西郊國賓別墅區) and the Gubei international residential community (古北國際生活區), are also in the vicinity. Shanghai Park Avenue is located near a range of amenities in the surrounding area including Gubei Carrefour (古北家樂福), Yew Chung International School (耀中國際學校) and Hongqiao Parkson (虹橋百盛). Shanghai Park Avenue consists of five buildings built in neo-classical style designed by nationally renowned designers. One of the five blocks of Shanghai Park Avenue, namely, Block No. 8, is designated for serviced apartments. Although we have disposed of Block No. 8 of Shanghai Park Avenue, it will be managed by Key International Hotels Management Co., Ltd, a joint venture to which Kempinski Hotels S.A. of Europe is a party, with a view to further enhancing the overall quality and promoting the image of Shanghai Park Avenue.

We have completed the development of Shanghai Park Avenue. The completed properties occupy an aggregate site area of approximately 24,625 sq.m., and have a total GFA of approximately 102,482 sq.m. Details of Shanghai Park Avenue as of June 30, 2010 were as follows:

<u>Shanghai Park Avenue ⁽¹⁾</u>	<u>Residential</u>	<u>Retail ⁽²⁾</u>
	April 2003 — April 2007	April 2003 — April 2007
Construction period		
Total saleable/leasable GFA (sq.m.)	72,297	2,364
GFA sold/pre-sold (sq.m.) ⁽³⁾	71,880	823
Average selling price per sq.m. (RMB)	25,496	25,000

Notes:

- (1) Shanghai Park Avenue includes 351 saleable/leasable car parking spaces.
- (2) Retail space on Shanghai Park Avenue includes a clubhouse with a total leasable GFA of approximately 1,541 sq.m.
- (3) Of the 76,864 sq.m. sold or pre-sold (including 4,161 sq.m. of car parks) approximately 75,564 sq.m. had been delivered and recognized as of June 30, 2010.

We entered into a land grant contract with the local government in respect of Shanghai Park Avenue in March 2002. We have obtained all relevant land use rights certificates and have fully paid the land premium for Shanghai Park Avenue.

Shanghai Park Avenue was developed by our wholly-owned subsidiary Shanghai Anshun (恒盛安順(上海)房地產發展有限公司).

Chateau De Paris (恒盛•陽光巴黎)

Chateau De Paris — Phase I and Phase II is located at the intersection of Xietu Road (斜土路) and Dongan Road (東安路), Xuhui District (徐滙區) in the Xujiahui Business District (徐家匯商業區) and is adjacent to the Zhaojiabang Road (肇嘉浜路). The project is an integrated residential and retail development with an aggregate site area of approximately 31,697 sq.m. and has a total planned GFA of approximately 129,381 sq.m. The residents of Chateau De Paris have easy access to a variety of amenities such as shopping malls, retail shops, banks and cinemas. The retail property in Phase II of Chateau De Paris is currently leased to Carrefour as a shopping center. Chateau De Paris is also near several recreation facilities such as the Shanghai Municipal Library (上海市圖書館) and Shanghai Stadium (上海體育館) and renowned educational institutions such as Xuhui Middle School (徐滙中學) and Shanghai Jiao Tong University (上海交通大學). The residential area has a high green coverage ratio.

We have completed the development of Phase I of Chateau De Paris, which has a total GFA of approximately 30,891 sq.m. Details of Phase I of Chateau De Paris as of June 30, 2010 were as follows:

<u>Phase I⁽¹⁾</u>	<u>Residential</u>	<u>Retail</u>
	April 2002 — April 2004	April 2002 — April 2004
Construction period		
Total saleable/leasable GFA (sq.m.)	21,304	5,099
GFA sold (sq.m.)/ pre-sold	21,304	4,778
Average selling price per sq.m. (RMB)	16,914	35,000

Note:

- (1) Phase I of Chateau De Paris includes 89 saleable/leasable car park spaces.

We have completed the development of Phase II of Chateau De Paris, which has a total GFA of approximately 98,490 sq.m. Details of Phase II of Chateau De Paris as of June 30, 2010 were as follows:

Phase II ⁽¹⁾	Residential	Retail ⁽²⁾
	November 2004 — August 2008	November 2004 — August 2008
Construction period		
Total saleable/leasable GFA (sq.m.).....	53,828	17,148
GFA sold/pre-sold (sq.m.) ⁽³⁾	53,545	N/A
Average selling price per sq.m. (RMB)	23,541	N/A

Notes:

- (1) Phase II of Chateau De Paris includes 342 saleable/leasable car park spaces.
- (2) This includes a clubhouse with a total leasable GFA of approximately 1,589 sq.m.
- (3) Of the 53,545 sq.m. sold or pre-sold, approximately 53,349 sq.m. had been delivered and recognized as of June 30, 2010.

We have obtained all relevant land use rights certificates and have fully paid the land premium for Phases I and II of Chateau De Paris.

We developed this project through our wholly-owned subsidiary Shanghai Haosen (上海豪森房地產有限公司).

Sunshine Venice (恒盛•陽光威尼斯)

Sunshine Venice — Phases I through IV are located on Taopu Road (桃浦路), Putuo District (普陀區). Phases I, II, IIIA and IIIB of Sunshine Venice are large-scale residential and retail community property developments and Phase IV is a serviced apartment development. The residential community of Sunshine Venice is adjacent to a large theme park on Jinding Road (金鼎路). The project occupies an aggregate site area of approximately 429,929 sq.m. and has a total planned GFA of approximately 1,138,667 sq.m.

We have completed the development of Phases I, II and IIIA of Sunshine Venice. The completed properties had a total GFA of approximately 792,475 sq.m.

Details of Phases I, II and IIIA of Sunshine Venice as of June 30, 2010 were as follows:

Phases I, II and IIIA ⁽¹⁾	Residential	Retail
	November 2002 — September 2006	November 2002 — September 2006
Construction period		
Total saleable/leasable GFA (sq.m.).....	664,933	33,793
GFA sold/pre-sold (sq.m.) ⁽²⁾	664,933	N/A
Average selling price per sq.m. (RMB)	6,836	N/A

Notes:

- (1) Phases I, II and IIIA of Sunshine Venice include 1,240 saleable/leasable car park spaces.
- (2) All of the 664,933 sq.m. sold or pre-sold had been delivered and recognized as of June 30, 2010.

As of June 30, 2010, we completed Phase IIIB of Sunshine Venice. Details of Phase IIIB of Sunshine Venice as of June 30, 2010 were as follows:

Phase IIIB ⁽¹⁾	Residential	Retail ⁽²⁾
Construction period	April 2005 — August 2009	April 2005 — August 2009
Total saleable/leasable GFA (sq.m.).....	192,397	8,050
GFA sold/pre-sold (sq.m.) ⁽³⁾	187,039	N/A
Average selling price per sq.m. (RMB)	9,876	N/A

Notes:

- (1) Phase IIIB of Sunshine Venice includes 240 saleable/leasable car park spaces.
- (2) This includes a clubhouse with a total leasable GFA of approximately 2,586 sq.m.
- (3) Of this 187,039 sq.m. sold/pre-sold, approximately 184,398 sq.m. of residential GFA had been recognized as revenue as of June 30, 2010.

As of June 30, 2010 we were still in the process of developing Phase IIIC of Sunshine Venice. Details of Phase IIIC of Sunshine Venice as of June 30, 2010 were as follows:

Phase IIIC	Retail
Planned construction period	January 2008 — December 2010
Total saleable/leasable GFA (sq.m.).....	58,658

As of June 30, 2010, we had not commenced the construction of Phase IV of Sunshine Venice. Details of Phase IV of Sunshine Venice as of June 30, 2010 were as follows:

Phase IV ⁽¹⁾	Residential
Planned construction period	January 2012 — October 2014
Total saleable/leasable GFA (sq.m.).....	37,700

Note:

- (1) Phase IV of Sunshine Venice is expected to include 322 saleable/leasable car park spaces upon completion.

We have obtained all relevant land use rights certificates for Phases I through IV of Sunshine Venice and have fully paid the land premium.

Sunshine Venice is being developed by our wholly-owned subsidiary Shanghai Yijing.

Royal Lakefront (恒盛•湖畔豪庭)

Royal Lakefront is located in the Shanghai Fengxian Modern Agricultural Zone (奉賢現代農業園區), one of the four biggest agricultural zones in Shanghai. Royal Lakefront is near an exit of the A4 motorway, which connects Shanghai to Hangzhou, Hangnan Road (航南路) and Jinhai Road (金海路) in Fengxian district (奉賢區). The extension line of Light Rail 5 also runs through this area. Situated in the Nanqiao New City (南橋新城), a government-planned high quality residential area, the project is located near a range of ancillary facilities, including Fengxian Middle School (奉賢中學) and other facilities surrounding the local government office. To the East of Royal Lakefront, the local government has plans to develop a large park that include a hotel, commercial complex and serviced apartments upon its completion.

The project occupies an aggregate site area of approximately 279,695 sq.m. and has a total planned GFA of 593,943 sq.m. As of June 30, 2010, we were still in the process of developing Phases IA and IB of Royal Lakefront as follows:

Phase IA	Residential	Retail
	September 2009 — December 2010	September 2009 — December 2010
Planned construction period		
Total saleable/leasable GFA (sq.m.).....	46,161	8,489
GFA sold/pre-sold (sq.m.).....	30,166	N/A
Average selling price per sq.m. (RMB)	13,447	N/A

As of June 30, 2010, we have commenced the construction of Phase IB of Royal Lakefront. Details of Phase IB of Royal Lakefront as of June 30, 2010 were as follows:

Phase IB ⁽¹⁾	Residential	Retail
	October 2009 — June 2011	November 2009 — August 2012
Planned construction period		
Total saleable/leasable GFA (sq.m.).....	90,667	53,293
GFA Sold/pre-sold (sq.m.).....	40,905	N/A
Average selling price per sq.m. (RMB)	11,749	N/A

Note:

(1) Phase IB of Royal Lakefront is expected to include 446 saleable/leasable car parks upon completion.

As of June 30, 2010, we have commenced the construction of Phase II of Royal Lakefront. Details of Phase II of Royal Lakefront as of June 30, 2010 were as follows:

Phase II ⁽¹⁾	Residential	Retail
	April 2010 — October 2011	April 2010 — December 2013
Planned construction period		
Total saleable/leasable GFA (sq.m.).....	193,132	69,599

Note:

(1) Phase II of Royal Lakefront is expected to include 1,065 saleable/leasable car parks upon completion.

We have obtained all relevant land use rights certificates and have fully paid the land premium for Phase IA and IB of Royal Lakefront. We entered into a land grant contract with the local government with respect to Phase II of Royal Lakefront in April 2008. As of June 30, 2010, we have fully paid the land premiums. We obtained the land use rights certificate on January 12, 2010.

Royal Lakefront is developed by our wholly-owned subsidiary Shanghai Hongye (上海弘擘房地產發展有限公司).

Baoshan Gaojing (寶山高境)

Baoshan Gaojing (寶山高境) — Phases I, II and III are located close to Shanghai Riverside New Town (江灣新城). It is also near Fudan University (復旦大學), Tongji University (同濟大學), and Shanghai Wujiaochang Hi-Tech Park (五角場創業園) in Yangpu District (楊浦區). Phase I of Baoshan Gaojing has a total site area of 94,076 sq.m. and a total planned GFA of 312,860 sq.m. Baoshan Gaojing enjoys convenient transportation facilities, in particular, two light rail lines are in its vicinity. We plan to develop Baoshan Gaojing into an integrated development comprising residential and commercial properties.

As of June 30, 2010, we had not commenced the construction of Phase I of Baoshan Gaojing.

Details of Phase I of Baoshan Gaojing as of June 30, 2010 were as follows:

Phase I ⁽¹⁾	Residential ⁽²⁾	Retail
Planned construction period	October 2010 — May 2012	October 2010 — October 2012
Total saleable/leasable GFA (sq.m.)	258,347	1,015

Notes:

- (1) Phase I of Baoshan Gaojing is expected to include 988 saleable/leasable car park spaces upon completion.
- (2) Phase IA is expected to commence construction in October 2010 and complete in May 2012, Phase IB is expected to commence construction in March 2011 and complete in October 2012.

Baoshan Gaojing — Phase II has a total planned GFA of 445,665 sq.m. and a site area of 153,503 sq.m. Details of Phase II of Baoshan Gaojing are as follows:

Baoshan Gaojing Phase II ⁽¹⁾	Residential	Retail
Planned construction period	May 2012 — May 2015	May 2012 — May 2015
Total saleable/leasable GFA (sq.m.)	317,663	30,187

Note:

- (1) Phase II of Baoshan Gaojing is expected to have 1,863 saleable/leasable car park spaces upon completion.

Based on our internal estimates and subject to the timing and outcome of the future tender process, we expect to obtain the land use rights certificate for Phase II of Baoshan Gaojing by December 2011.

We have successfully tendered for the land where we intend to develop Phases I and II of Baoshan Gaojing. We expect to fully pay the land premiums after the local government's adjustment on its government plan and obtain the land use rights certificate in February 2012. We entered into a master agreement with the local government in October 2007 in respect of Phase III of Baoshan Gaojing, details of which are set out in the paragraph headed “— Projects to be acquired for future developments”.

Baoshan Gaojing (Phases I, II and III) is being developed by our wholly-owned subsidiary Shanghai Shengtong (上海勝通房地產開發有限公司).

Caohejing Project (漕河涇項目)

The Caohejing project is located in Xu Jia Hui district, a prime location in the central business district of Shanghai. The project occupies a total site area of approximately 17,611 sq.m. and has a total planned GFA of approximately 103,928 sq.m. The Caohejing project is planned to include a large-scale commercial project, comprising high quality office buildings, a hotel and other ancillary facilities.

We expect the Caohejing project to commence construction in January 2011. Details of the project as of June 30, 2010 were as follows:

Caohejing	Office	Retail	Hotel
Planned construction period	January 2011 — August 2013	January 2011 — August 2013	January 2011 — December 2013
Total saleable/leasable GFA (sq.m.)	18,253	22,350	16,949

Note:

- (1) Caohejing is expected to have 522 saleable/leaseable car park spaces upon completion.

We have signed an acquisition agreement to acquire this entire project. Consummation of such acquisition is subject to satisfaction of conditions precedent including the obtaining of the land use rights certificate for the Caohejing project.

Shanghai Zhongcaoxincun Project (上海中漕新村項目)

The Shanghai Zhongcaoxincun Project is located in Xu Jia Hui district, a prime location in the central business district of Shanghai. The project occupies a total site area of approximately 23,614 sq.m. and has a total planned GFA of approximately 89,734 sq.m. The Shanghai Zhongcaoxincun Project is planned to include a large-scale commercial project, comprising a serviced apartment and other ancillary facilities.

We expect to commence the construction of the Shanghai Zhongcaoxincun Project in June 2011. Details of the project as of June 30, 2010 were as follows:

Zhongcaoxincun	Retail	Serviced Apartment
	June 2011 — November 2013	June 2011 — November 2013
Planned construction period	14,759	37,783
Total saleable/leasable GFA (sq.m.)		

Note:

(1) Shanghai Zhongcaoxincun Project is expected to have 544 saleable/leaseable car park spaces upon completion.

We have signed an acquisition agreement to acquire this entire project. Consummation of such acquisition is subject to satisfaction of conditions precedent including the obtaining of the land use rights certificate for the Shanghai Zhongcaoxincun Project.

Caiyu Town Project (采育西組團)

Caiyu Town Project is located in Beijing. The project occupies an aggregate site area of approximately 90,741 sq.m. and has a total planned GFA of approximately 100,204 sq.m.

As of June 30, 2010, we had not commenced the construction of Caiyu Town Project. Based on our current plan, construction of these properties will commence in November 2010 and is expected to be completed by October 2010.

Details of Caiyu Town Project as of June 30, 2010 were as follows:

Caiyu Town Project	Residential
	November 2010 — October 2012
Planned construction period	81,833
Total saleable/leasable GFA (sq.m.)	

Note:

(1) The project is expected to include 417 saleable/leasable car park spaces upon completion.

We acquired the land for Caiyu Town Project in May 2010 through open auction. We have fully paid the land premiums and will obtain the land use rights certificates with respect to Caiyu Town Project before November 2010.

Tianjin

Sunshine Holiday (恒盛•陽光星期八)

Sunshine Holiday — Phases I through V are located at the intersection of Cheng Lin Road (成林道) and Weiguo Road (衛國道) in the Hedong District (河東區) of Tianjin. Sunshine Holiday is only about 20 kilometers from Tianjin International Airport and near the No. 2 subway line currently under construction. Phases I through IV of this project have a site area of 184,680 sq.m. and a total planned GFA of 599,266 sq.m.

Phases I through III of Sunshine Holiday are large-scale residential and retail community property developments providing high-rise apartment buildings. Phase IV of Sunshine Holiday is a large retail development. Sunshine Holiday provides a wide range of amenities to its residents.

We have completed the development of Phase I of Sunshine Holiday. The completed properties have a total GFA of approximately 85,998 sq.m. Details of Phase I of Sunshine Holiday as of June 30, 2010 were as follows:

Phase I	Residential	Retail
	January 2005 — August 2006	January 2005 — August 2006
Construction period		
Total saleable/leasable GFA (sq.m.)	77,416	6,091
GFA sold/pre-sold (sq.m.) ⁽¹⁾	77,416	N/A
Average selling price per sq.m. (RMB)	4,485	N/A

Note:

(1) Of this 77,416 sq.m. sold/pre-sold, residential GFA of approximately 77,271 sq.m. had been all recognized as revenue as of June 30, 2010.

We have completed the development of Phase II of Sunshine Holiday, which has a total GFA of approximately 200,630 sq.m. Details of Phase II of Sunshine Holiday as of June 30, 2010 were as follows:

Phase II ⁽¹⁾	Residential	Retail
	August 2005 — September 2008	August 2005 — September 2008
Construction period		
Total saleable/leasable GFA (sq.m.)	160,634	6,113
GFA sold/pre-sold (sq.m.) ⁽²⁾	159,636	N/A
Average selling price per sq.m. (RMB)	6,146	N/A

Notes:

(1) Phase II of Sunshine Holiday includes 705 saleable/leasable car park spaces.

(2) Of this 159,636 sq.m. sold/pre-sold, all had been recognized as revenue as of December 31, 2009.

As of June 30, 2010, we were in the process of developing the retail of Phase III of Sunshine Holiday. The project under development had a total GFA of approximately 187,335 sq.m. Details of Phase III of Sunshine Holiday as of June 30, 2010 were as follows:

Phase III ⁽¹⁾	Residential	Retail
	September 2007 — June 2010	August 2010 — April 2011
Planned construction period		
Total saleable/leasable GFA (sq.m.)	155,867	1,617
GFA sold/pre-sold (sq.m.)	154,130	N/A
Average selling price per sq.m. (RMB)	8,222	N/A

Note:

(1) Phase III of Sunshine Holiday is expected to have 995 saleable/leasable car park spaces upon completion.

(2) Of this 154,130 sq.m. sold/pre-sold, approximately 152,549 sq.m. had been recognized as revenue as of June 30, 2010.

As of June 30, 2010, we had not commenced the construction of Phase IV of Sunshine Holiday. Phase IV of Sunshine Holiday had a total planned GFA of approximately 125,303 sq.m. Details of Phase IV of Sunshine Holiday as of June 30, 2010 were as follows:

Phase IV ⁽¹⁾	Retail
Planned construction period	December 2010 — April 2013
Total saleable/leasable GFA (sq.m.).....	104,232

Note:

(1) Phase IV of Sunshine Holiday is expected to include 406 saleable/leasable car park spaces upon completion.

We entered into a land grant contract with the local government in respect of Phases I through IV of Sunshine Holiday in April 2004. We have fully paid the land premium attributable to Phases I through III and have obtained the land use rights certificate in respect of Phases I through III of Sunshine Holiday. We have fully paid the land premiums for Phase IV of Sunshine Holiday and expect to obtain the land use rights certificate before December 2010.

Sunshine Holiday is being developed by our wholly-owned subsidiary, Tianjin Yangguang Xindi (天津陽光鑫地投資有限公司).

Tianjin Royal Bay Seaside (Tian Xing Jian) Project (恒盛尚海灣濱海 (天行建) 項目)

Tianjin Royal Bay Seaside (Tian Xing Jian), including Phases I through III, is located in the Guan'gang Forest Park (官港森林公園), Binhai New District (濱海新區), Tianjin City. The project is located to the west of Gangtang Road (港塘公路) and to the southeast of Guan'gang Lake (官港湖). It is located within the Guan'gang recreational and resort area of Dagang District and is approximately 15 kilometers from the center of Binhai New District (濱海新區). Being a wetland forest park in Tianjin city, Guan'gang Forest Park is part of the newly developed Binhai New District and planned to be developed into a new district having ecotourism, resort, recreational and sports functions under the Eleventh-Five Year Plan of Binhai New District. Based on our current plan, Tianjin Royal Bay Seaside (Tian Xing Jian) will, upon its completion, be a lake-theme eco-integrated residential and recreational development.

The project comprises two pieces of land in the same area, with an aggregate site area of 312,704 sq.m. and has a total planned GFA of 359,648 sq.m. The project will be developed in three phases. As of June 30, 2010, we had not commenced the construction of Tianjin Royal Bay Seaside project.

Phases I and II of Tianjin Royal Bay Seaside (Tian Xing Jian) have a total planned GFA of approximately 330,993 sq.m. Details of Phases I and II of Tianjin Royal Bay Seaside (Tian Xing Jian) as of June 30, 2010 were as follows:

Phases I to II ⁽¹⁾	Residential	Retail
Planned construction period ⁽²⁾	October 2010 — October 2012	October 2010 — October 2012
Total saleable/leasable GFA (sq.m.).....	208,142	42,344

Note:

(1) Phases I and II of Tianjin Royal Bay Seaside (Tian Xing Jian) are expected to include 1,145 saleable/leasable car parks upon completion.

(2) The planned construction period of Phase I is from October 2010 to December 2011. The planned construction period of Phase II is from March 2011 to October 2012.

Phase III of Tianjin Royal Bay Seaside (Tian Xing Jian) has a total planned GFA of approximately 28,655 sq.m. Details of Phase III of Tianjin Royal Bay Seaside (Tian Xing Jian) as of June 30, 2010 were as follows:

Phase III ⁽¹⁾	Hotel
Planned construction period	January 2011 — December 2012
Total saleable/leasable GFA (sq.m.).....	23,655

Note:

(1) Phase III of Tianjin Royal Bay Seaside (Tian Xing Jian) will include 300 hotel guest rooms.

We obtained the land use rights to Tianjin Royal Bay Seaside (Tian Xing Jian) through our acquisition of a 100% interest in the project company Tianjin Tianxingjian Real Estate Investment Co., Ltd. (天津天行建房地產投資有限公司).

Tianjin Royal Bay Seaside (Tianjin Gangtian) Project (恒盛尚海灣濱海 (天津港天)項目)

Tianjin Royal Bay Seaside (Tianjin Gangtian) is adjacent to the famous Guan'gang Lake in the Binhai New District, Tianjin. The west plot is located within the Guan'gang lake Forest Resort and the east plot is surrounded by the Olympics Park to the north featuring a panoramic view of Guan'gang Lake. The project occupies an aggregate site area of approximately 583,387 sq.m. and has a total planned GFA of approximately 603,081 sq.m. We plan to develop the project into a premium low density residential development, comprising low rise apartments, townhouses and villas.

We expect to commence the construction of Tianjin Royal Bay Seaside (Tianjin Gangtian) in October 2010. Details of the project as of June 30, 2010 were as follows:

Tianjin Royal Bay Seaside (Tianjin Gangtian) Project, Phase I (West Block) ⁽¹⁾	Residential	Retail
Planned construction period	October 2010 — October 2012	October 2010 — October 2012
Total saleable/leasable GFA (sq.m.).....	191,586	2,600

Note:

(1) The project is expected to include 1,403 saleable/leasable car park spaces upon completion.

Tianjin Royal Bay Seaside (Tianjin Gangtian) Project, Phase II (East Block) ⁽¹⁾	Residential	Retail
Planned construction period	November 2010 — June 2013	November 2010 — June 2013
Total saleable/leasable GFA (sq.m.).....	258,810	15,800

Note:

(1) The project is expected to include 1,325 saleable/leasable car park spaces upon completion.

We have obtained the land use rights certificate through our acquisition of 100% of the equity interest of Tianjin Gangtian Real Estate Investment Ltd. and plan to develop Tianjin Royal Bay Seaside (Tianjin Gangtian) as scheduled.

Tianjin Royal Bay Lakeside (恒盛•尚海灣濱湖)

Tianjin Royal Bay Lakeside is located in the southern part of Tianjin surrounded by lake-bound natural landscape. The project occupies a total site area of approximately 1,196,000 sq.m. and has a total planned GFA of approximately 1,567,303 sq.m. We expect to develop the project into high quality residential properties including villas, low-rise apartments and retail facilities.

We expect to commence the construction of the Tianjin Royal Bay Lakeside in March 2011. Details of the project as of June 30, 2010 were as follows:

Tianjin Royal Bay Lakeside ⁽¹⁾	Residential	Retail
Planned construction period	March 2011 — June 2016	March 2011 — June 2016
Total saleable/leasable GFA (sq.m.)	1,155,407	97,800

Note:

(1) The project is expected to include 7,087 saleable/leasable car park spaces upon completion.

We have obtained the land use rights certificate through our acquisition of a 70% equity interest in Tianjin Dongan Construction Co., Ltd. (天津東岸建設有限公司) and plan to develop the Tianjin Royal Bay Lakeside as scheduled.

Beijing

Royal Mansion (恒盛•歐洲公館)

Located in a developed residential area next to Xisihuan (西四環) in Haidian District (海澱區) in Beijing, Royal Mansion, including Phases I and II, is expected to be a modern European-styled apartment community upon its completion with a full range of lifestyle, health, and education ancillary facilities. The project is located adjacent to Sunny Park (陽光星期八公園). Royal Mansion has a total site area of 34,850 sq.m. and a total planned GFA of approximately 130,066 sq.m.

As of June 30, 2010, we were in the process of developing Phase I of Royal Mansion. Details of Phase I of Royal Mansion as of June 30, 2010 were as follows:

Phase I ⁽¹⁾	Residential	Retail
Planned construction period	March 2008 — December 2010	July 2009 — June 2011
Total saleable/leasable GFA (sq.m.)	46,572	3,393
GFA sold/pre-sold (sq.m.)	36,441	N/A
Average selling price per sq.m. (RMB)	29,070	N/A

Note:

(1) Phase I of Royal Mansion is expected to include 295 saleable/leasable car park spaces upon completion.

As of June 30, 2010, we had not commenced the construction of Phase II of Royal Mansion. Phase II of Royal Mansion had a total planned GFA of approximately 62,592 sq.m. Details of Phase II of Royal Mansion as of June 30, 2010 were as follows:

Phase II ⁽¹⁾	Residential	Retail
Planned construction period	July 2011 — June 2013	July 2011 — June 2013
Total saleable/leasable GFA (sq.m.)	31,589	7,233

Note:

(1) Phase II of Royal Mansion is expected to include 204 saleable/leasable car park spaces upon completion.

We have obtained all relevant land use rights certificates and have fully paid the land premium for Royal Mansion.

Royal Mansion is being developed by our wholly-owned subsidiary Beijing Yangguang Xindi (北京陽光鑫地置業有限公司).

Sunshine Bordeaux (恒盛•波爾多小鎮)

Sunshine Bordeaux — Phases I through IV are located in Caiyu Town (采育鎮), Daxing District (大興區), Beijing. Sunshine Bordeaux is intended to be a multiple phase, large-scale residential and retail community property development. Upon completion, the residential development is expected to comprise European-styled low-rise apartments. The residential community is expected to have a comprehensive set of ancillary facilities. The project occupies an aggregate site area of approximately 1,372,946 sq.m. and has a total planned GFA of approximately 1,495,149 sq.m.

As of June 30, 2010, we have completed Phase IA of Sunshine Bordeaux. Details of Phase IA of Sunshine Bordeaux as of June 30, 2010 were as follows:

Phase IA ⁽¹⁾	Residential	Retail
	March 2008 — December 2009	March 2008 — December 2009
Construction period		
Total saleable/leasable GFA (sq.m.)	93,714	16,469
GFA pre-sold (sq.m.)	86,708	N/A
Average selling price per sq.m. (RMB)	4,794	N/A

Note:

(1) Phase IA of Sunshine Bordeaux includes 304 saleable/leasable car park spaces upon completion.

(2) Of this 86,708 sq.m. sold/pre-sold, approximately 83,807 sq.m. had been recognized as revenue as of June 30, 2010.

As of June 30, 2010, we have commenced the construction of Phase IB of Sunshine Bordeaux. Details of Phase IB of Sunshine Bordeaux as of June 30, 2010 were as follows:

Phase IB ⁽¹⁾	Residential	Retail
	June 2010 — November 2011	June 2010 — November 2011
Planned construction period		
Total saleable/leasable GFA (sq.m.)	63,993	16,634

Note:

(1) Phase IB of Sunshine Bordeaux is expected to include 375 saleable/leasable car park spaces upon completion.

We have obtained all relevant land use rights certificates and have fully paid the land premium for Phase I of Sunshine Bordeaux.

In December 2002, we signed a master agreement with the local government to develop Phase II of Sunshine Bordeaux, details of which are set out in the paragraph headed “— Projects to be acquired for future developments”. We still need to go through the tender process, sign the land grant contract and pay the land premium before we can get the land use rights certificate.

Sunshine Bordeaux is being developed by our wholly-owned subsidiary Beijing Hetian Hexin (北京合天和信房地產開發有限公司).

Jiangsu Province

Nanjing

Nanjing Royal Bay (恒盛•南京•尚海灣)

The project is located in the southern part of Xiaguan District linking the Gulou District, Nanjing, south of the juncture of Qinhuai River and Yangtze River, linking Yangtze River Boulevard and directly adjacent to Yangtze River. The project occupies a total site area of approximately 109,244 sq.m. and has a total planned GFA of approximately 651,411 sq.m. We plan to develop the project into a large-scale residential and retail facilities.

We expect the project to commence construction in January 2011. Details of the project as of June 30, 2010 were as follows:

<u>Nanjing Royal Bay</u>	<u>Residential</u>	<u>Retail</u>
Planned construction period	January 2011 — November 2015	January 2011 — November 2015
Total saleable/leasable GFA (sq.m.)	438,317	43,749

Note:

(1) The project is expected to include 3,625 saleable/leasable car park spaces upon completion.

We have 60% interest in this project through our 60% equity interest in Nanjing Jiangxu Property Development Co., Ltd. (南京江旭房地產開發有限公司).

Wuxi

No.1 City Promotion (恒盛•第一國際)

No.1 City Promotion, including Phases I through IV, is located in Wuxi New District (無錫新區) which is north of Wangzhuang East Road (旺莊東路), south of Xinguang Road (新光路) and east of Xingchuang Jiulu (行創九路). Phases I through III of No.1 City Promotion are large-scale residential community property developments with European style high-rise buildings. We plan to develop Phase IV of No.1 City Promotion into a hotel with 400 guest rooms. Wuxi Wangjiarui, as one of our subsidiaries, entered into a management contract with Holiday Inns (China) Limited, a subsidiary of InterContinental Hotels Group, on June 30, 2008 for management of Crowne Plaza® Wuxi New District. The initial management term is 10 years from the commencement date of the hotel. The management contract can be renewed for one or more additional terms of years and each renewal term is 10 years. The residential community has education, entertainment and health facilities and a convenient transportation network in its peripheral areas. The project occupies an aggregate site area of approximately 219,423 sq.m. and has a total planned GFA of approximately 756,203 sq.m.

We have completed the development of Phase I of No.1 City Promotion. The completed properties have a total GFA of approximately 192,445 sq.m. Details of Phase I of No.1 City Promotion as of June 30, 2010 were as follows:

<u>Phase I ⁽¹⁾</u>	<u>Residential</u>
Construction period	June 2005 — October 2007
Total saleable GFA (sq.m.)	161,767
GFA sold/pre-sold (sq.m.)	158,489
Average selling price per sq.m. (RMB)	4,369

Note:

(1) Phase I of Wuxi No.1 City Promotion includes 710 saleable/leasable car park spaces.

We completed the development of Phase II of No.1 City Promotion. The completed properties have a total GFA of approximately 217,927 sq.m. Details of Phase II of No.1 City Promotion as of June 30, 2010 were as follows:

Phase II ⁽¹⁾	Residential
Construction period	January 2007 — December 2009
Total saleable/leasable GFA (sq.m.)	179,415
GFA pre-sold (sq.m.)	169,387
Average selling price per sq.m. (RMB)	4,940

Note:

- (1) Phase II of Wuxi No.1 City Promotion includes 780 saleable/leasable car park spaces upon completion.
- (2) Of this 169,387 sq.m. sold/pre-sold, approximately 164,188 sq.m. had been recognized as revenue as of June 30, 2010.

As of June 30, 2010, we had not commenced the construction of Phases III and IV of No.1 City Promotion. We plan that, upon completion, Phase III of No.1 City Promotion will have a total planned GFA of approximately 228,581 sq.m. Phase IV of No.1 City Promotion will include a hotel with 400 guest rooms and a total planned GFA of approximately 117,249 sq.m. As of June 30, 2010, the details of Phases III and IV of No.1 City Promotion were as follows:

Phase III ⁽¹⁾	Residential	Retail
Planned construction period	July 2010 — December 2012	July 2010 — December 2012
Total saleable/leasable GFA (sq.m.)	117,453	38,598

Note:

- (1) Phase III of No.1 City Promotion is expected to include 1,755 saleable/leasable car park spaces upon completion.

Phase IV ⁽¹⁾	Residential	Retail	Hotel
Planned construction period	May 2011 — December 2012	May 2011 — December 2013	May 2011 — December 2013
Total saleable/leasable GFA (sq.m.)	27,196	12,164	49,256

Note:

- (1) Phase IV of No.1 City Promotion is expected to include 550 saleable/leasable car park spaces upon completion.

We have fully paid the land premium for Phases I through IV of Wuxi No.1 City Promotion and have obtained the land use rights certificates for Phases I through IV.

No. 1 City Promotion is being developed by our wholly-owned subsidiary Wuxi Wangjiarui.

Suzhou

Classical Life (恒盛•海上一品)

Classical Life, including Phases I and II, is located on Haiyu North Road (海虞北路), Changshu New District (常熟新區), Suzhou City. It is a residential property development featuring townhouses and apartments. The project occupies an aggregate site area of approximately 55,398 sq.m. and has a total planned GFA of approximately 71,554 sq.m.

We have completed the development of Phase I of Classical Life. Phase I of Classical Life is mainly townhouses with a total planned GFA of approximately 34,224 sq.m. Details of Phase I of Classical Life as of June 30, 2010 were as follows:

Phase I	Residential	Retail
	June 2006 — June 2008	June 2006 — June 2008
Construction period		
Total saleable/leasable GFA (sq.m.).....	32,325	1,627
GFA sold/pre-sold (sq.m.) ⁽¹⁾	32,325	N/A
Average selling price per sq.m. (RMB)	6,989	N/A

Note:

(1) Of the 32,325 sq.m. sold or pre-sold had been delivered and recognized as of June 30, 2010.

We have completed the development of Phase II of Classical Life. Phase II of Classical Life has a total planned GFA of approximately 37,330 sq.m. Details of Phase II of Classical Life as of June 30, 2010 were as follows:

Phase II ⁽¹⁾	Residential
	December 2007 — December 2008
Construction period	
Total saleable/leasable GFA (sq.m.).....	29,178
GFA sold (sq.m.)	29,178
Average selling price per sq.m. (RMB)	4,396

Note:

(1) Phase II of Classical Life includes 140 saleable/leasable car park spaces.

We entered into a land grant contract with the local government in respect of Classical Life in March 2005. We have already obtained the land use rights certificates for Classical Life and have fully paid the land premium.

Classical Life was developed by our wholly-owned subsidiary Suzhou Hongsheng (蘇州弘晟房地產有限公司).

Nantong

Nantong Glorious Chateau (南通•恒盛莊園)

Nantong Glorious Chateau, including Phases I through VI, is located in the Rugao Economic Development District (如皋經濟開發區), Nantong, Jiangsu Province. After the Sutong Changjiang Highway Bridge (蘇通大橋) commenced operation in early 2008, Nantong is within a one hour driving radius of Shanghai pursuant to the Summary of Eleventh Five-Year Plan regarding the social and economic development of Nantong approved by People's Congress of Nantong. Based on our current plan, Nantong Glorious Chateau will comprise six phases and be a large-scale residential and retail community property development upon completion. We have signed a master agreement in respect of the whole project, including Phases IC through VI, and have completed the public tender process and fully paid the land premium in respect of Phase II. However, we have not completed the public tender process in respect of Phases III through VI and do not have land use rights certificates in respect of Phases IC through VI.

As of June 30, 2010, we have commenced the construction of Phases IA, IB of Nantong Glorious Chateau. Construction of Phase IA has commenced in January 2010 and, based on our current plan, is expected to be completed by November 2010. Construction of Phase IB will commence in October 2010 and is expected to be completed by June 2011 and Phase IC is expected to commence in January 2011 and is expected to be completed by December 2011.

Details of Phases IA, IB of Nantong Glorious Chateau as of June 30, 2010 were as follows:

Phase IA, IB ⁽¹⁾	Residential	Retail
Planned construction period	January 2010 — June 2011	January 2010 — June 2011
Total saleable/leasable GFA (sq.m.)	234,701	24,110
GFA sold	5,235	—
Average selling price per sq.m. (RMB)	2,720	N/A

Note:

(1) Phases IA and IB of Nantong Glorious Chateau are expected to include 394 saleable/leasable car park spaces upon completion.

Phase IC ⁽¹⁾	Residential
Planned construction period	January 2011 — December 2011
Total GFA	125,000

Note:

(1) Phase IC of Nantong Glorious Chateau is expected to include 109 saleable/leasable car park spaces upon completion.

We have fully paid the land premiums for Phases IA and IB of Nantong Glorious Chateau and we obtained the land use rights certificates of Phases IA and IB of Nantong Glorious Chateau in September 2009.

Nantong Glorious Chateau is being developed by nine wholly foreign owned enterprises owned by us.

Nantong Rongsheng Plaza (恒盛•熔盛大廈)

Nantong Rongsheng Plaza is located in Nantong City, Jiangsu Province. The project occupies an aggregate site area of approximately 45,090 sq.m. and has a total planned GFA of approximately 295,690 sq.m. Upon completion, Nantong Rongsheng Plaza is expected to include a hotel with a total leasable GFA of approximately 76,424 sq.m., an office building with a total leasable GFA of approximately 85,330 sq.m., as well as a total retail GFA of 49,046 sq.m.

As of June 30, 2010, we had not commenced the construction of Nantong Rongsheng Plaza. Based on our current plan, construction of these properties will commence in March 2011 and is expected to be completed by December 2015.

Details of Nantong Rongsheng Plaza as of June 30, 2010 were as follows:

Nantong Rongsheng Plaza	Hotel	Office	Retail
Planned construction period	March 2011 — December 2015	March 2011 — December 2015	March 2011 — December 2015
Total saleable/leasable GFA (sq.m.)	76,424	85,330	49,046

Note:

(1) The project is expected to include 2,122 saleable/leasable car park spaces upon completion.

We acquired the land for Nantong Rongsheng Plaza in March 2008 through our acquisition of 100% equity interest in Nantong Rongsheng (南通熔盛大廈房地產開發有限公司), a project company that had already signed a land grant contract with the local government prior to being acquired by us. We have fully paid the land premiums and obtained the land use rights certificates with respect to Nantong Rongsheng Plaza.

Nantong Villa Glorious (南通恆盛•豪庭)

Nantong Villa Glorious is located at the East of Chongchuan District, South of Ren Min East Road and West of Shilun Road, Nantong, Jiangsu Province. The project occupies a total site area of approximately 115,069 sq.m. and has a total planned GFA of approximately 304,026 sq.m. We plan to develop the project into a large-scale residential project.

We commenced the construction of the East Chongchuan Project in June 2010. Details of the project as of June 30, 2010 were as follows:

Nantong Villa Glorious	Residential	Retail
	June 2010 —	June 2010 —
Planned construction period	June 2012	June 2012
Total saleable/leasable GFA (sq.m.)	227,908	10,964

Note:

(1) The project is expected to include 1,172 saleable/leasable car park spaces upon completion.

As of June 2010, we entered into a land grant contract and are in the process of obtaining the relevant land use rights certificate for the Nantong Villa Glorious.

Nantong Royal Bay (恆盛•南通•尚海灣)

The Nantong Royal Bay (恆盛•南通•尚海灣) is located in Chongchuan District in Nantong, at east of Gongnong Road, south of Hongxing Road, west of Chengshan Road and north of Hongqiao Road, Nantong, Jiangsu Province. The project occupies a total site area of approximately 244,524 sq.m. and has a total planned GFA of approximately 694,439 sq.m. We plan to develop the project into a large-scale of residential area.

We expect to commence the construction of the Nantong Royal Bay in October 2010. Details of the project as of June 30, 2010 were as follows:

Nantong Royal Bay	Retail	Residential	Office
	October 2010 —	October 2010 —	October 2010 —
Planned construction period	June 2013	June 2013	June 2013
Total saleable/leasable GFA (sq.m.) . .	48,556	345,100	139,719

Note:

(1) The project is expected to include 4,128 saleable/leasable car park spaces upon completion.

We entered into a land grant contract and are in the process of obtaining the relevant land use rights certificate for the Nantong Royal Bay.

Anhui Province

Hefei

Bashang Jie (壩上街)

Bashang Jie Project is located on Ming Guang Road (明光路), Hefei City, Anhui Province. The project occupies an aggregate site area of approximately 118,929 sq.m. and has a total planned GFA of approximately 1,263,730 sq.m. Upon completion, the project is expected to be a large-scale commercial complex including one hotel, serviced apartments and retail and office developments.

As of June 30, 2010 we had not commenced the construction of the Bashang Jie Project. Based on our current plan, construction of these properties will commence in October 2010 and is expected to be completed by December 2015.

Details of this development as of June 30, 2010 were as follows:

Bashang Jie	Residential	Retail	Office	Hotel
Planned construction period	October 2010 — June 2015	October 2010 — June 2015	January 2013 — December 2015	August 2012 — December 2015
Total saleable/leasable GFA (sq.m.).	406,922	260,283	235,657	95,907

Note:

(1) The project is expected to include 9,183 saleable/leasable car park spaces upon completion.

We signed the land grant contract for Bashang Jie in April 2008. We are still in the process of applying for the land use rights certificate for the project. We will construct apartments and retail units for relocated residents as required by the local government to settle part of the relevant land premiums after which we need to pay the remaining part of the land premiums. We expect to obtain the land use rights certificate by the end of October 2010 based on our current construction schedule.

Bashang Jie Project is being developed by our wholly-owned subsidiary Anhui Hengmao (安徽恒茂房地產開發有限公司).

Hefei Villa Glorious (合肥•恒盛豪庭)

Hefei Villa Glorious, including Phases I through IV, is located on Da Tong Road (大通路), Hefei City, Anhui Province. The project occupies an aggregate site area of approximately 72,478 sq.m. and has a total planned GFA of approximately 355,682 sq.m.

As of June 30, 2010, we were still in the process of developing Phase I of Hefei Villa Glorious. Phase I of Hefei Villa Glorious has a total planned GFA of approximately 103,191 sq.m. Details of Phase I of Hefei Villa Glorious as of June 30, 2010 were as follows:

Phase I	Residential
Planned construction period	March 2009 — September 2011
Total saleable/leasable GFA (sq.m.).	99,823
GFA sold / pre-sold (sq.m.).	98,064
Average selling price per sq.m. (RMB)	5,356

As of June 20, 2010, we have commenced the construction of Phases II of Hefei Villa Glorious. Phase II of Hefei Villa Glorious has a total planned GFA of approximately 127,833 sq.m. Details of Phase II of Hefei Villa Glorious as of June 30, 2010 were as follows:

Phase II⁽¹⁾	Residential
Planned construction period	April 2010 — June 2012
Total saleable/leasable GFA (sq.m.).	81,528
GFA sold/presold	20,660
Average selling price per sq.m (RMB)	6,676

Note:

(1) Phase II of Hefei Villa Glorious is expected to include 1,423 saleable/leasable car park spaces upon completion.

Phase III of Hefei Villa Glorious has a total planned GFA of approximately 120,253 sq.m. Details of Phase III of Hefei Villa Glorious as of June 30, 2010 were as follows:

Phase III ⁽¹⁾	Residential
Planned construction period	Oct 2010 — August 2012
Total saleable/leasable GFA (sq.m.).....	85,645

Note:

(1) Phase III of Hefei Villa Glorious is expected to include 625 saleable/leasable car park spaces upon completion.

Phase IV of Hefei Villa Glorious has a total planned GFA of approximately 4,405 sq.m. Details of Phase IV of Hefei Villa Glorious as of June 30, 2010 were as follows:

Phase IV	Retail
Planned construction period	May 2011 — July 2012
Total saleable/leasable GFA (sq.m.).....	4,405

We have fully paid the land premium of Hefei Villa Glorious (Phases I through IV) and obtained the land use rights certificates.

Hefei Villa Glorious is being developed by our wholly owned subsidiary Anhui Hengmao (安徽恒茂房地產開發有限公司).

Liaoning Province

Shenyang

Sunny Town (恒盛•陽光尚城)

Sunny Town, including Phases I through IV, is located in Yuhong District (于洪區), Shenyang City and is being developed by our wholly-owned subsidiary Liaoning Yangguang Xindi (遼寧陽光鑫地置業有限公司). This project occupies an aggregate site area of approximately 470,907 sq.m. and has a total planned GFA of approximately 887,936 sq.m. Sunny Town - Phases I through IV offer various types of products, including residential and retail development.

We have completed the development of Phase I and II of Sunny Town. Phase I of Sunny Town has a total planned GFA of 137,754 sq.m. Details of Phase I of Sunny Town as of June 30, 2010 were as follows:

Phase I ⁽¹⁾	Residential	Retail ⁽²⁾
Construction period	July 2006 — June 2007	July 2006 — August 2008
Total saleable/leasable GFA (sq.m.).....	103,479	11,931
GFA sold/pre-sold (sq.m.).....	103,045	7,501
Average selling price per sq.m. (RMB)	3,605	6,014

Notes:

(1) Phase I of Sunny Town included 133 saleable/leasable car park spaces upon completion, and 60 car park spaces had been sold and delivered as of June 30, 2010.

(2) Retail GFA includes a clubhouse with a total leasable GFA of approximately 5,586 sq.m.

Phase II of Sunny Town has a total planned GFA of approximately 74,087 sq.m. Details of Phase II of Sunny Town as of June 30, 2010 were as follows:

Phase II ⁽¹⁾	Residential	Retail ⁽²⁾
Construction period	March 2008 — November 2008	April 2011 — October 2012
Total saleable/leasable GFA (sq.m.).....	50,513	12,925
GFA sold/pre-sold (sq.m.) ⁽³⁾	44,962	N/A
Average selling price per sq.m. (RMB)	4,443	N/A

Notes:

- (1) Phase II of Sunny Town includes 208 saleable/leasable car park spaces.
- (2) The 12,925 sq.m. retail component has not commenced construction as of June 30, 2010.
- (3) Of the 44,962 sq.m. sold/pre-sold, had been all sold and recognized as revenue as of June 30, 2010.

As of June 30, 2010, we were still in the process of developing Phase III of Sunny Town. Phase III of Sunny Town has a total planned GFA of approximately 141,625 sq.m. As of June 30, 2010, the details of Phase III of Sunny Town were as follows:

Phase III ⁽¹⁾	Residential	Retail
Planned construction period	April 2008 — December 2010	April 2008 — December 2010
Total saleable/leasable GFA (sq.m.).....	117,778	6,137
GFA sold/pre-sold (sq.m.)	91,694	N/A
Average selling price per sq.m. (RMB)	4,777	N/A

Note:

- (1) Phase III of Sunny Town is expected to include 514 saleable/leasable car park spaces upon completion.

As of June 30, 2010, we had not commenced the construction of Phase IV of Sunny Town. Phase IV of Sunny Town has a total planned GFA of approximately 326,915 sq.m. as of June 30, 2010, the details of Phase IV of Sunny Town were as follows:

Phase IV ⁽¹⁾	Residential	Retail
Planned construction period	September 2010 — December 2012	April 2011 — July 2012
Total saleable/leasable GFA (sq.m.).....	207,549	62,642

Note:

- (1) Phase IV of Sunny Town is expected to include 1,056 saleable/leasable car park spaces upon completion.

We have obtained the land use rights certificates for Phases I through III of Sunny Town and fully paid the land premium. We have signed land grant contract and have fully paid the land premium for Phase IV of Sunny Town and obtained the land use rights certificate for 54,434 sq.m of the site area. We are in the process of applying for the land use rights certificates for the remaining site of Sunny Town. We entered into a master agreement with the local government in respect of Phase V in May 2006 but have not completed the public tender process. See “— Projects to be acquired for future developments”.

Sunny Town is being developed by our wholly-owned subsidiary Liaoning Yangguang Xindi (遼寧陽光鑫地置業有限公司).

Heilongjiang Province

Harbin

Harbin Villa Glorious (哈爾濱•恒盛豪庭)

Harbin Villa Glorious — Phases I through III are located in Harbin, Heilongjiang Province. The project occupies an aggregate site area of approximately 204,959 sq.m. and has a total planned GFA of approximately 575,718 sq.m. Harbin Villa Glorious is planned to include residential and retail products upon completion.

We commenced the construction of Phase I of Harbin Villa Glorious in July 2009. Phase I of Harbin Villa Glorious has a total planned GFA of approximately 156,499 sq.m. As of June 30, 2010, the details of Phase I of Harbin Villa Glorious were as follows:

Phase I⁽¹⁾	Residential	Retail
	July 2009 — December 2010	July 2009 — December 2010
Planned construction period		
Total saleable/leasable GFA (sq.m.)	116,539	9,493
GFA sold/pre-sold (sq.m.)	114,031	N/A
Average selling price per sq.m. (RMB)	6,060	N/A

Note:

(1) Phase I of Harbin Villa Glorious is expected to include 544 saleable/leasable car park spaces upon completion.

We commenced the construction of Phase II of Harbin Villa Glorious. Phase II of Harbin Villa Glorious has a total planned GFA of approximately 283,422 sq.m. As of June 30, 2010, the details of Phase II of Harbin Villa Glorious were as follows:

Phase II⁽¹⁾	Residential	Retail
	May 2010 — December 2011	May 2010 — December 2011
Planned construction period		
Total saleable/leasable GFA (sq.m.)	240,003	2,075
GFA sold/pre-sold	46,912	N/A
Average selling price per sq.m. (RMB)	6,955	N/A

Note:

(1) Phase II of Harbin Villa Glorious is expected to include 748 saleable/leasable car park spaces upon completion.

We have not commenced the construction of Phase III of Harbin Villa Glorious. Phase III of Harbin Villa Glorious has a total planned GFA of approximately 135,796 sq.m. As of June 30, 2010, the details of Phase III of Harbin Villa Glorious were as follows:

Phase III⁽¹⁾	Residential
	April 2011 — December 2012
Planned construction period	
Total saleable/leasable GFA (sq.m.)	100,551

Note:

(1) Phase III of Harbin Villa Glorious is expected to include 441 saleable/leasable car park spaces upon completion.

We have fully paid the land premiums for Phases I through III of Harbin Villa Glorious and have obtained the relevant land use rights certificates.

Harbin Villa Glorious is being developed by our wholly-owned subsidiary Harbin Yangguang (哈爾濱陽光濱海置業有限公司).

Jilin Province

Changchun

Changchun New and High-tech East Parcel Project (長春高新東地塊)

Changchun New and High-tech East Parcel Project is located Southern Yisi Road (乙四路), New and High-tech Region (高新區), Changchun, Jilin province, the project occupied aggregate site area of approximately 197,940 sq.m. and has a total planned GFA of approximately 609,205 sq.m.

As of June 30, 2010, we had not commenced the construction of Changchun New and High-tech East Parcel Project. Based on our current plan, construction of these properties will commence in April 2011 and is expected to be completed by August 2014.

Details of Changchun New and High-tech East Parcel Project as of June 30, 2010 were as follows:

Changchun New and High-tech East Parcel Project	Residential	Retail
Planned construction period	April 2011 — October 2014	April 2011 — October 2014
Total saleable/leasable GFA (sq.m.)	510,973	27,433

Note:

(1) The project is expected to include 1,569 saleable/leasable car park spaces upon completion.

We acquired the land for Changchun New and High-tech East Parcel Project in April 2010 through open auction. We have fully paid the land premiums and will obtain the land use rights certificates before December 2010.

Projects to be acquired for future development

The table below sets out details of properties in respect to which we have signed the relevant master agreements with the local government authorities but had not, as of June 30, 2010, entered into a land grant contract or obtained the relevant land use rights certificates. Our PRC legal counsel has advised us that such projects remain subject to the relevant PRC laws and regulations which require us to go through the public tender, auction or listing for bidding process and, if successful, enter into a land grant contract and pay the relevant land premium in full before we are able to obtain the relevant land use rights certificate. As these projects have not begun to be developed, their development plans are still subject to change pending, among other things, approvals from relevant authorities. We cannot assure you that we will be successful in securing the land grant contracts and obtaining the relevant land use rights certificates in respect of the projects set out below. If there are new developments to projects to be acquired for future development, we will make such information available to the public by way of announcements in accordance with rule 13.09 and/or chapter 14 of the rules of the Hong Kong Stock Exchange. See “Risk Factors — Risks relating to our business — we are party to long-term master agreements and land grant contracts with PRC government entities, which may not be implemented as agreed.”

Project name	Location	Total GFA (sq.m.)	Total saleable/ leasable unsold GFA (sq.m.)			Construction commencement/ Expected date of construction commencement		Construction completion/ Expected completion time	Interest attributable to us (%)	
			Residential	Retail ⁽¹⁾	Office	Hotel	Others ⁽²⁾ (sq.m.)			
Projects to be acquired for future development										
Baoshan Gaojing (Phase III) 寶山高境 (第三期)	Shanghai	87,360	65,520	7,280	—	—	14,560	April 2013	November 2015	100%
Sunshine Holiday (Phase V) 恒盛•陽光星期八 (第五期)	Tianjin	100,833	68,750	22,917	—	—	9,167	March 2011	November 2012 May 2013	100%
Sunshine Bordeaux (Phase II through Phase IV) 恒盛•波爾多小鎮 (第二期至四期)	Beijing	1,256,113	1,172,194	56,419	—	—	27,500	March 2011	December 2016	100%
Nantong Glorious Chateau (Phase III through Phase VI) 南通•恒盛莊園 (第三至第六期)	Nantong, Jiangsu Shenyang, Liaoning	3,311,746	3,097,706	—	—	—	214,040	March 2013	December 2021	100%
Sunny Town (Phase V) 恒盛•陽光尚城 (第五期)	Liaoning	207,555	193,300	—	—	—	14,255	April 2011	October 2013	100%
Total		4,963,608	4,597,470	86,616	—	—	279,522			100%

Notes:

(1) Includes saleable/leasable clubhouses.

(2) Includes saleable/leasable car parks, convention center and non-saleable/ non-leaseable GFA.

Details of projects to be acquired for future development are set out below. Such projects remain subject to relevant PRC laws and regulations which require us to go through the public tender, auction or listing for bidding process and, if successful, enter into the land grant contracts and pay the requisite land premium before we may obtain the land use rights certificates in respect of the following projects. In the event that we are not successful in the public tender, auction and/or listing for bidding process, we will not be able to secure the land grant contracts and pay the land premium, as a result of which, we will not be able to proceed with the development of such projects and will not have access to any of the associated GFA for development for sale.

Shanghai

Baoshan Gaojing (寶山高境) — Phase III

Baoshan Gaojing — Phase III has a total planned GFA of 87,360 sq.m. and a site area of 28,000 sq.m. Details of Phase III of Baoshan Gaojing are as follows:

Baoshan Gaojing Phase III ⁽¹⁾	Residential	Retail
Planned construction period	April 2013 — November 2015	April 2013 — November 2015
Total saleable/leasable GFA (sq.m.)	65,520	7,280

Note:

(1) Phase III of Baoshan Gaojing is expected to have 364 saleable/leasable car park spaces upon completion.

Based on our internal estimate and subject to the timing and outcome of the future tender process, we expect that we may obtain the land use rights certificate for Phase III of Baoshan Gaojing by October 2012.

Tianjin

Sunshine Holiday (恒盛•陽光星期六) — Phase V

Phase V of Sunshine Holiday has a total site area of 56,863 sq.m. and a total planned GFA 100,833 sq.m. Details of Phase V of Sunshine Holiday are as follows:

Phase V ⁽¹⁾	Residential	Retail
Planned construction period	March 2011 — May 2013	March 2011 — November 2012
Total saleable/leasable GFA (sq.m.)	68,750	22,917

Note:

(1) Phase V of Sunshine Holiday is expected to include 366 saleable/leasable car park spaces upon completion. We entered into a master agreement with the local government in respect of Phase V of Sunshine Holiday in January 2007.

Based on our internal estimate and subject to the timing and outcome of future tender process, we expect that we may be able to obtain the land use rights certificate for Phase V of Sunshine Holiday by February 2011.

Beijing

Sunshine Bordeaux (恒盛•波爾多小鎮) — Phase II through Phase IV

Phase II through Phase IV of Sunshine Bordeaux has a site area of 1,191,983 sq.m. and a total planned GFA of approximately 1,256,113 sq.m. Details of Phase II through Phase IV of Sunshine Bordeaux are as follows:

Phase II through Phase IV	Residential	Retail
Planned construction period	March 2011 — December 2016	May 2012 — December 2016
Total saleable/leasable GFA (sq.m.)	1,172,194	56,419

Based on our internal estimate and subject to the timing and outcome of future tender process, we expect that we may be able to obtain the land use rights certificate for Sunshine Bordeaux in accordance with the following time schedule:

Phase II	February 2011
Phase III	January 2012
Phase IV	January 2014

Jiangsu Province Nantong

Nantong Glorious Chateau (南通•恒盛莊園) — Phase III through Phase VI

Nantong Glorious Chateau Phase III through Phase VI has a total planned GFA of approximately 3,311,746 sq.m. and a site area of approximately 4,333,766 sq.m. Details of Phase III through Phase VI of Nantong Glorious Chateau are as follows:

Phase III through Phase VI	Residential
Planned construction period	March 2013 — December 2021
Total saleable/leasable GFA (sq.m.)	3,097,706

We have obtained the land use certificates for Phase II of Nantong Glorious Chateau. Based on our internal estimate and subject to the timing and outcome of future tender process, we expect that we may be able to obtain the land use rights certificate for Phases III through VI of Nantong Glorious Chateau in accordance with the following time schedule:

Phase III	December 2012
Phase IV through Phase VI	December 2014

Liaoning Province Shenyang

Sunny Town (恒盛•陽光尚城) — Phase V

Phase V of Sunny Town has a total planned GFA of approximately 207,555 sq.m. Details of Phase V of Sunny Town are as follows:

Phase V	Residential
Planned construction period	April 2011 — October 2013
Total saleable/leasable GFA (sq.m.)	193,300

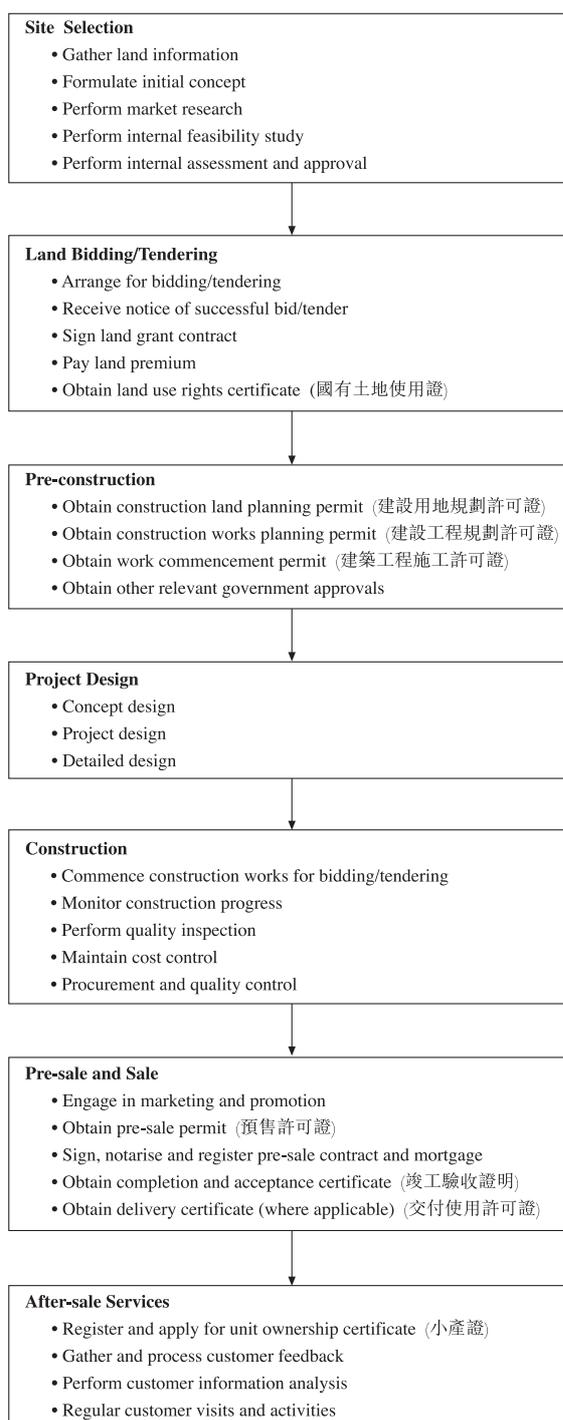
Note:

(1) Phase V of Sunny Town is expected to include 178 saleable/leasable car park spaces upon completion.

Based on our internal estimate and subject to the timing and outcome of future tender process, we expect that we may be able to obtain the land use rights certificate for Sunny Town Phase V by January 2011.

PROPERTY DEVELOPMENT

Our property development process includes site selection, land acquisition, planning, project design and construction, marketing, pre-sales, sales and after-sales support, and a series of development processes. These processes are coordinated and supervised by our central management and carried out by the functional departments of our regional offices and project companies. Although the nature and sequence of specific planning and execution activities vary from one project to another and may be subject to the requirement of relevant local laws and regulations, we have summarized below, the core elements of our typical project development process.



Site selection

Location is key to our success in property development. Therefore, we emphasize site selection. Our strategy committee which consists of members of our board and senior management team, closely monitors and manages our site selection process and is responsible for identifying potential acquisition targets and supervising the entire assessment process. Our investment and marketing departments in each regional company conduct pre-acquisition site due diligence work in order to gain understanding of the target property, the market conditions and trends for future developments, and present a preliminary market analysis to our strategy committee. In line with our overall strategy, we involve our centralized marketing and sales center and our research and design center throughout the site selection process to advise on the decision making process from a pricing, marketing and design perspective.

In assessing whether to pursue an acquisition opportunity, we also seek professional advice from independent experts and take into account a broad range of factors, including:

- an assessment of the city's economic environment, GDP growth and population growth;
- the supply and demand of the relevant property market;
- local urban planning and specifications, including, in particular, the local governmental zoning, planning and development in the relevant region over the next several years and the infrastructure support in the surrounding areas;
- geographical location of the development sites, including its proximity and access to the fast growing urban centers; and
- the estimated cost of development, including land premium, relocation costs (if any), construction cost and financing cost.

Land acquisition

We acquire land either by competitive bidding through public tenders, auctions or listing at a land exchange administered by the local government acquisition of property project companies.

Land Acquisition by competitive bidding

On September 28, 2007, the Ministry of Land and Resources (國土資源部) issued the Regulations on the Grant of State-owned Land Use Rights for Construction 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》), effective November 1, 2007, which provides that (i) land for industrial, commercial, tourism or entertainment use or for commodity housing development shall be granted by means of public tender, auction or listing-for-sale; no land use rights certificates shall be issued before the land premium has been fully paid up for and (ii) the entire parcel in accordance with the relevant land use rights grant contract and the land use rights certificates shall not be issued with respect to only a portion of any land parcel based on the proportion of the paid up land premium.

The price we pay in respect of the land acquired by us through competitive bidding is in line with the then prevailing market rate and most of the land parcels acquired by us have been relatively large in size. Due to our financial strength, clearly defined strategies, integrated development capability and management quality, we believe we are able to create a premium for the projects that we develop. We believe that there are only a handful of property developers who possess such integrated capabilities.

Land Acquisition through acquiring property project companies

We began to acquire property project companies in 2001 to enable us to expand our business and obtain land use rights at a competitive price. In addition to the usual site selection process and criteria, which we apply in identifying potential targets, we also assess the factors that affect the target's ability to continue to develop the land it possesses when determining whether to pursue the acquisition of a property project company. Such factors include, among others, issues of communications with government, financing arrangements, pricing policies, product development and marketing, which often arise as a result of lack of experience on the part of property developers who own the property project company. Due to more than thirteen years of experience in the PRC property development industry, we are able to overcome such difficulties encountered by small property developers and have the competitive advantage to create a premium with respect to the land obtained through the acquisitions of such project companies.

The price paid for the land acquired through the acquisition of property project companies is normally considered more attractive compared to the price paid through public bidding and therefore any significant delay in identifying the potential target or reaching a decision may result in us foregoing such opportunity due to intense market competition. We rely on a broad range of information channels to closely track the latest developments in the market. Once we have identified a suitable target company, we generally are able to complete the due diligence exercise and decision making process within a short timeframe, with the goal of being in a position to complete the acquisition before any of our potential competitors enter into negotiations with the vendors.

Pre-construction

According to PRC regulations, once we have obtained the rights to develop a parcel of land, we begin applying for the various permits and licenses that are needed in order to begin construction and sale of our properties. If the land use rights are acquired by way of grant, the land grant contract will be a precondition to application for the following permits and licenses:

- land use rights certificate (國有土地使用證), which is a certification of the right of a party to use a parcel of land;
- construction land planning permit (建設用地規劃許可證), which is a permit authorizing a developer to begin the survey, planning and design of a parcel of land;
- construction works planning permit (建設工程規劃許可證), which is a certificate indicating government approval for a developer's overall planning and design of the project and allowing a developer to apply for a construction work commencement permit (建築工程施工許可證); and
- construction work commencement permit (建築工程施工許可證), which is a permit required for commencement of construction.

We have obtained all the required land use rights certificates and permits for our existing properties under development taking into account their respective stages of development.

Financing of Projects

We finance our projects primarily through proceeds from bank borrowings, other third party financings, capital contributions from our shareholders, proceeds from the IPO, internal cash flows and proceeds from the pre-sale of our properties.

Our ability to obtain financing for our projects also depends on the various economic measures introduced by the central and local governments which are intended to stabilize the property market in China. From 2006 to the first half of 2008, the PRC government implemented a number of economic adjustment measures to prevent the PRC economy from overheating. Among these measures are policy initiatives issued by the PRC government on May 24, 2006 to use taxation, bank credit and land policies to regulate housing demand. In that period, the PBOC also announced several increases in the reserve ratio of commercial banks since June 2006 as a result of which the reserve ratio had increased from 7.5% to 8% with effect from July 5, 2006, from 8% to 8.5% on August 15, 2006, from 8.5% to 9% on November 15, 2006, from 9% to 9.5% on January 15, 2007, from 9.5% to 10% on February 25, 2007, from 10% to 10.5% on April 16, 2007, from 10.5% to 11% on May 15, 2007, from 11% to 11.5% on June 5, 2007, from 11.5% to 12% on August 15, 2007, from 12% to 12.5% on September 6, 2007, from 12.5% to 13.0% on October 13, 2007, from 13.0% to 13.5% on November 26, 2007. On December 25, 2007, the PBOC announced a further increase of the reserve ratio from 13.5% to 14.5%. The reserve ratio is further increased to 17.5%, effective on June 25, 2008, being the historical high over the past 30 years. The reserve ratio went down to 16.5% in October 2008, to 14.5% in December 2008, which reflects the PRC government's policy to stimulate economic growth in the global economic downturn. The reserve ratio refers to the amount that banks must set aside when they lend. Such decision of the PBOC will limit the amount commercial banks have available for lending and our ability to obtain financing from commercial banks may be adversely affected.

Project Design

Our project design comprises the following three stages:

- Stage I — Concept design — overall planning conducted at the stages of site selection and land acquisition in connection with our pricing policies and marketing strategies;
- Stage II — Project design — expansion of planning to cover three dimensional design of the property development, floor plans and selection of construction materials, which is usually conducted upon acquisition of the relevant land use rights; and
- Stage III — Detailed design — implementation of the concept design and project design throughout the design and construction process, including landscaping and greenery design.

In order to facilitate our design process, we have set up a research and design center, which specifically engages in property design. We usually outsource Stage I design work to renowned overseas design houses such as Atkins China Ltd., WWCOT and HASSELL, all of which are independent third party designers. When determining the concept design of a particular property development, our designers and engineers generally consider the recommendations of our research and design center regarding product mix, project location and market conditions, as well as the regulatory requirements regarding the design. Stage II of the design process is an integral part of our overall plan of a property development project and therefore we retain absolute control over this phase of the design process through our strategy committee and research and design center. We then cooperate with the large and reputable local design institutes in the relevant regions to carry out the Stage III of our design process. Despite the involvement of overseas design houses and third party design institutes, we closely monitor and manage the quality and theme of a project development at each phase of its design process.

Involving the external design houses and our research and design center at an early stage of a property development project allows for the formulation of a preliminary design when we are negotiating with the government and enables us to commence construction shortly after the requisite approval to develop a parcel of land has been granted, as a result of which, the overall time needed to complete the development is significantly reduced.

Construction work

We outsource our construction phase of a development project to professional and reliable construction companies. For the three years ended December 31, 2009, Shanghai Ditong, an associate of Mr. Zhang Zhi Rong, and ultimate controlling shareholder, and hence our affiliate was our largest general contractor, accounting for substantially all the construction work we undertook in the three years ended December 31, 2009, except for Phase III of Sunny Town with respect to which the construction work was undertaken by independent third party constructing companies. In addition, through the tendering process it was determined that the construction contracts for Royal Lakefront Phase IA and Harbin Villa Glorious Phase I will be granted to independent third party contractors. For the three financial years ended December 31, 2007, 2008 and 2009, the total construction costs incurred in respect of the construction services provided by Shanghai Ditong amounted to RMB1,019.7 million, RMB1,185.5 million and RMB816.8 million (US\$120.4 million), representing 54.4%, 42.9% and 33.5% of our total purchases in the three years ended December 31, 2009. Under relevant PRC laws and regulations, construction contractors need to obtain the relevant construction qualification certificate for the type of construction work they carry out before they can undertake such property construction work. In the three years ended December 31, 2009, all of the construction contractors we appointed have obtained the requisite licenses. Shanghai Ditong holds a class I Qualification for General Contracting of Building Construction Works (房屋建築工程施工總承包一級資質). With its license, Shanghai Ditong is permitted to engage in construction work for the following buildings under a construction or installation contract provided that the single contract value does not exceed five times the registered capital of the enterprise: (1) construction project for buildings less than 40 stories with various spans; and (2) structures with a height no more than 240 meters; and (3) residential quarters or building complexes with a GFA no more than 200,000 square meters.

The construction phase of a development project begins once we obtain the construction permit for the project. Our general contractors are responsible for purchasing construction materials, procuring tools and equipment. However, recently we have begun to purchase some construction materials, tools and equipment. Typically, our general contractors outsource labor services to third party construction labor providers and sub-contract with third party sub-contractors for specialized construction works, such as landscaping, steel structural works, building envelope installation and fire services installation. Through our project management department in each project company, we monitor the overall quality and progress of our construction process.

According to the PRC Tendering and Bidding Law (《中華人民共和國招標投標法》), which became effective on January 1, 2000, and the Rules on the Tender Scope and Criteria for Construction Projects (《工程建設專案招標範圍和規模標準規定》), the tender process is compulsory within the PRC for certain construction projects such as large-scale infrastructure and public utilities relating to social public interests or public security, including the exploration, design, construction, construction supervision thereof as well as procurements of important equipment and materials in connection with project construction. The tender process can be conducted via open tender or tender by invitation. In the three years ended December 31, 2009, the majority of our property projects involved tender by invitation process, and Shanghai Ditong was invited and selected as a successful bidder for each of these projects except for Phase III of Sunny Town, Royal Lakefront Phase IA and Harbin Villa Glorious Phase I. Under the relevant tender laws, a tender can only proceed if at least three construction contractors, all having competent qualifications and the ability to undertake the construction work, have submitted bids. The successful bidder is selected based on an independent

assessment by each of the members of the assessment committee of the relevant tender bureau, having taken into account, among others, the following factors: the fee quote, the construction schedule for completion, the quality of construction work, the construction plan, allocation of manpower, safety measures and standard, equipment and facilities to be adopted, and the industry experience of the project manager of the bidder. Depending on the complexity and the scale of our project developments, some factors may outweigh the others in determining which contractors that we select. In general, the fee quote will be given the greatest importance, followed by the construction plan and quality of construction work. For all the bids for which Shanghai Ditong was selected in the three years ended December 31, 2009, Shanghai Ditong had comparable scores or scored higher in terms of a competitive fee quote, construction plan and/or quality of construction work as compared to other bidders. As our projects do not involve state ownership, we may, but are generally not required to, select our construction companies through an open tender process.

We have selected our construction companies through tender by invitation in compliance with the relevant laws and regulations as well as local regulations where our properties are situated. We have also adopted an internal policy regarding the selection process. Our typical selection process regarding construction contractors involves the following steps:

1. We engage a qualified independent tendering agent to draft tender documents and assist us in organizing the tender process. The tender agent is a legally established intermediary institution that acts as our agent in the tender process and provides related services. With the help of the tendering agent, we register the projects to be tendered and file relevant tender documents with the local government authorities.
2. Taking into consideration the specifications of a particular project, we compile a list of construction contractors ranging from three to eight and invite them to enter the bidding process.
3. The contractors who intend to bid for the projects provide information to us regarding their qualifications, size, industry experience, and the composition of their management team.
4. Based on the information received and the specifications of a particular project, we issue tender application documents to selected bidders for completion (typically three to five contractors with competent qualification and relevant industry experience). All these construction contractors, except for Shanghai Ditong, are independent third parties to us.
5. The tendering agent submits the completed tender application documents and other required documents to the local tender bureau.
6. After the tender documents are submitted, an assessment committee is formed, comprising several industry experts randomly chosen from a pool of industry experts who are independent of us and one of our representatives. In accordance with the relevant PRC laws and regulations and industry practice, the successful bidder is selected through an assessment by the committee in which the bidders are assigned scores based on factors such as the fee quote, the construction schedule for completion, quality of construction work and the construction plan (which includes, allocation of manpower, safety measures and equipment and facilities to be adopted and the industry experience of the project manager of the bidder).
7. The bidding result is released and the successful bidder enters into the construction contract with us within a certain period from the date of release of the bidding result.

In connection with the IPO, we adopted corporate governance measures in respect of the tendering process. A tendering committee was established to monitor the tendering process and prescribe criteria for the selection of potential bidders for each of our project developments.

According to the Temporary Measures for Settlement of Construction Fees (《建設工程價款結算暫行辦法》), prepayment in the amount of 10% to 30% of the contract sum shall be payable to constructors within one month of the date of the construction contract or not later than seven days prior to the date of the commencement of the construction work, and monthly payments shall be made during the construction work. The total amounts payable during the construction shall not be less than 60% but not more than 90% of the construction price. The remaining balance of the contract price shall be payable on settlement with approximately 5% of the contract price withheld during the warranty period. In accordance with the above-mentioned measures and market practice, under the construction contracts with Shanghai Ditong, we generally prepay 20% to 30% of the construction price to Shanghai Ditong within 10 days from the date of the construction contract and monthly payments are payable depending on the progress of construction work. The total amount payable to Shanghai Ditong during the construction period does not exceed 90% of the contract sum. The remaining balance is payable only upon the satisfactory completion of work on settlement date with 2% to 5% of the contract price withheld to cover any expenses incurred in connection with the quality of the construction work during the warranty period. In addition, our construction contract also states that the contractors must comply with relevant laws and regulations on the quality of construction projects, as well as our own standards and specifications. The contractors are also subject to our quality control requirements and procedures, including examination of materials and supplies, regular on-site inspection and production of progress reports.

We generally do not carry insurance against personal injuries that may occur during the construction of our properties except for our own employees. Our general contractors and sub-contractors are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers according to PRC laws and regulations. We are not responsible for any labor problems of our contractors. Under our construction contracts, we are entitled to seek indemnification from the contractors for any damage as a result of any non-compliance with applicable PRC laws and regulations concerning environmental protections, social and safety issues.

In the three years ended December 31, 2009, our general contractors were mainly responsible for procuring basic building materials in accordance with our specifications and requirements, such as cement and steel, and bear the risks of fluctuation in the costs of these materials. We have recently begun to procure a portion of building and construction materials ourselves to better control the cost and quality of our construction materials and reduce the risk arising from fluctuation of construction materials prices. For those projects that require procurement through our general contractors, we conduct regular site inspection of raw materials procured by our constructors so as to monitor the quality and inventory level of such materials.

We place great emphasis on the quality of our projects. Our budgeting department is involved from the site selection process of each project and is responsible for formulating budgeting plans and assisting our general contractor in selecting construction materials in accordance with strict quality specifications. To maintain quality control, our on-site supervisors and project companies will inspect quality of the construction materials used in our projects to ensure compliance with our own standards and specifications on each delivery and will reject materials which are below our standard or that do not comply with the contractual specifications. In addition, we engage independent and certified engineering supervisory companies to conduct quality and safety control checks on all building materials, equipments and construction in accordance with relevant PRC laws. These certified engineering

supervisory companies are engaged by us at different stages of a property construction phase, all of which are independent for us and Shanghai Ditong, and possess the requisite qualifications to conduct the relevant supervisory work. The qualifications of a certified engineering supervisory company can be broadly divided into three categories, namely, overall qualification (綜合資質), professional qualification (專業資質) and enterprise qualification (事務所資質), and the professional qualification (專業資質) can be further classified into three levels, with the First Level (一級) being the highest level. Engineering supervisory companies with the First Level (一級) professional qualification may carry out quality supervisory work and safety control checks on the construction of property project that involves high rise buildings with 28 or more stories and a site area of 30,000 square meters or more and residential quarters with a total GFA of over 120,000 sq.m.

Most of the engineering supervisory companies appointed by us possess First Level (一級) professional qualification. The payment amount and settlement method varies but we typically pay our engineering supervisory companies a commission calculated based on the GFA and in the case of supervisory services provided in respect of special assets such as elevators, the commissions are usually calculated based on the number of relevant units. We usually settle our payment with our engineering supervisory companies in installments, with the last payment usually to be made upon the completion of the construction phase of the relevant project.

We also purchase certain special construction materials, such as elevators, doors, windows, sanitary fittings and kitchen cabinets, through direct procurement. Direct procurement helps us reduce and control our overall construction cost, and enables us to better control the quality of the materials used to the extent that such materials are not customarily found in construction work.

Fitting and decoration work

In the past, most of our projects did not include fittings or interior decorations that provided our end customers with the full flexibility to renovate the properties based on their preferences and needs. In response to recent market trends, we began to offer customized fittings and decoration services to our customers in the future with a view to expanding our customer portfolio and adding value to our products.

Pre-sales

Pre-sales of our property units commence before the completion of a project or a project phase. Under the Law of the Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》) and the Administrative Measures governing the Pre-sales of Urban Real Estate (城市商品房預售管理辦法), as amended in 2001 and 2004, we must comply with the following conditions before pre-sales of a particular property can commence:

- the land premiums must have been fully paid and the land use rights certificates must have been obtained;
- the construction works planning permit and construction work commencement permit must have been obtained;
- the funds contributed to the development of the property developments where property units are to be pre-sold must comply with the relevant governmental regulations and the expected completion date and delivery date of the construction work must have been ascertained; and
- pre-sale permits must have been obtained from the construction bureau at county-level or above or real estate administration authority.

Based on the local regulations on the supervision of pre-sale proceeds, the proceeds from the pre-sales of our properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the money deposited in these escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities.

In accordance with the pre-sales contract, after signing the pre-sale contract and paying the down payment, which is normally 20% to 30% in accordance with the relevant laws and regulations, the purchasers need to fully settle the outstanding contract amount within a certain period as set out in the pre-sale contract. If a purchaser defaults under the pre-sale contract and fails to make timely payment, then such purchaser normally is obligated to pay liquidated damages in an amount ranging from 0.005% to 0.01% of the total contract amount per day and, if the non-payment exceeds a range from 30 days to 90 days, we are entitled to terminate the pre-sale contract and claim 1% of the total contract amount as liquidated damages. In addition, until the total purchase amount under the pre-sale contract is paid in full by the purchaser, we are not obligated to deliver the property under the pre-sale contract.

Marketing and sales

Our marketing and sales center is responsible for formulating our marketing and sales strategies and managing the overall sales process. Each of our project companies has also established its own marketing and sales department to implement the marketing and sales strategies formulated by our marketing and sales center. The marketing and sales strategy varies from project to project and depends on a wide range of factors, including market conditions, our cash position, the size, phase and location of the project, the timing for sales and the targeted customer group. Our marketing and sales center sets the sale price for each unit within a particular project based on the recommendation by the relevant project company, taking into account the marketing and sales strategies adopted for such project.

Some of our marketing and sales activities are conducted through cooperation with external professional marketing and sales service providers, such as DTZ Debenham Tie Leung International Property Advisers, which is an international real estate agent that is independent of us. We usually engage different sales agents for different projects based on, among other things, each project's particular location, potential customer base and pricing. The agent commissions usually range from 0.8% to 3.0% of the total sales proceeds from a particular project and are often negotiated by us on a case-by-case basis. The settlement terms vary among different projects. For example, pursuant to the sales agency agreement for the sale of No.1 City Promotion, we were required to pay a deposit representing 10% of the agency fee upon signing of the agreement, and settle the agency fee monthly based on the actual proceeds from the monthly sales. We were then entitled to deduct the initial 10% deposit from the last payments of the agency fee. Another example would be the sale of Shanghai Park Avenue, pursuant to which, we were required to settle 90% of the agency fee monthly based on the actual proceeds from sales and the remaining 10% within ten days from the completion of the relevant properties. As the final payment of agency fees requires detail calculation of the fee amounts and needs to be mutually agreed between us and each of the sales agents, it will usually take a long period of time to have all outstanding agency fees being agreed and settled after the agency services are rendered. As a result, the unpaid balance of the agency fee as of each period end may accumulate to a higher balance, for which we are committed to make payments in accordance with the agreed payment terms.

Handover of completed properties

In relation to our properties for sale, after construction is completed, we will need to obtain a completion and acceptance certificate (竣工驗收證明) from the relevant local government authorities before we are able to hand over the properties to our customers. In Shanghai, there is an additional requirement for us to obtain a delivery certificate (交付使用許可證) in respect of our completed residential properties before handover can be effected. Pursuant to a typical pre-sale agreement, if we fail to deliver the property on the delivery day stipulated in the pre-sale agreement, we will, depending on the length of delay, be liable to pay a monetary penalty ranging from 0.005% to 0.01% of the property price on a daily basis until the delivery of property. If our delay exceeds a certain number of days, which, depending on the particular contracts ranges from 30 days to 90 days, the relevant purchaser may have the right to repudiate the pre-sale agreement in addition to claiming the penalty fee. There may also be factors beyond our control that cause delay to the delivery of property, such as examination and approval processes conducted by various government agencies. In the case of serious delays on one or more property projects, our business and reputation may be adversely affected. We have fully paid the penalties in the amount of RMB35.0 million for the late delivery of properties for the year 2008. The Directors confirm that, other than this RMB35.0 million penalty we have paid as a result of late delivery of the properties in 2008, we are not subject to any other legal consequence in relation to such late delivery of the property to the purchasers in 2008. The penalties for our late delivery of properties for the year ended December 31, 2009 was RMB59.8 million (US\$8.8 million) and all were incurred in connection with one project.

Property Management

We appoint professional property management companies to manage the properties we develop. Other than Yangguang Management, which is 90% owned by the spouse of Mr. Zhang Zhi Rong and therefore a related person to us, all the other property management companies we have appointed as of December 31, 2009 were independent from us. The services provided by these property management companies typically include security, property maintenance, gardening and other ancillary services which are reasonably expected from a property management company. The monthly management fee is determined with reference to the prevailing market rates set by the relevant government authorities and is calculated based on the GFA of the units. The management fee is usually settled on a monthly basis upon receipt of the invoice issued by the property management companies. While we have the right to appoint property management companies upon completion and delivery of each project we develop, we do not assume any obligation for payment of management fee in respect of the units we have handed over to our purchasers. With a view to ensuring better property management services offered to our customers, we have also engaged reputable and internationally well-known property management consulting companies, including consulting companies such as DTZ Debenham Tie Leung International Property Advisers, and Key International Hotels Management Co., Ltd., a joint venture to which Kempinski Hotels S.A. of Europe is a party.

Payment and End-user Financing

With respect to both pre-sales and sales, our purchasers can choose payment by installments, lump sum payments or mortgage bank loans. In line with the market practice, we have arrangements with various banks for the provision of mortgage facilities to our purchasers and we provide guarantees for these mortgages until completion of construction and the relevant property ownership certificates and certificates of other interests in the property are submitted to the relevant banks.

In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on credit checks conducted by the relevant mortgage bank.

Customers

Our core customer base comprises local customers as well as overseas investors. We target a broad base of customers with varied income levels and backgrounds. Since 2005, we have adopted an advanced electronic system to make real-time sale records and track our existing customers for marketing sales and after-sales purposes.

Other Business

To reduce and better control our overall construction cost, our wholly-owned subsidiary Nantong Zhuowei established Shanghai Shuntianlong in November 14, 2008, and Shanghai Xintai, another wholly-owned subsidiary, established Shanghai Qiwei on September 24, 2008. Shanghai Shuntianlong and Shanghai Qiwei mainly provide construction materials such as concrete, steel and other fitting and decoration materials for our property development. In addition, Nantong Zhuowei and Tianjin Hongyun, both of which were our wholly owned subsidiaries and previously property companies engaging in the development of properties, extended their scope of business so as to enable them to focus on the procurement of construction materials. Through our own construction materials procuring companies, we hope we can better insulate our Company from the risk of fluctuating market prices for construction materials, which account for a very significant part of cost of sales for property companies. Further in November 28, 2008, Nantong Zhuowei acquired Shanghai Mingbao, a company mainly providing fitting and decoration services, from two individuals who are independent from us. We intend to strengthen our fitting and decoration capability through the acquisition of Shanghai Mingbao. Although most of our current projects do not include fittings and interior decorations to our customers, we are of the view that developing our own fitting and decoration arm can further expand our products portfolio, provide more flexibility to our customers and further strengthen our position as a market leader by offering a variety of customized products to the market.

COMPETITION

Competition in the property industry in the PRC is highly intense. Our existing and potential competitors include major domestic state-owned and private developers and foreign-funded real estate developers (including leading developers listed in Hong Kong) who focus on developing residential property markets in China. Competitive factors include the size of land reserves, the geographical location, the types of property offered, brand recognition by customers, creditworthiness, prices and design quality. A number of our competitors have greater financial, marketing, land and other resources than we do, as well as greater economies of scale, broader name recognition, a longer track record and more established status in certain markets.

For more information on competition, please refer to the section headed “Risk Factors — Risks relating to our business — increasing competition among property developers, particularly in first-tier cities, may adversely affect our business and financial condition”.

INTELLECTUAL PROPERTY RIGHTS

Currently, each project developed by us has its own project name and marketing name, which is determined after considering the project’s particular situation. As part of the Reorganization, Mr. Zhang Zhi Rong, through two wholly-owned companies (which do not form part of our Company), has transferred to us the two trademarks, namely,  SUNGLOW and , at no consideration for our use in connection with our property development business. We are currently in the process of applying for our trademarks which we plan to use to promote our brand and, in the future, to use in the property markets in which we operate for every

project to be developed. We believe we can quickly build quick and strong brand recognition under the new trademarks by continuously providing high quality properties to our customers. Pending registration of the above-mentioned trademarks, we will own all the trademarks relevant to our property projects.

INSURANCE

Under PRC laws and regulations, property developers are not required to maintain insurance coverage in respect of their property development operations. In line with the industry practice in the PRC, we do not maintain insurance coverage on our properties developed for sale except for those developments over which our lending banks have security interests, or for which we are required to maintain insurance coverage under relevant financing agreements. In addition, we generally do not carry insurance against personal injuries that may occur during the construction of our properties other than for our employees. The general contractors and construction companies we hire are responsible for safety control during the course of construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. According to our construction contracts, those general contractors and construction companies bear the risks and liabilities arising from tortuous acts committed on work sites. To date, we have not experienced any material damage to our property developments nor have any material personal injury-related claims been brought against us.

We carry social insurance for our full-time employees and maintain on a voluntary basis personal accident insurance and supplementary commercial insurance, which complies with the relevant PRC rules and regulations. We believe that our practices with respect to insurance are in line with the industry practice in the PRC. However, there are risks for which we do not have sufficient insurance coverage for losses, damages and liabilities that may arise in our business operations. See “Risk Factors — Risks relating to our business — we do not have insurance to cover potential losses and claims in our operations”.

SOCIAL, HEALTH AND SAFETY MATTERS

Pursuant to the regulations of the Labor Contract Law of the People’s Republic of China, the Labor Law of the People’s Republic of China and Opinions on Several Questions concerning the implementation of the Labor Law of the People’s Republic of China, an enterprise is required to execute an employment contract with its employees according to the relevant laws and regulations and shall not rescind the employment contract without cause. Employees are entitled to rest and have annual leave according to the law and provisions as stipulated in an employment contract. An enterprise is required to have health and safety policies and provide health and safety training to its staff. It is also required to provide its staff with a safe and hygienic working environment as well as any protective gear if necessary. Pursuant to the regulations of the Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees, Decision of the State Council on Establishing a Uniform Basic Endowment Insurance System for Enterprise Employees, the Provisional Insurance Measures for Maternity of Enterprise Employees, Regulations on the Management of Housing Provident Fund, Regulations on Unemployment Insurance and Regulations on Industrial Injury Insurance, an enterprise is required to purchase basic medical insurance, pension insurance, maternity insurance, unemployment insurance, personal injury insurance for its staff and pay the relevant insurance premiums in accordance with the law and regulations.

In order to comply with the relevant laws and regulations, we participate in various defined retirement contribution plans organized by the PRC provincial and municipal governments for our employees. We pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance

and housing provident fund. Our human resources department personnel looks after our social, health and safety issues. They generally have sound knowledge of administration on employment and related matters and are aware of the latest legal development in this area and our compliances with the relevant requirements.

ENVIRONMENTAL MATTERS

Real estate developers in China are subject to a number of environmental laws and regulations including the PRC Environment Protection Law (中華人民共和國環境保護法), PRC Law on Prevention and Control of Noise Pollution (中華人民共和國環境噪聲污染防治法), PRC Law on Environmental Impact Assessment (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection in relation to Construction Environment (建設環境保護管理條例). Pursuant to those laws and regulations, an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction, and each project developed by a property developer is required to undergo an environmental assessment. When there is a material change in respect of the construction site, scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. Although property development is generally regarded as low polluting, during the course of construction of a project, there may be an increased amount of dust around the site, increased noise pollution, increased wastewater and solid construction waste. In each of these cases, our construction contractors, as part of the responsibilities under their contracts, are responsible for taking actions to control the quality of air, degree of noise and water pollution levels.

We endeavor to ensure that we comply with relevant PRC laws and regulations on environmental protection. When entering into construction contracts with our general contractors, we request that they strictly comply with all PRC environmental protection laws and regulations in force including using construction materials and construction methods that meet the requirements of such laws and regulations. We normally request the construction contractors to take specific measures to minimize adverse environmental impact during construction. For example, a septic tank should be installed to filter the domestic waste from the construction site before discharging into the municipal pipes. Machinery and equipment used for construction are governed by certain emission standards so that the gas emitted from the machinery or equipment of all construction units at the scene must meet the relevant standards. During the course of construction, all construction units should strictly comply with the administrative provisions in respect of working hours stipulated by the local governments so as to reduce noise pollution. We believe that our environmental protection measures are in line with industry practice.

In addition, in accordance with PRC environmental laws and regulations, if a construction project includes environmental facilities (including projects, devices, monitors and other facilities that were constructed or equipped in order to prevent pollution and protect the environment), such facilities will have to pass an inspection by the environmental authorities and an approval must be obtained before the environmental facilities can commence operations. If a construction project does not include any environmental facilities, no such approval is required. Whether our projects are required to construct environmental facilities is on a case-by-case basis mainly and determined by the project scope and the demands of local environmental authorities.

Upon completion or under construction of each property project, the relevant PRC government authorities will also inspect the property site to ensure that we have complied with the applicable environmental and safety standards. Inspection of each property project under construction carried out by the relevant PRC government authorities to date have not revealed any environmental liability which we believe would have a material adverse effect on our business operations or financial condition.

We cannot predict the impact of unforeseeable environmental contingencies change to laws or regulations applicable to our existing projects or properties that we may develop in the future. It has been our commitment to continue complying with relevant PRC environmental laws and regulations and requiring the construction contractors to strictly comply with relevant laws and regulations during the materials procurement and property construction process so as to prevent any potential future environmental risks. We will also continue to educate our employees regarding the importance of environmental protection and keep abreast with developments in PRC environmental protection laws and regulations through regular dialogue with the relevant local PRC authorities. See “Risk Factors — Risks relating to our business — Potential liability for environmental problems could result in substantial costs.”

LEGAL PROCEEDINGS

We were not, as of June 30, 2010, engaged in any litigation, arbitration or claim of material importance, and we did not know of any litigation, arbitration or claim of material importance pending or threatened by or against us that would have a material adverse effect on our results of operations or financial condition.

EMPLOYEES

As of June 30, 2010, we had 1,063 full-time employees. The following table provides a breakdown of our employees by responsibilities:

Division	Number of Employees
Management	65
Administration	130
Project construction and engineering	183
Sales and marketing	289
Finance	129
Auditing and planning	7
Human resources	38
Pre-construction development	40
Legal and compliance	26
Project design, research and development	52
Investment	24
Investors relations	20
Purchasing	13
Others	47
Total	1,063

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee’s qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay, on behalf of our employees, a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on the operations of our business had occurred.

REGULATION

LEGAL SUPERVISION RELATING TO PROPERTY SECTOR IN THE PRC

Establishment of a property development enterprise

Pursuant to the “Law of the People’s Republic of China on Administration of Urban Property” (the “Urban Property Law”) enacted by the Standing Committee of the National People’s Congress on July 5, 1994 enforced on January 1, 1995 and amended on August 30, 2007 a property developer is defined as “an enterprise which engages in the development and operation of property for the purposes of making profits”. Under the “Regulations on Administration of Development of Urban Property” (the “Development Regulations”) enacted by the State Council and enforced on July 20, 1998, a property development enterprise must satisfy the following requirements: (1) has a registered capital of not less than RMB1.0 million and (2) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualifications. The Development Regulations also stipulated that people’s governments of the provinces, autonomous regions and/or municipalities directly under PRC central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a property development enterprise according to the local circumstances.

Pursuant to the Development Regulations, application for registration has to be submitted to the department of administration of industry and commerce above county level for the establishment of property development enterprise. The property development enterprise must file for record with the property development authority in the location of the registration authority, within 30 days of the receipt of its Business License.

Under the “Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries” issued by the State Council on April 26, 2004, the portion of capital fund of property projects (excluding economically-affordable housing projects) has been increased from 20% or above to 35% or above.

However, on May 25, 2009, the State Council issued the Notice on Adjusting the Minimum Capital Requirement for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通告) and lowered the minimum capital requirement for projects of affordable residential housing and regular commodity residential houses from 35% to 20% and, for other property projects, to 30%.

Foreign-invested property development enterprises

Foreign-invested property development enterprises can be established in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly-owned foreign enterprise according to the Industrial Guidance Catalogue and other laws and administrative regulations relating to foreign investment enterprises. Prior to the application for registration to the department of administration of industry and commerce, the enterprise must be approved by the authorities of commerce and obtain an Approval Certificate for a Foreign Investment Enterprise.

On Oct 31 2007, China’s National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) promulgated the new Industrial Guidance Catalogue of Foreign Investments (2007 Revision) (“the 2007 Catalogue”). The 2007 Catalogue became effective on December 1, 2007. The major changes on Real Estate industry in the 2007 Catalogue are the followings: (1) the development and construction of ordinary residential houses has been removed from the encouraged category; (2) the restricted category has been adjusted as the followings: (i) the development of a whole land lot which shall be operated only by sino-foreign equity joint venture or sino-foreign co-operate joint venture; (ii) the construction and operation of high quality hotels, villas, premium office buildings, international conference centers;(iii) housing agents, brokerages and the second-tier real estate market; (3)

the construction and operation of large scale theme park has been removed from the Real Estate industry to the Culture, Sports and Entertainment Industries which is still in the restricted category; and (4) the construction and operation of golf courses has been removed from the restricted category to the prohibited category.

According to the Interim Provisions on Approving Foreign Investment Projects (外商投資項目核准暫行管理辦法) promulgated by the NDRC in October 2004, the NDRC shall examine and approve foreign investment projects with a total investment of US\$100 million or more that come within the category of industries in which foreign investment is encouraged or permitted and those with a total investment of US\$50 million or more that come within the category of industries in which foreign investment is restricted. Foreign investment projects with a total investment of US\$500 million or more that come within the category of industries in which foreign investment is encouraged or permitted and those with a total investment of US\$100 million or more that come within the category of industries in which foreign investment is restricted are subject to further approval of the State Council based on the examination and approval of the NDRC.

On July 11, 2006, the PRC Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, the People's Bank of China, the State Administration of Industry and Commerce and the State Administration for Foreign Exchange jointly enacted the "Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market" (Jianzhufang [2006] 171). According to this Circular, the admittance and administration of the foreign capital in property market must comply with the following requirements:

- Foreign institutions or individuals purchasing property in China not for their own use shall follow the principle of commercial existence and apply for establishment of foreign investment enterprises under the regulations of foreign investment in property. The foreign institutions and individuals can only carry on their business pursuant to the approved business scope after obtaining the approvals from the relevant authorities and upon completion of the relevant registrations.
- If the total investment of a foreign-invested property development enterprise exceeds or equals to US\$10 million, the registered capital must not be less than 50% of the total investment. If the total investment is less than US\$10 million, the amount of the registered capital shall follow the existing regulations.
- For the establishment of a foreign-invested property development enterprise, the commerce authorities and the department of administration of industry and commerce are in charge of granting approval for establishment and effecting registration of the foreign invested property development enterprise and issuing the Approval Certificate for a Foreign Investment Enterprise and the Business License which are only effective for one year. After settlement of the consideration of land use rights, the enterprises should apply for the land use rights certificate by presenting the above-mentioned certificate and license. With the land use rights certificate, the enterprises will receive an official Approval Certificate for a Foreign Investment Enterprise from the commerce authorities, and shall replace the business license with one that has the same operation term as the formal Approval Certificate for Foreign Investment Enterprise in the department of administration of industry and commerce, and then it shall apply for tax registration with the tax authorities.
- Transfers of projects or shares in foreign-invested property development enterprises, and the acquisitions of domestic property development enterprises by foreign investors should follow strictly the relevant laws, regulations and policies to obtain the approvals. The investor should submit: (a) the guarantee letters for the performance of the State-owned Land Use Right Grant Contracts, Construction Land

Planning Permit and Construction Work Planning Permit; (b) Certificate of Land Use Right; (c) the certification on alteration of archival files issued by construction authorities; (d) the certification on the payment of tax issued by the relevant tax authorities.

- While merging and acquiring domestic property development enterprises by way of share transfer or other means, or the purchase of shares from the Chinese party in a sino-foreign equity joint venture, the foreign investors shall properly resettle the employees, settle the bank loans and pay all the consideration at a time with its internal fund. The foreign investors with unfavorable record shall not be allowed to conduct any of the aforesaid activities.

On August 14, 2006, the General Office of MOFCOM promulgated the Implementation of the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (關於貫徹落實《關於規範房地產市場外資准入和管理的意見》的通知) (the “Circular”). The Circular not only reiterates relevant provisions on foreign investment in the real estate industry as prescribed in the Opinion, but also sets forth the definition of Real Estate FIE as a foreign invested enterprise (“FIE”) which carries out the construction and operation of a variety of buildings such as ordinary residences, apartments and villas, hotels (including restaurants), resorts, office buildings, convention centers, commercial facilities, and theme parks, or, undertakes the development of land or a whole land lot in respect of the abovementioned projects.

On September 1, 2006, the MOHURD and the SAFE jointly issued the Opinions on Regulating the Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知), providing regulations on real estate development enterprises mainly as follows:

For real estate development enterprises, the current account for foreign exchange shall not maintain property purchase payments remitted by residents of Hong Kong, Macau and Taiwan and overseas Chinese expatriates;

Where the registered capital relating to a Real Estate FIE remains unpaid in its entirety, or the state-owned land use rights certificate is yet to be obtained, or the capital fund of development project has not reached 35% of the total amount of the project investment, such Real Estate FIE is not permitted to borrow foreign loans from overseas;

Where foreign entities and individuals purport to merge and acquire domestic real estate enterprises by way of share transfer or any other means, to acquire a Chinese party’s shares within an equity joint venture, such foreign entities and individuals must make a one-time payment for the transfer consideration, otherwise SAFE shall not process any foreign exchange registration relating to the foreign exchange transaction.

On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice Concerning Further Strengthening and Regulating the Examination, Approval and Supervision of Direct Foreign Investment in Real Estate” (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) (Shang Zi Han [2007] No. 50). The Notice provides stricter controlling measures including, among others:

- Where the application is filed for establishment of a property company, the land use rights, the ownership of the property should be obtained first, or the pre-assignment/purchase agreement has already been concluded with the land administration authority, land developer/ owner of the property. If the above requirements have not been satisfied, the approval authority shall not approve the application.

- Acquisition of or investment in domestic property enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled. Oversea investors may not avoid approval for foreign investment in property by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested property enterprise established by way of deliberately avoiding and false representation, it shall take action against the enterprise's conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.
- Agreement as to any fixed return or of the same effect for either party of a foreign-invested real property enterprise is prohibited.
- Local examination and approval authorities must make a filing with MOFCOM for recording their approvals of establishment of foreign-invested real estate enterprises.
- Local SAFE administrative authorities and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process in respect of capital projects for any foreign-invested real property enterprises who fail to satisfy the MOFCOM for filing requirement or annual review procedure.

On July 10, 2007, the SAFE promulgated "Notice of the list of first batch of foreign-invested real estate projects that have been filed with the MOFCOM" (國家外匯管理局綜合司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) (Hui Zhong Fa [2007] No. 130), ceasing to conduct any foreign debt registration and foreign debt settlement process filed subsequent to June 1, 2007 for all foreign-invested property enterprises. The Notice provides that:

- For a foreign-invested property enterprise (both newly-established and through capital increase, same below) which has obtained the approval certificate from the competent authorities of the MOFCOM and filed with the MOFCOM after and including (same below) June 1, 2007, the branch institutes will not conduct the foreign debt registration and foreign debts settlement approval process.
- For a foreign-invested property enterprise which has obtained the approval certificate from the local competent authorities of the MOFCOM but has not filed with the MOFCOM after and including June 1, 2007, the branch institutes will not conduct foreign exchange registration (or change the registration) and the purchase and settlement process for capital projects.

On July 1, 2008, MOFCOM implemented the Circular on the Proper Handling of the Record Filing for Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業審批工作的通知), delegating provincial-level commerce authorities the authority to register matters concerning foreign investment in real property projects after approving the legality, authenticity and accuracy of the project.

In accordance with a circular promulgated by SAFE in August 2008 with respect to the administration of conversion into Renminbi of foreign exchange capital contributions to 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), unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contributions can only be applied to activities that come within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

On April 6, 2010, the State Council issued the Opinions on Further Enhancing the Utilization of Foreign Investment (關於進一步做好利用外資工作的若干意見), which provides that, except for the projects required to be approved by relevant departments of the State Council pursuant to the Catalog of Investment Projects Subject to Government Approvals (關於做好外商投資項目下放核准權限工作的通知), a project within the encouraged or permitted industry categories under the Foreign Investment Industrial Guidance Catalog may be approved by local government authorities, provided that the total investment (including capital increase) for such project is no more than US\$300 million.

On May 4, 2010, the NDRC issued the Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Foreign Investment Industrial Guidance Catalog shall be verified by the NDRC at the provincial level, provided that such projects have a total investment (including capital increase) of no more than US\$300 million. The circular further specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Interim Provisions on Approving Foreign Investment Projects. According to the circular, the power to verify the projects within the restricted category under the Foreign Investment Industrial Guidance Catalog is not delegated for the time being.

On June 10, 2010, MOFCOM released the Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment (商務部關於放外商投資審批權限有關問題的通知). Under the circular, the relevant local branches of the MOFCOM are granted the power to examine, approve and administrate the establishment and alterations of (i) foreign invested enterprises which are within the encouraged and permitted categories under the Foreign Investment Industrial Guidance Catalog with a total investment of no more than US\$300 million, and (ii) foreign invested enterprises which are within the restricted category under the Foreign Investment Industrial Guidance Catalog with a total investment of no more than US\$50 million.

Qualifications of a property developer

Classifications and assessment of a property development enterprises' qualification

Under the “Regulations on Administration of Development of Urban Property”, a property developer must file for record of its establishment to the property development authority in the location of the registration authority within 30 days after receiving its business license. The property development authority shall assess the qualification classification of the property developer, which is filing for record by considering its assets, professional personnel and development and operation records. A property development enterprise shall only engage in property development projects in compliance with its approved qualification.

Under the “Provisions on Administration of Qualifications of Property Developers” (the “Provisions on Administration of Qualifications”) enacted by the Ministry of Construction and entered into force on March 29, 2000, a property developer shall apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, qualifications of a property development enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by the corresponding authorities. The class 1 qualification shall be subject to preliminary examination by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under PRC central government and final approval by the construction authority under the State Council. Procedures for assessing class 2 or lower qualifications developers shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under PRC central government. A developer, which passes the qualification examination will be issued with a qualification certificate of the relevant class by the qualification assessment authority. After a newly established property developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days of receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The property development authority can extend the validity period for not more than two years after considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before the expiry of the provisional qualification certificate. Any enterprise engages in the operation of property development without obtaining a qualification certificate will be ordered by the property development authority to rectify the irregularity within a certain period of time, and will be imposed a fine between RMB50,000.0 and RMB100,000.0. A property development enterprise failing to rectify the irregularity within the required period of time will have its qualification certificate suspended and a proposal will be sent to the industrial and commercial administration authority for the suspension of business license of such property development enterprise.

The business scope of a property developer

Under the "Provisions on Administration of Qualifications", a developer of any qualification classification may engage in the development and sale of property within its approved scope of business and is not allowed to engage in business which exceeded the approved scope of its qualification classification. A class 1 property developer may undertake a property development project anywhere in the country without any limit of the scale of property project. A property developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 sq.m. and the specific scope of business shall be determined by the construction authority under the people's government of the relevant province, autonomous region or municipality.

The annual inspection of a property developer's qualification

Pursuant to "Provisions on Administration of Qualifications", the qualification of a property developer should be annually inspected. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual inspection of class 1 property developer's qualification. Procedures for annual inspection of developers of class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality. Any enterprise fails to comply with the qualification requirement or operation requirements will have its qualification classification down-graded or qualification certificate cancelled.

Development of a property project

Land for property development

Under the “Interim Regulations of the People’s Republic of China on Assignment and Transfer of the Right to Use State-owned Land in Urban Areas” (the “Interim Regulations on Assignment and Transfer”) promulgated and enforced by the State Council on May 19, 1990, a system of assignment and transfer of the right to use State-owned land is adopted. A land user shall pay a premium to the State as consideration for the assignment of the land use rights within certain terms, and a land user may transfer, lease, mortgage or otherwise commercially exploit the land use rights within his terms of use. Under the Interim Regulations on Assignment and Transfer and the Urban Property law, the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user for an assignment of land use rights. The land user shall pay the assignment price as stipulated in the assignment contract. After paying the assignment price in full, the land user shall register with the land administration authority and obtain a Land Use Right Certificate. The Certificate is an evidence of the acquisition of land use rights. The “Regulations on Administration of Development of Urban Property” provide that the land use rights for a site intended for property development shall be obtained by way of an assignment except for those land use rights, which may be obtained by way of allocation pursuant to the PRC laws or the stipulations of the State Council.

Under the “Regulations on the Assignment of State-Owned Land Use Right through Competitive bidding, Auction and Listing-for-Sale” (“2002 Regulations”), enacted by the Ministry of Land and Resources on May 9, 2002 and enforced on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development shall be assigned by way of competitive bidding, public auction or listing-for-sale. The procedures are as follows:

- The land authority under the people’s government of the city and county (the “assignor”) shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as land parcel, qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit of the bid.
- The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.
- After determining the winning tender or the winning bidder by the competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder shall then enter into a confirmation. The assignor should return the bidding or tender deposit to other bidding or auction applicants.
- The assignor and the winning tender or winning bidder shall enter into a contract for State-owned land use rights assignment according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the assignment price of the state-owned land use rights.
- The winning tender or winning bidder should apply for the land registration after paying off the assignment price in accordance with the State-owned land use rights assignment contract. The people’s government above the city and county level should issue the “Land Use Permit for State-Owned Land”.

According to the “Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction” enacted by the Ministry of Land and Resources (the “MLR”) on September 4, 2003 (the “Notice”). Commencing from the day of distribution of the Notice, land use for luxurious commodity houses shall be stringently controlled, and applications for land use for building villas shall be stopped. On March 21, 2004, the MLR together with the Ministry of Supervision promulgated the “Notice in Respect of Enforcing and Supervising The Transfer of Operative Land Use Rights Through Tenders, Bidding and Public Auction (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知)”, which expressly required that after August 31, 2004, no land use rights transfer in the form of agreement by the excuse of historical difficulties will be allowed. On May 30, 2006, the MLR issued the “Urgent Notice of Further Strengthening the Administration of the Land”. It is expressly prescribed in this Notice that land for property development must be assigned by way of competitive bidding, public auction or Listing-for-sale; the rules of stopping the development project for villas should be strictly enforced; and all supply of land for such purpose and handling of related land use procedure will be ceased from the day of the Notice’s issuance.

Under the “Urgent Notice of Further Strengthening the Administration of the Land”, the land authority should rigidly execute the “Model Text of the State-owned Land Use Right Assignment Contract” and “Model Text of the State-owned Land Use Right Assignment Supplementary Agreement (for Trial Implementation)” jointly enacted by the MLR and SAIC. The document of the land assignment should ascertain the requirement of planning, construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed in the Land Use Right Assignment Contract.

On September 28, 2007, the MLR promulgated the Regulation on Bidding, Auction and Listing Required for Assignment of State Owned Construction Land (《招標拍賣掛牌出讓國有建設用地使用權規定》) (“this Regulation”) (“2007 Regulations”). This Regulation specifies that the assignee of state owned construction land use rights shall fully pay up the premium for the land use rights in accordance with the state owned land assignment agreement before it could proceed with the relevant procedures for land use rights registration and apply for a state owned construction land use rights certificate. No assignee could be granted a state owned construction land use rights certificate for the land in proportion to the partial payment of the premium that the assignee has paid up. In 2007, it is provided in detail that operative lands for properties to be used for industrial, commercial, tourism, entertainment and commodity residential purposes as well as lands with two or more prospective users must be granted only through competitive bidding.

On September 30, 2007, the MLR issued a new notice to further enhance the control of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economical housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land and resources authorities shall control the area of each parcel of land and increase the number of parcels of land to be supplied, in order to prevent the coemption of land by property development enterprises. Property development enterprises shall develop their land according to the terms of the relevant land use rights grant contract, and any violation thereof may restrict or prevent such property development enterprises from participating in future land bidding. Generally, the development period of each parcel of land must not exceed three years.

The Measures on the Administration of Reserved Land (土地儲備管理辦法), promulgated by the MOF, PBOC and MLR on November 19, 2007, define “reserved land” and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. Moreover, the measures make it clear that land must be reserved in accordance with corresponding land programs or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or under utilized.

On January 2, 2007, the National People’s Congress promulgated the “Laws on Urban and Rural Planning (城鄉規劃法)” which provided that for construction projects having obtained rights to use State-owned lands by way of grant, after the rights to use State-owned lands grant contract have been verified, the construction entity shall apply for a permit for construction site planning from the relevant municipal or county or city or rural planning authority.

On August 11, 2009, the MLR issued the Notice Regarding the Strict Enforcement of the Management of Construction Land and Promotion on the Utilization of Acquired but Unused Land” (《國土資源部關於嚴格建設用地管理促進批而未用土地利用的通知》), pursuant to which construction land that has been acquired and held for two years but on which construction work has not commenced should be disposed of strictly in accordance with the disposal of idle land policies, in order to promote the utilization of such land as soon as possible. The notice also stipulated that the PRC government will seriously investigate the illegal use of land for golf course purposes and will strictly control such illegal use, and also stipulated that the PRC government may reclaim land use for such illegal purposes.

On November 18, 2009, the Ministry of Finance, MLR, PBOC, the Ministry of Supervision of the PRC (中國監察部) and the National Audit Office of the PRC (中國審計署) jointly issued new rules to require a minimum down payment of 50% of the land premium relating to land purchases from the PRC government. The new policy also provides that the installment period stipulated in the relevant land grant contracts may not exceed one year generally, provided that, for special projects, upon collective approval.

In November 2009, the MLR issued a Circular on the Distribution of the Catalog for Restricted Land Use Projects (Supplement to the 2006 Version) and the Catalog for Prohibited Land Use Projects (Supplement to the 2006 Version) (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 MLR has restricted the area of land that may be granted by local governments for development of commodity housing to seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

In March 2010, the MLR promulgated the Notification on Emphasizing Relevant Issues Relating to the Supply and Supervision of Land for Real Estate Development (關於加強房地產用地供應和監管的有關問題的通知) (the “2010 Notice”) which adopted measures to improve the regulation of land for real estate development. These include measures to: improve the preparation and implementation of land supply plans; guarantee the supply of land for subsidized community housing developments; improve the regime of public tender, auction and listing-for-sale of land use rights; enhance the supervision on the use of land; disclose to the public information on the supply and assignment of land and the status of the construction project on the land; and conduct special inspections on outstanding problems related to land use.

Pursuant to the 2010 Notice, the administrative authorities for land and resources of cities and counties shall establish a regime for developers to report the commencement and completion of construction projects. Under such regime, the developer shall report in writing to the relevant administrative authority for land and resources at the commencement and completion of the construction project. The commencement and completion date of

construction set forth in the agreements may be postponed by reporting the reasons for the delay to the respective administrative authority for land and resources no later than 15 days prior to such date. A developer who fails to report accordingly shall be announced to the public and prohibited from participating in any new land grant transactions for a minimum of one year. Additionally, land used for developing subsidized community housing and small-to-medium-size self-use residential commodity housing, as well as for the redevelopment of run-down and substandard housing shall account for not less than 70% of the total land supply for residential property development. The lowest land premium for the assignment of land use rights shall not be lower than 70% of the benchmark price for land of the same grade in the same locality, and the deposit for the participation as a bidder for the land shall not be lower than 20% of the minimum land premium. The contract for the assignment of land shall be executed in writing within ten days after the deal is reached, the down payment of the land assignment price, which shall not be less than 50% of the full land assignment price, shall be paid within one month after the contract for the assignment of land is executed, and the land assignment price shall be paid in full no later than one year after the contract for the assignment of land is executed. A property development enterprise that defaults on the payment of the land premium, holds idle land, hoards or speculates in land, develops property on the land exceeding its actual development capacity or defaults on the performance of the contract for the assignment of land shall be banned from participating in any transactions for the assignment of land for a specified period.

In September 2010, the MLR and MOHURD jointly 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 others, 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 one 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 floor area ratio for residential land is required to be more than 1. In addition, a property developer and its shareholders will be prohibited from participating in land bidding before its illegal behaviors, such as land idle for more than one year on its own reasons, have been completely rectified.

Resettlement

Pursuant to the Administration Rules of Demolition and Removal of Housing in Urban Areas (房屋拆遷管理條例) promulgated by the State Council on June 13, 2001, the party responsible for resettlement (the “resettling party”) should apply for a resettlement permit before commencing resettlement. The resettling party must enter into written agreements with the relevant residents detailing, among other things, the compensation to be provided to the residents, which will be determined on the basis of, among other things, the property’s location, permitted use and gross floor area. For leased housings, the resettlement and compensation agreements shall be reached among the resettling party, the relevant residents and the lessees. If the resettling party and the residents fail to reach agreement, either party may apply to the relevant authority for a ruling. A ruling will be given within 30 days of the application, following which either party may initiate proceedings in a people’s court within three months from the ruling if they contest the ruling. The resettling party shall provide monetary compensation or alternative residence for the residents to be resettled according to relevant laws and regulations. There is no need to provide any compensation for the resettlement of illegal housings and temporary constructions, the valid term of which has expired. However, it is necessary to provide proper compensation to demolish those temporary constructions within the valid terms.

Termination of the land use rights

In accordance with the Land Administrative Law of the People’s Republic of China (中華人民共和國土地管理法) promulgated by the Standing Committee of the NPC on June 25,

1986 and amended on August 28, 2004, under any of the following cases, the land administrative authorities may recover the state-owned land use rights with the approval of the people's governments that originally gave the approvals or the relevant competent people's governments:

- use land for the sake of public interests (subject to proper compensation);
- use land for adjustment in re-building old city districts in order to implement urban construction plans (subject to proper compensation);
- when the term for the land use rights expires, the land user has failed to apply for extension or failed to get approval for extension;
- the use of land originally allocated has been stopped due to cancellation or removal of units;
- roads, railways, airports and mining sites that have been approved to be abandoned.

Under the Provisional Regulations on Grant and Transfer, the maximum term of the land use rights shall be determined, respectively, in the light of the purposes listed below: (i) 70 years for residential purposes; (ii) 40 years for commercial, tourism and entertainment purposes; (iii) 50 years for education, science, culture, public health, physical education, industrial, comprehensive utilization or other purposes.

Land Use Rights

According to guidelines issued by the China Banking Regulatory Commission (CBRC), no construction loan shall be granted to projects which have not obtained the relevant land use rights certificates (國有土地使用證), construction land planning permits (建設用地規劃許可證), construction works planning permits (建設工程規劃許可證) and work commencement permits (建築工程施工許可證). Government authorities in China have issued various regulations to govern the financing of development projects.

On June 5, 2003, the PBOC promulgated the Notice on Further Strengthening the Administration of Real Estate Loans (關於進一步加強房地產信貸業務管理的通知). According to the notice, commercial banks shall focus their business towards supporting real estate projects targeted at mid to lower-income households and appropriately restrict the granting of real estate loans to projects involving spacious apartments, luxurious apartments and villas. No loan shall be granted to projects which have not obtained the land use rights certificate, construction land planning permit, construction works planning permit and work commencement permit. The notice strictly prohibits banks from advancing working capital loans to real estate developers. When applying for a real estate loan, the real estate developer's own capital in any proposed real estate project shall not be less than 30% of the total investment of the project. The notice also prohibits loans advanced for the payment of land premium for land use rights.

On March 16, 2005, the PBOC promulgated a Notice on Adjusting the Housing Loan Policy and Deposit Rate of Excess Reserves 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) which cancelled the preferential mortgage lending interest rate for individuals and restricted the minimum mortgage loan rate at 0.9 times of the benchmark rate. The PBOC also increased the public housing fund loan rate (住房公積金貸款利率) by 0.18% and required commercial banks to decrease the mortgage loan rate from 80% to 70% of the value of the property if it is located in a city where the property prices are increasing too rapidly.

On May 24, 2006, the General Office of the State Council issued a Notice on Adjusting the Housing Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格意見的通知). The notice provides that banks are not permitted to provide loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project. From June 1, 2006 and with respect to property mortgages, down payments shall be a minimum of 30% of the purchase price. Down payments of 20% will still be applicable with respect to purchases of housing for buyers' own accommodation with a GFA of less than 90 sq.m.

On July 11, 2006, the Ministry of Construction (建設部), the Ministry of Commerce (商務部), the National Development and Reform Commission (國家發展和改革委員會), the PBOC (人民銀行), the State Administration for Industry and Commerce (國家工商行政管理總局) and the State Administration of Foreign Exchange (國家外匯管理局) jointly issued the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (關於規範房地產市場外資准入和管理的意見). The Opinions provide that no offshore or Chinese domestic loan is allowed and the foreign exchange administration shall not approve the conversion of foreign currency loans into RMB if the foreign-invested real estate corporations have not contributed their registered capital in full, or have not obtained the state-owned land use rights certificate, or their capital for a development project is less than 35% of the total investment.

On July 22, 2006, the China Banking Regulatory Commission (中國銀行業監督管理委員會) 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 requests (i) improving credit risk classification system for all kinds of real estate loan; (ii) prohibiting providing loans to disqualified real estate developers whose own capital is less than 35% of the total capital required for the projects (not including affordable housing), or who have not obtained the "four certificates"; (iii) setting the loan term appropriately, and not allowing the provision of working capital loans in the name of real estate development loans; (iv) strictly restricting new loans for those developers who hoard land or housing and disturb market order; (v) preventing developers from obtaining loans by project split-up or rolling-ahead development strategies; and (vi) enhancing management after providing loans. All financial institutions shall provide loans strictly in accordance with the real estate project progress and strengthen overall supervision of the whole process of loan utilization by developers.

In December 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market (關於促進房地產市場健康發展的若干意見). According to the Opinion, in order to stimulate the domestic needs and support the ordinary commodity housing market, purchasers of first unit flat may enjoy preferential loan rate and 20% down payment set out in the relevant laws and regulations. Meanwhile, for the purchasers who have already bought one unit flat through bank mortgage, if that unit GFA per person can not meet the local average level, they can enjoy the same preferential policies provided that the second unit flat is purchased to improve living conditions.

Under the Notice on Adjusting the Percentage of Capital Fund for Fixed Assets Investment issued by the State Council on May 2009 (國務院關於調整固定資產投資項目資本金比例的通知), in order to cope with the international financial crisis and stimulate domestic needs, the minimum percentage of the property developer's own capital required for projects development of affordable housing projects and ordinary commodity housing projects was adjusted from 35% to 20% and the minimum percentage of the developer's own capital for other property development projects was adjusted from 35% to 30%.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Prices from Increasing Too Rapidly in Certain Cities, pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum

30% down payment on first homes with a GFA of more than 90 square meters. Further, the notice also stipulates that interest rates for mortgage loans for second homes cannot be lower than 110% of the PBOC benchmark lending rate; and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially.

On May 26, 2010, the MOHURD, the PBOC and the CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing Loans (關於規範商業性個人房貸款中第二套住房認定標準的通知), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account of the total number of residential properties owned by the household of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

Development of a property project

Commencement of a property project and the idle land

Under the Urban Property Law, those who have obtained the land use rights through an assignment must develop the land in accordance with the terms of use and within the period of commencement prescribed in the contract for the land use rights assignment. According to the “Measures on Disposing Idle Land” enacted and enforced by the Ministry of Land and Resources on April 28, 1999, the land can be defined as idle land under any of the following circumstances:

- development and construction of the land is not commenced within the prescribed time limit after obtaining the land use rights without consent from the people’s government who approved the use of the land;
- where the “Contract on Paid Use of the Right to Use State-Owned Land” or the “Approval Letter on Land Used for Construction” has not prescribed the date of commencing the development and construction, the development and construction of the land is not commenced at the expiry of one year from the date when the “Contract on Paid Use of the Right to Use State-Owned Land” became effective or when the administrative department of land issued the “Approval Letter on Land Used for Construction”;
- the development and construction of the land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval; and
- other circumstances prescribed by the laws and the administrative regulations.

The municipality or county-level municipality administrative department shall, after a piece of land which has been ascertained as idle land, notify the concerned land user and draft a proposal on methods of disposal of the idle land including but not limited to extending the time period for development and construction (provided that the extension shall be no longer than one year), changing the use of the land, arranging for temporary use, ascertaining a new land user by competitive bidding, public auction. The administrative department of land under the people’s government of city or county level shall, after the proposal on disposal has been approved by the original people’s government who approved the use of the land, arrange for implementation of the proposal. To the land which is obtained by assignment and is within the scope of city planning, if the work has not been commenced after one year from the prescribed

date of commencement, a surcharge on idle land equivalent to less than 20% of the assignment price may be levied; if the work has not been commenced after two years from the prescribed date of commencement, the land can be confiscated without any compensation. However, the preceding stipulations shall not apply if the delay is caused by force majeure; acts of government or acts of other relevant departments under the government; or by the indispensable preliminary work.

The State Council promulgated the “Notice on Promoting the Saving and Intensification of Use of Land (Guo Fa No.[2008]) (關於促進節約集約用地的通知(國發[2008] 3號))” on January 3, 2008, which required that policy in respect of unused land shall be strictly implemented. If the land approved for development left idle for more than two years, it must be recovered for reused without any compensation by the government according to applicable laws and regulations. Even if the land may not be recovered according to relevant laws and regulations, the land shall be disposed of in time and used efficiently through altering usage of the land, equivalent exchange etc. For lands left unused for over one year but less than two years, an idle land fees shall be levied at a rate equal to 20% of the price for the land granted or allocated.

On March 8, 2010, the Ministry of Land Resources issued the Notice on Strengthening the Supply and Supervision of Land Use for Real Estate Property (國土資源部關於加強房地產用地供應和監管有關問題的通知) which among other things provides that:

- The land and resources bureau at the city and county levels shall ensure the land supply for government-subsidized housing. The land used for subsidized housing, slum-dwellers reconstruction and small commercial housing units for self housing shall not be less than 70% of the total residential land supply.
- For those who owe land premium payments, have idle land, engage in land speculation and price manipulation, whose land development scope exceeds that of the developer’s actual development capabilities or cannot perform the land grant contract, the land and resources bureau at the city and county levels shall prohibit such land bidders from land bidding transactions within a set period of time.
- After a grant of land has been mutually agreed, a land grant contract must be executed within 10 days. A down payment of 50% of the land grant premium must be paid within one (1) month from the execution of the land grant contract. The remaining amount shall be paid in accordance with the land grant contract, but no later than one (1) year starting from the execution of the land grant contract.

In September 2010, the MLR and MOHURD jointly 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 others, 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 one 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 floor area ratio for residential land is required to be more than 1. In addition, a property developer and its shareholders will be prohibited from participating in land bidding before its illegal behaviors, such as land idle for more than one year on its own reasons, have been completely rectified.

Planning of a property project

According to the “Measures for Control and Administration of Assignment and Transfer of Right to Use Urban State-owned Land” enacted by the Ministry of Construction on December 4, 1992 and enforced on January 1, 1993 and the “Notice of the Ministry of Construction on Strengthening the Planning Administration of Assignment and Transferring Right to Use

State-owned Land” enacted and enforced by the Ministry of Construction on December 26, 2002, after signing an assignment contract, a property developer shall apply for a Opinion on Construction Project’s Site Selection and a Permit for Construction Site Planning from the city and county planning authority with the assignment contract. After obtaining a Permit for Construction Site Planning, a property developer shall organize the necessary planning and the design work with regard to planning and design requirements; and apply for a Permit for Construction Work Planning from city planning authority with the relevant approval documents. On June 30, 2001, a permit for housing demolition and removal was obtained pursuant to the “Regulations for the Administration of Demolition and Removal in Urban Areas (城市房屋拆遷管理條例)”, and the “Notice on Controlling the Scale of Demolition and Removal and Strengthening Administration of Demolition and Removal (關於控制城鎮房屋拆遷規模嚴格拆遷管理的通知)” issued by the State Council on June 6, 2001.

The Urban and Rural Planning Law (城鄉規劃法), promulgated by the Standing Committee of the National People’s Congress in October 2007 which became effective in January 2008, provides regulations with respect to the formulation, implementation, modification, control, supervision and related legal liability of measures aimed at curbing problems that may arise as a result of conflicts between city and rural construction developments. The scope of the measures includes the planning, layout and construction of cities, towns with administrative status, market towns and villages. In order to effectively prevent construction that is in breach of rules and regulations, the Urban and Rural Planning Law stipulates that where any construction project is commenced without obtaining a construction land planning permit, or where construction land planning permit has been obtained but construction has proceeded not in accordance with that permit, the Urban and Rural Planning Department at the county level or above may issue an order to cease construction. In the case that the construction can be remedied to conform to the relevant planning rules, an order can be made to rectify the construction in a prescribed period of time and a fine totaling between 5% to 10% of the total construction cost may be imposed. Where the construction cannot conform to relevant planning rules, an order for its demolition will be issued or, where demolition is not possible, the property and/or illegal income derived from the property will be confiscated and a fine totaling 10% or less of the construction cost will be imposed.

In November 2009, the MOHURD and the Office of the Leading Group for Addressing Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Ratio in Real Estate Development under the Ministry of Supervision jointly promulgated the Notification on Further Implementation of the Special Project to Address Problems Regarding Unauthorized Changes to the Planning and Adjustment of the Floor Area Ratio (關於深入推進房地產開發領域違規變更規劃調整容積率問題專項治理的通知) which re-emphasized the need to rectify, investigate and punish property development enterprises which undertake any unauthorized adjustment of the floor area ratio.

Construction of a property project

After obtaining the Permit for Construction Work Planning, a property developer shall apply for a Construction Permit from the construction authority under the local people’s government above the county level according to the “Measures for the Administration of Construction Permits for Construction Projects” enacted by the Ministry of Construction on October 15, 1999 and revised and enforced on July 4, 2001.

The Notice Regarding the Strengthening and Regulation of the Management of New Projects (關於加強和規範新開工項目管理的通知), promulgated by the General Office of the State Council on November 17, 2007, regulates the conditions for commencing investment projects, establishes a mechanism for the coordination of government departments regarding new projects, strengthens the statistics and information management and tightens the supervision and inspection of new projects.

Completion of a property project

According to the “Regulations on Administration of Development of Urban Property”, the “Regulation on the Quality Management of Construction Projects” enacted and enforced by the State Council on January 30, 2000, the “Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” enacted by the Ministry of Construction in April 2000 and the “Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” enacted and enforced by the Ministry of Construction on June 30, 2000, after completion of work for a project, the property must undergo inspection and receive relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities. Afterwards, a property developer shall apply for the acceptance examination upon completion to the property development authority under the people’s government on or above the county level and report details of the acceptance examination, upon which the “Record of acceptance examination upon project completion”. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examination may be carried out for each completed phase.

According to the Notice on Further Strengthening the Quality Supervision and Management of Construction Projects (關於進一步加強建築工程質量監督管理的通知) promulgated by the MOHURD on April 13, 2009, the legal regulatory framework and the supervision system in respect of quality supervision and completion acceptance examination shall be further improved.

Property Construction

The Bid and Tender Law of the People’s Republic of China

Under the Bid and Tender Law of the People’s Republic of China 《中華人民共和國招標投標法》 promulgated by the Standing Committee of the National People’s Congress dated August 30, 1999 and implemented on January 1, 2000, tender is compulsory with respect to construction projects within the territory of the PRC such as large-scale infrastructure and public utilities relating to social public interests or public security, including the investigation, design, construction, construction supervision thereof as well as procurements pertaining to important equipment and materials in connection with project construction. The tender is divided into open tender and invited tender. Any entity or individual shall not nullify related projects that must be offered to tender as statutory required or circumvent tender through any other means. The successful tenderer, on the basis of contractual covenant or upon the tenderer’s consent, may contract to others the non-principal non-critical works in the tender project. The individual accepting such contracting shall be equipped with appropriate qualifications and shall not subcontract his portion of works. The successful tenderer shall be accountable to the tenderer for the subcontracted project while the subcontractor shall bear joint liability for the same. To conduct bidding and tendering activities within the PRC territory, relevant entity or individual shall comply with the above regulation.

The Rules on the Shanghai Bidding of Construction Management Interim Procedures

According to the rules on the Shanghai Bidding of Construction Management Interim Procedures 《上海市建設工程施工招標投標管理暫行辦法》 approved by Shanghai Government Order No. 54 amended and re-issued on December 19, 1997, where in Shanghai (including the Commission and the Office of the Council, the district and county) of the annual fixed assets investment plan construction projects should be carried out in accordance with this approach construction tender. The tender will be required to have legal personality is the building of a unit or the total project contractor. The bidding could be the city business license holders of the construction and installation enterprises, project contracting companies and other provinces and cities under the Shanghai Municipal Construction Enterprise Management sector of the construction. In the selection process, the selected bidding group is made up of

the tender, the tender's superior departments, the preparation of bidding price, the designer and so on. Through voting, score or the other ways, the final award will be decided by the selected bidding group. In addition, the process of decision should be supervised under the office of Shanghai Municipal Construction Enterprise Management or the Construction Management of district and county. Then, the bidding notice should be delivered to the successful bidder within 2 days after the decision of the selected bidding group. The tender should subscribe the Construction Contracting Contract with the successful bidder within 15 days from the date of delivery of the bidding notice.

Property Transactions

Transfer of property

According to the "Urban Property Law" and the "Provisions on Administration of Transfer of Urban Property" enacted by the Ministry of Construction on August 7, 1995 and revised on August 15, 2001, a property owner may sell, give or otherwise legally transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: (a) the assignment price has been paid in full for the assignment of the land use rights as provided by the assignment contract and a land use rights certificate has been obtained; (b) the development has been carried out according to the assignment contract; and with respect to a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the land use rights assignment contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original assignment contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use rights assignment contract or a new land use rights assignment contract shall be signed in order to, inter alia, adjust the land use rights assignment price accordingly.

If the land rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required under the regulations of the State Council. If the people's government vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

Sale of commodity properties

Under the "Regulatory Measures on the Sale of Commodity Properties" enacted by the Ministry of Construction on April 4, 2001 and enforced on June 1, 2001, sale of commodity properties can include both pre-completion and post-completion sales.

Permit of pre-completion sale of commodity properties

According to the "Regulations on Administration of Development of Urban Property" and the "Measures for Administration of Pre-completion Sale of Commodity Properties" (the "Pre-completion Sale Measures") enacted by the Ministry of Construction on November 15, 1994 and revised on August 15, 2001 and July 20, 2004 respectively, the pre-completion sale of commodity properties shall be subject to a permit system, under which a property developer

intending to sell a commodity building before its completion shall make the necessary pre-completion sale registration with the property development authority of the relevant city or county to obtain a permit of pre-completion sale of commodity properties. A commodity building may only be sold before completion provided that: (a) the assignment price has been paid in full for the assignment of the concerned land use rights and a land use rights certificate has been issued; (b) a Permit for Construction Work Planning and a Permit for Construction of Work have been obtained; (c) the funds invested in the development of the commodity properties put to pre-completion sale represent 25% or more of the total investment in the project and the progress of work and the completion and delivery dates have been ascertained; and (d) the pre-completion sale has been registered and a Permit for Pre-completion Sale of Commodity Properties has been obtained.

In addition, according to the “Regulations on Administration of Pre-completion Sale of Commodity Properties of Guangdong Province” enacted by the Standing Committee of Guangdong Provincial People’s Congress on August 22, 1998 and revised on October 14, 2000, and the “Notice on Adjusting Conditions of Image and Progress for Commodity Building Pre-sale Project in Guangdong Province” issued by the Guangdong Provincial Construction Bureau in January 2001, the following conditions shall be fulfilled for pre-completion sale of commodity properties in Guangdong: (a) the property developer has obtained a real property development qualification certificate and a business license; (b) the construction quality and safety monitoring procedures have been performed; (c) the structural construction and the topping-out must have been completed in respect of properties of not more than seven stories (including seven stories), and at least two-third of the structural construction must have been completed in respect of properties of more than seven stories; (d) a special property pre-completion sale account with a commercial bank in the place where the project is located has been opened; and (e) the properties pre-completion sale project and its land use rights are free from any third party rights.

Management of pre-completion sale proceeds of commodity properties

According to the Pre-completion Sale Measures, the proceeds obtained by a property developer from the advance sale of commercial houses must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the property administrative departments.

Conditions of the sale of post-completion commodity properties

Under the “Measures for Administration of Sale of Commodity Properties”, commodity properties may be put to post-completion sale only when the following preconditions have been satisfied: (a) The property development enterprise offering to sell the post-completion properties shall have a enterprise legal person business license and a qualification certificate of a property developer; (b) The enterprise has obtained a land use rights certificate or other approval documents of land use; (c) The enterprise has the permit for construction project planning and the permit for construction; (d) The commodity commodities have been completed and been inspected and accepted as qualified; (e) The relocation of the original residents has been well settled; (f) The supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified; (g) The property management plan has been completed.

Before the post-completion sale of a commodity building, a property developer shall submit the Property Development Project Manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the property development authority for making a record.

Regulations on sale of commodity properties

According to the “Regulations on Administration of Development of Urban Property” and the Pre-completion Sale Measures, for the pre-completion sale of a commodity building, the developer shall sign a contract on the pre-sale of the commodity building with the purchaser. The developer shall, within 30 days upon signing the contract, apply for registration and record of contract for pre-completion sale commodity building to the relevant administrative departments governing the property and land administration department of the city or country governments. Property administrative department shall take the initiative to apply network information technology to gradually implement web-based registration of pre-sale contracts.

Pursuant to the “Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices” on May 9, 2005, there are several regulations concerning commodity properties sale:

- The buyer of a commodity building is prohibited from conducting any transfer of the pre-sale of the commodity building that he has bought but is still under construction. Before completion and delivery of an advance sale commodity building to the advance buyer, and before the advance buyer obtains the individual property ownership certificate, the administrative department of property shall not handle any transfer of the commodity building. If there is discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the advance sales contract, the property ownership registration administration shall not records the application of property ownership;
- Apply a real name system for house purchase; carry out an immediate archival filing network system for pre-sale contracts of commodity properties.

On July 6, 2006, the Ministry of Construction, NDRC, and the SAIC jointly enacted a Notice on Reorganizing and Regulating Order in the Property Transactions, the details of which are as follows:

- The developer should start to sell the commodity properties within 10 days after receiving “Permit for Pre-completion Sale of commodity properties”. Without this permit, the pre-completion sale of commodity properties, as well as subscription (including reservation, registration and number-selecting) and acceptance of the any kind of pre-sale payments, is forbidden;
- The property administration authority should establish an immediate network system for advance sales contracts of commodity properties and a system for the publication of property transaction information. The basic situation 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. The advance buyer of a commodity building is prohibited from conducting any transfer of the advance sale of the commodity building that he has bought but is still under construction;
- Without the “Permit for Pre-completion Sale of commodity properties”, no advertisement of the pre-completion sale of commodity properties can be allowed to publish;
- Property development enterprises with a record of serious irregularity or enterprises which do not satisfy the requirements of pre-completion sale of commodity properties is not allowed to take part in sale activities;

- The property administration authority should strictly carry out the regulations of the pre-completion sale contract registration and records and apply the real name system for property purchase.

On April 13, 2010, the MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate market and Perfecting the Pre-sale System of Commodity Properties (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問題的通知). Pursuant to the notice, without pre-sale approval, pre-sale of commodity properties is not permitted and property developers are not allowed to charge buyers any deposit, pre-payment or payment of similar nature. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Prices from Increasing Too Rapidly in Certain Cities, pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, the notice stipulates that interest rates for mortgage loans for the second property cannot be lower than 110% of the PBOC benchmark lending rate and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially. To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the 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), according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond. On September 29, 2010, the Ministry of Finance, SAT and MOHURD jointly issued the Notice to Adjust the Preferential Policies on Deed Tax and Individual Income Tax Regarding Real Estate Transaction (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), according to which, as of October 1, 2010, the deed tax for individuals who purchased ordinary residential property with floor area under 90 sq.m. as his sole family residence, will be reduced to 1 percent, and those who sell their homes and buy new ones within one year would not be eligible for reductions or exemptions on individual income tax on the profits from the sales.

Mortgages of Property

Under the "Real Rights Law of the People's Republic of China" enacted by the National People's Congress on March 16, 2007 and enforced on October 1, 2007, the "Urban Property Law" and the "The Security Law of the People's Republic of China" enacted by the Standing Committee of the National People's Congress on June 30, 1995 and enforced on October 1, 1995, and the "Measures on the Administration of Mortgage of Buildings in Urban Areas" enacted by the Ministry of Construction in May 1997 and revised on August 15, 2001, mortgage refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charge those properties as security for the creditor's rights; when the debtor fails to pay his debt, the creditor has a right to obtain compensation, in accordance with the stipulations of this law, by converting the properties into money or seek preferential payments from the proceeds from the auction or sale of the concerned properties. The creditor's rights that the mortgagor mortgaged shall not exceed the value of the properties mortgaged. After being mortgaged, the balance of value of the properties that exceeded the creditor's rights can be mortgaged for a second time, but the sum of the mortgage shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is erected. When the land use rights of State-owned lands acquired through means of assignment is mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged individually. When the buildings of the town and village enterprises are mortgaged, the land

use rights occupied by the buildings shall also be mortgaged at the same time. The mortgager and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the property administration authority at the location where the property is situated. A property mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the “third party rights” item on the original property ownership certificate and then issue a Certificate of Third Party Rights to Property to the mortgagee. If a mortgage is created on the commodity building put to pre-completion sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the property.

Lease of buildings

Under the “Urban Property Law” and the “Measures for Administration of Leases of Buildings in Urban Areas” enacted by the Ministry of Construction on April 28, 1995 and enforced on June 1, 1995, the parties to a lease of a building shall enter into a lease contract in writing which shall be effective upon signing by both parties. A system which has been adopted for registering leases of buildings. When a lease contract is signed, amended or terminated, the parties shall register the details with the property administration authority under the local government of the city or county in which the building is situated. The term of a leased building and the related land shall not be more than 20 years.

Property financing

According to the “Notice of the People’s Bank of China on Regulating Home Financing Business” enacted by the People’s Bank of China (the “PBOC”) on June 19, 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial flat loans:

- (a) Housing development loans from banks shall only be granted to property development enterprises with approved development qualifications and high credit ratings. Such loans shall be offered to residential projects with good market potential. While the borrowing enterprise must have an amount of own capital no less than 30% of the total investment required of the project, the project itself must have been issued with a Land Use Rights Certificate, Construction Land Planning Permit, Construction Work Planning Permit and Permit of Construction Work.
- (b) In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the security (the “Mortgage Ratio”) shall never exceed 80%. Where an individual applies for a home purchase loan to buy a pre-completion house, the said property must have achieved the stage of “topping-out of the main structure completed” for multi-story buildings or “two-thirds of the total investment completed” for high-rise buildings.
- (c) In respect of the grant of individual commercial flat loans, the Mortgage Ratio under the application for commercial flat loans shall not exceed 60% with a maximum loan period of 10 years and the subject commercial properties have already been completed.

The PBOC issued the Circular on Further Strengthening the Management of Loans for Property Business on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of property development and individual home mortgage as follows:

- (a) The property loan by commercial banks to property development enterprises shall be granted only under the title of property development loan and it is strictly forbidden to extent such loans as current capital loan for property development project or other loan item. No lending of any type shall be granted for projects which have not obtained the Land Use Right Certificates, Construction Land Permit, Construction Planning Permit and Construction Work Permit.
- (b) Commercial banks shall not grant loans to property developers to pay off land premium; and
- (c) Commercial banks may only provide mortgage loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down payment remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks issued by China Banking Regulatory Commission on September 2, 2004, any property developer applying for property development loans shall have at least 35% of capital funds required for the development.

According to the “Notice of the People’s Bank of China on the Adjustment of Commercial Bank Housing Loan Policies and the Interest Rate of Excess Reserve Deposit”, enacted by PBOC on March 16, 2005, starting from March 17, 2005, the down payment of individual home increased from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine scope of such property price rise according to specific situations in different cities or areas.

On May 24, 2006, the State Council forwarded the “Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Control Structure and Stabilizing the Property Prices. The regulations provide the following:

- (a) Tightening the control of advancing loan facilities. The commercial banks are not allowed to advance their loan facilities to property developers who do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large number of idle lands and unsold commodity properties. The commercial banks shall not accept mortgages of commodity properties remaining unsold for three years or longer, and the commercial banks shall not accept such commodity building as collateral for loans.
- (b) From June 1, 2006 and onward, purchasers need to pay a minimum of 30% of the purchase price as down payment. However, if purchasers purchase apartments with a floor area of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged.

According to “Circular on Standardizing the Admittance and Administration of Foreign Capital in Property Market” enforced on July 11, 2006, foreign-invested property development enterprises which have not paid up their registered capital fully, or failed to obtain a Land Use Right Certificate, or with under 35% of the capital for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments shall not approve any settlement of foreign loans by such enterprises.

On September 27, 2007, the PBOC, CBRC jointly issued the “Notice on Strengthening the Administration of Commercial Real Estate Credit Loans” (《關於加強商業性房地產信貸管理的通知》), which further stipulates stringent requirements to the grant of loans in respect to the second and subsequent purchases of housing by individuals. For those who has used credit loans to purchase a housing and applied for purchasing the second (inclusive) or more housing, the down payment shall not be less than 40% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times of the benchmark interest rate of the same grade for the same period as announced by the PBOC. Moreover, the ratio of the down payment and the level of the interest rate of the loan shall be substantially adjusted upwards according to the number of purchases. The specific increase range will be determined by commercial banks at their own discretion based on the relevant principles of credit risk management.

On April 17, 2010, the State Council announced that purchasers of first homes exceeding 90 sq.m. must pay a minimum of 30% of the purchase price of the property before they can finance their purchases through mortgages. In addition, the State Council also increased the minimum down payment percentage of second home purchases from 40% to 50% and required mortgage rates for second home purchases to be no less than 110% of benchmark lending rates. The State Council also instructed banks to increase the minimum down payment percentages and interest rates significantly for purchases of third homes and above. Finally, the State Council further instructed banks to tighten the provision of mortgages, including potentially suspending mortgage lending for purchases of third homes and above as well as to any non-resident borrower unable to provide evidence of having made at least one year of tax or social security payments in such regions.

On May 26, 2010, the MOHURD, the PBOC and the CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing 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 others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account of the total number of residential properties owned by the household of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the 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), according to which, the minimum down payment has been raised to 30% for all first home purchases, and the commercial banks are required to suspend mortgage loans for the third or further residential property purchases throughout China.

Insurance of a property project

There are no mandatory provisions in the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its property projects.

In light of the “Construction Law of the People’s Republic of China” enacted by the Standing Committee of the National People’s Congress on November 1, 1997 and enforced on March 1, 1998, construction enterprises must take out accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the “Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work” by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasizes the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance. The “Guidance on the Insurance of Accidental Injury in the Construction Work of Guangdong Province” enacted by construction department of Guangdong Province on September 8, 2004 prescribes the scope, object, term, coverage, amount and premium of insurance for accidental injury. Besides, the Guidance especially emphasizes that the persons who have been already insured of work-related injury insurances still need to be insured of accidental injury insurance when he or she takes part in the on-site construction work. According to the common practice of the property industry in Guangdong, except for the accidental injury insurance, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies shall pay for the insurance premium at their own costs and take out various types of insurance to cover their liabilities, such as property risks, third party’s liability risk, performance guarantee in the course of construction and all-risks associated with the construction and installation work throughout the construction period. The insurance cover for all the aforementioned risks shall cease immediately after the completion and acceptance upon inspection of construction.

Measures on Adjusting the Structure of Housing Supply and Stabilizing Housing Price

The General Office of the State Council enacted the “Circular on Stabilizing Housing Price” on March 26, 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Doing a Good Job of Stabilizing House Prices, the opinion provides that:

Intensifying the planning and control and improving the supply structure of houses

Where the housing price is in excessive growth and where the supply of ordinary commodity houses with medium or low price and economical houses is insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses with medium or low price and economical houses. The construction of low-density, upmarket houses shall be strictly controlled. With respect to construction projects of medium-or low-price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design such as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land assignment to ensure an effective supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permit for property development projects. Housing projects that have not been commenced within two years must be examined again, and those that turn out to be not in compliance with the planning permits will be revoked.

Intensifying the control over the supply of land and rigorously enforcing the administration of land

Where the price of land for residential use and residential properties grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical house should be emphatically increased. Land supply for villa construction shall continue to be suspended, and land supply for high quality housing property construction shall be strictly restricted.

Adjusting the policies of business tax on residential property house transfer and strictly regulating the collection and administration of tax

From June 1, 2005, business tax on transfer of a residential property by an individual within two years from purchase will be levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual two years or more after purchase shall be exempted for business tax. For transfer of a house other than ordinary residential property by an individual two years or more after purchase, the business tax will be levied on the basis of the balance between the proceeds from selling the property and the purchase price.

Strictly Rectifying and Regulating the Market Order and Seriously Investigating into and Punishing Any Irregular and Rule-breaking Sales

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought but is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

On May 24, 2006, the State Council forwarded the “Opinion on Adjusting the Housing Supply Structure and Stabilizing Property Prices (《關於調整住房供應結構穩定住房價格的意見》) (the “Opinion”) of the Ministry of Construction and other relevant government authorities. The Opinion provides the following:

Adjusting the Housing Supply Structure

- Developers must focus on providing small to medium sized ordinary commodity properties at low to midlevel prices to cater to the demands of local residents;
- As of June 1, 2006, newly approved and newly commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under PRC central government, cities listed on state plans (省會城市) and provincial capital cities (計劃單列市) have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a construction permit must follow the prescribed ratio.

Further adjustments by tax, loan and land policies

- From June 1, 2006, business tax will be levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price;

- Commercial banks are not allowed to advance loan facilities to property developers who do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity apartments remaining unsold for three years or more;
- From June 1, 2006 and onward, purchasers need to pay a minimum of 30% of the purchase price as down payment. However, if purchasers buy apartments of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged;
- At least 70% of the total land supply for residential property development must be used for developing small-to-medium-sized low-cost public housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer who offers the highest bid. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly restricted;
- The relevant authorities will levy a higher surcharge against those property developers who have not commenced the construction work for longer than one year from the commencement date stipulated in the construction contract and will order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate without compensation the land from those property developers who have not commenced the construction work beyond two years from the commencement date stipulated in the construction contract without proper reasons. The relevant authorities will dispose of the idle land of those property developers who have suspended the construction work consecutively for one year without an approval, have invested less than one-fourth of the total proposed investment and have developed less than one-third of the total proposed construction area.

Reasonably Monitoring the Scope and Progress of Demolition of Urban Housing

The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halter the excessive property growth triggered by passive means.

Further Rectifying and Regulating the Order of Property Properties Market

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted planning permit but have not been commenced. The relevant authorities will ensure that no Planning Permit (規劃許可證), Construction Permit (施工許可證) or Permit for Pre-Sale of Commodity Properties (商品房預售許可證) is issued to those construction projects which do not satisfy the controlling requirements, in particular, the prescribed ratio requirement. If the property developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of the property and to confiscate the property in accordance with the law;
- The property administration authority and the administration of industry and commerce will investigate illegal dealings such as contract fraud cases in accordance with the law. The illegal conduct of pre-completion sale of commodity

apartments without satisfying all the conditions will be ordered to stop and be imposed a proper administrative penalty in accordance with the law. For those property developers who maliciously manipulate the supply of commodity housing, the relevant authorities will impose a proper administrative penalty including revoking the business licenses of those serious offenders and will pursue personal liability for those concerned.

Gradually relieving the housing demands for low-income families

To expedite the establishment of low-cost public housing supply system in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

Improving information disclosure system and system for collecting property statistics

On July 6, 2006, the Ministry of Construction promulgated a supplemental Opinion on Carrying Out the Residential Property Size Ratio in Newly-Built Residential Buildings (Jianzhufang [2006] No. 165) (《關於落實新建住房結構比例要求的若干意見》) (“the Supplemental Opinion”). The Supplemental Opinion provides the following:

- As of June 1, 2006, of the newly approved and newly commenced construction projects in different cities including town and counties (from June 1, 2006 and onward), at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments);
- The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality. The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a property developer has not followed the ratio requirement without providing proper reasons, the town planning authorities will not issue a Planning Permit. If the property developer has not followed the requirements of the Planning Permit, the relevant authority censoring the planning documents will not issue a certification, the construction authority will not issue a Construction Permit, and the property authority will not issue a Permit for pre-completion sale of the commodity apartments.

In the case of construction projects that were granted approval before June 1, 2006 but that were not granted a construction work permit by that date, the relevant local governments in different localities should ascertain the details of the projects and ensure that the prescribed residential property size ratio requirement is complied with.

According to Several Opinions of the General Office of the State Council on Providing Financial Support for Economic Development (國務院辦公廳關於當前金融促進經濟發展的若干意見), issued by General Office of the State Council on December 8, 2008, the State Council (a) implemented and promulgated relevant credit policies and measures to support people’s purchase of their first ordinary home or improved ordinary home; (b) provided more credit support for the construction of low rent houses and affordable residential houses and the reconstruction of shed areas for low-income urban residents; and (c) initiated the pilot operation of real estate trust investment funds to diversify the financing channels of real estate enterprises.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of the 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 reasonable guidance for the purchase of property, restrain speculative investment in property, and strengthen risk prevention and market supervision. Additionally, the Circular explicitly requires a family (including a borrower, his or her spouse and children under 18) who have already entered into a mortgage for the purchase of a house to pay a minimum down payment of 40% of the purchase price of a second or any additional house which they apply to purchase.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Prices from Increasing Too Rapidly in Certain Cities (國務院關於堅決遏制部分城市房價過快上漲的通知), pursuant to which the State Council raised the minimum down payment for second home purchases to 50% and set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. Further, the notice stipulates that interest rates for mortgage loans for the second property cannot be lower than 110% of the PBOC benchmark lending rate and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially. After that, many of the major cities in the PRC, such as Beijing, Shanghai, Shenzhen and Hangzhou, have announced implementation rules with strict measures to prevent property prices from rapidly increasing.

Environmental Protection

Pursuant to the requirements of relevant laws and regulations such as the Appraisal Measures for the Impact on the Environment of the PRC (中華人民共和國環境影響評價法) implemented by the Standing Committee of the National People's Congress in September 2003, and the Regulations Governing Environmental Protection of Construction Projects (建設項目環境保護管理條例) implemented by the State Council in November 1998, property development enterprises and construction enterprises must carry out an appraisal of the impact the construction project will have on the environment. The relevant project shall not commence until approval is obtained from the supervisory body for environmental protection. While the project is in progress, the developer should also comply with the appraisal documents relating to the impact on the environment and implement the environmental protection measures set out in the opinion of the supervisory body for environmental protection. Such measures must be incorporated into the design, construction and operation of the general construction. Upon completion of the project, the developer should apply to the supervisory body for environmental protection for the inspection and acceptance of the completed environmental protection facilities. Only those projects that have been inspected and accepted may go into operation or be available for use.

Construction Safety

Under relevant laws and regulations such as the Laws for Safe Production in the PRC (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress in November 2002, the property development enterprise should apply to the supervisory department on safety for the registration of supervision for work safety in construction before the commencement of construction. Constructions without such registration will not be granted a construction works commencement permit by the supervisory body. Contractors for the construction should establish the objectives and measures for work safety and improve the working environment and conditions of workers in a planned and systematic way. A work safety protection scheme should also be set up to carry out the work safety job responsibility system. At the same time, contractors should adopt corresponding site work safety protective measures according to the work protection requirements in different construction stages and such measures shall comply with the labor safety and hygiene standards of the State.

Under the Construction Law of the People's Republic of China (中華人民共和國建築法), the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor.

LEGAL SUPERVISION RELATING TO PROPERTY MANAGEMENT SECTOR IN THE PRC

Foreign-invested property service enterprises

According to the “Foreign Investment Industrial Guidance Catalogue”, property management falls within the Category of Permitted Foreign Investment Industries. According to the “Foreign Investment Industrial Guidance Catalogue” and the relevant requirements set out under the laws and the administrative regulations on foreign investment enterprises, a foreign invested property service enterprise can be set up in the form of Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly foreign owned enterprise. Before the administration of Industry and Commerce registers a foreign investment enterprise as a foreign-invested property service enterprise, the foreign-invested property service enterprise should obtain an approval from the relevant department of commerce and receive a “foreign investment enterprise approval certificate”.

Qualifications of a property service enterprise

According to the “Regulation on Property Management” enacted by the State Council on June 8, 2003, enforced on September 1, 2003 and revised on August 26, 2007, the state implements a qualification scheme system in monitoring the property service enterprises. According to the “Measures for Administration of Qualifications of Property Service Enterprises” enacted by the Ministry of Construction on March 17, 2004, enforced on May 1, 2004 and revised on November 26, 2007, a newly established property service enterprise shall, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under PRC central government for a grading assessment. The departments of qualification examination and approval will check and issue a “property management qualification certificate” corresponding to their grading assessment results.

According to the “Measures for the Administration on Qualifications of Property Service Enterprises”, and revised on November 26, 2007 the qualifications of a property service enterprise shall be classified as class one, class two and class three. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of the class one property service enterprises. The competent construction departments of the people’s governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of the class two property service enterprises, and the competent realty departments of the people’s governments of municipalities directly under PRC central government shall be responsible for issuance and administration of the qualification certificate of the classes two and three property service enterprises. The competent realty departments of the people’s governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three property service enterprises.

The property service enterprises with the class one qualification may undertake various property management projects. The property service enterprises with the class two qualification may undertake the property management business of residential management projects of less than 300,000 sq.m. and the non-residential management projects of less than 80,000 sq.m. The property service enterprises with the class three qualification may undertake the property management business of residence projects of less than 200,000 sq.m. and non-residence projects under 50,000 sq.m.

Employment of a property service enterprise

According to the “Regulation on Property Management”, the general meeting of owners can select and dismiss the property service enterprises if the consent of both the owners holding 1/2 or more of the private building area out of the total building area and 1/2 or more

of the relevant property owners has been obtained. If, before the formal employment of a property management by the owners or the general meeting, the construction unit is to employ a property service enterprise, it shall enter into a preparation stage property services contract in writing with the property service enterprise.

MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

Income Tax

According to the Income Tax Law of The People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises promulgated on April 9, 1991 and its detailed implementation rules enacted by State Council in June 1991, the income tax on enterprises with foreign investment shall be computed on the taxable income at the rate of 30%, and local income tax shall be computed on the taxable income at the rate of 3%. Pursuant to the Provisional Regulations of the People's Republic of China on Enterprise Income Tax issued by the State Council in December 1993 and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax issued by the Ministry of Finance in February 1994, the income tax rate applicable to enterprises is 33%.

According to the CIT Law enacted by the National People's Congress on March 16, 2007 and enforced from January 1, 2008 onwards, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, unlike the Income Tax Law of the People's Republic of China for Enterprise with Foreign investment and Foreign Enterprise currently in effect, which specifically exempts withholding tax on any dividends payable to non-PRC investors, the CIT Law and its implementation rule provide that an income tax rate of 10% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted.

Under the CIT Law, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the unified 25% corporate income tax rate as to their global income.

Business Tax

Pursuant to the "Interim Regulations of the People's Republic of China on Business Tax" promulgated by the State Council in 2008, the tax rate of the transfer of immovable properties, their superstructures and attachments is 5%. The business tax rate for our property management and hotel operation businesses is also 5%.

On December 22, 2009, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Business Tax Policies upon Transferring Residential Properties by Individuals (Cai Shui [2009]No.157) 《關於調整個人住房轉讓營業稅政策的通知》(財稅[2009]157號). Pursuant to the notice, commencing from January 1, 2010, business tax will be levied on an individual upon transferring of a non-ordinary residential house within five years from the date of purchase and the business tax to be levied will be calculated based on the full amount of the sale proceeds. For an individual transferring a non-ordinary residential house after five years from the date of purchase, or transferring an ordinary residential house within five years from the date of purchase, the business tax to be levied will be calculated based on the difference between the income from the sale of such property and its purchase price. For an individual transferring an ordinary residential house after five years from the date of purchase, business tax will be exempted.

LAT

According to the requirements of the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (the "Provisional Regulations") promulgated on December 13, 1993 and effective on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (the "Detailed Implementation Rules") promulgated and effective on January 27, 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to LAT. LAT is levied according to four progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for land development;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property;
- other deductible items as specified by the Ministry of Finance.

According to the requirements of the Provisional Regulations, the Detailed Implementation Rules and the "Notice Issued by the Ministry of Finance in Respect of the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994" announced by the Ministry of Finance and the State Administration of Taxation on January 27, 1995, LAT shall be exempted under any one of the following circumstances:

- Taxpayers constructing ordinary standard residences for sale (i.e., the residences built in accordance with the local standard for general use residential properties; deluxe apartments, villas, resorts, for example, are not categorized as ordinary standard residences) in which the appreciation amount does not exceed 20% of the sum of deductible items;
- Property taken over and repossessed according to laws due to the construction requirements of the government;
- Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for 5 years or more, and after obtaining tax authorities' approval;
- For property assignments which were signed before January 1, 1994, whenever the properties are transferred, the LAT shall be exempted;
- Either when the property assignments were signed before January 1, 1994 or when the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred within five years after January 1, 1994 for the first time. The date of signing the assignment shall be the date of signing the Sale and Purchase Agreement. Particular property projects which are approved by the government for the development of the whole piece of land and long-term

development, of which the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by Ministry of Finance and State Administration of Taxation, the tax-free period would then be appropriately prolonged.

On December 24, 1999, the Ministry of Finance and the State Administration of Taxation issued the “Notice in Respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy” that extended the period for the LAT exemption policy to the end of 2000.

After the enactment of the Provisional Regulations and the Detailed Implementation Rules, due to the longer period for the property development and transfer, many local tax authorities in the course of implementing the regulations and rules did not force the property developers to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the requirement that after the assignment contracts are signed, the taxpayers should declare the tax to the local tax authorities with jurisdiction over the underlying property, and pay LAT in accordance with the amount calculated by the tax authority and the time as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change and shall not issue the property ownership certificate.

The State Administration of Taxation also issued the notice in relation to “Collections Administration on Land Appreciation Tax” on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of property. Such notice also pointed out that either for the property assignment contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within 5 years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

On August 2, 2004, the State Administration of Taxation issued the “Notice of the State Administration Taxation in Respect of Enhancing the Administration of Land Appreciation Tax” in order to further clarify the taxpayers’ duties in relation to filing of period tax returns. On August 5, 2004, the State Administration of Taxation issued the “Notice of the State Administration Taxation in Respect of Further Enhancing the Administration on Collection of Urban Land Use Tax and Land Appreciation Tax” to further enhance the administrative efforts relating to the collection of LAT. It is stipulated in this notice that the waiver of LAT on any land grant contracts executed prior to January 1, 1994 has expired, and that appreciation in land value shall be subject to LAT irrespective of the time of assignment.

On March 2, 2006, the State Administration of Taxation and the Ministry of Finance issued the “Circular of the Ministry of Finance and the State Administration of Taxation on Land Appreciation Tax”. The Circular stipulated the following:

- Taxpayers constructing both ordinary residential properties and other commodity houses should calculate the LAT separately, and declare the tax to the local tax authorities where the properties are located.
- Local authorities shall determine, and adjust as appropriate, the provisional LAT rates considering the relevant real property market, the type of building constructed and any other applicable factors.

- A taxpayer who fails to prepay the LAT within the stipulated time frame may be liable to a penalty under the “Administrative Law of the People’s Republic of China on the Levying and Collection of Taxes.”
- In relation to completed property projects, if 85% or more of the saleable GFA has been assigned or transferred, then the local tax authority may require the taxpayer to pay tax on the income from the assigned or transferred property.
- For taxpayers whose shareholders or joint-cooperation partners contributed real properties as capital to such taxpayers, the temporary tax exemption in relation to ordinary residential properties does not apply.

On December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises which came into effect on February 1, 2007.

Pursuant to the Notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole incomplete development project; or (3) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if any of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (3) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

The Notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the prepayment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

On May 12, 2009, the State Administration of Taxation (the “SAT”) issued the Administrative Rules for the Settlement of Land Appreciation Tax (土地增值税清算管理規程) (the “Settlement Rules”), which became effective on June 1, 2009. The Settlement Rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the Notice. The Settlement Rules further stipulate detailed procedures for the examination and verification of the settlement of LAT to be carried out by relevant tax authorities.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) and temporarily exempted the LAT for individuals selling houses starting from November 1, 2008.

On May 19, 2010, the SAT issued the Circular on Issuers Concerning 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 calculation and settlement of the land appreciation tax, 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.

On May 25, 2010, the SAT issued the Notice on Strengthening the Collection Land Appreciation Tax, which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 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 types of the properties.

Deed Tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Deed Tax” promulgated by the State Council in July 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be responsible for the payment of deed tax. The rate of deed tax is 3%-5% of the purchase price. The governments of provinces, autonomous regions and municipalities may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record. Pursuant to the “Notice of the Taxation Policies Regarding to Transaction of Real Estate” promulgated by the MOF and the SAT in November 2008, for an individual who initially purchases an ordinary residential property less than 90 sq.m., the rate of deed tax was adjusted to 1%.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) which announced that the deed tax for individuals buying their first regular commodity house with a floor area of less than 90 square meters shall be temporarily reduced to a unified rate of 1% starting from November 1, 2008.

On September 29, 2010, the MOF, SAT and MOHURD jointly issued the Notice to Adjust the Preferential Policies on Deed Tax and Individual Income Tax Regarding Real Estate Transaction (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), according to which, as of October 1, 2010, the deed tax for individuals who purchased ordinary residential property with floor area under 90 s.qm. as his sole family residence, will be reduced to 1%, and those who sell their homes and buy new ones within one year would not be eligible for reductions or exemptions on individual income tax on the profits from the sales.

Urban Land Use Tax

Pursuant to the “Interim Regulations of the People’s Republic of China on Land Use Tax in respect of Urban Land” promulgated by the State Council in September 1988 as amended in December 2006, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0. Any foreign investment enterprises using urban land is required to pay the tax on urban land use accordingly from January 1, 2007. According to the “Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China”

promulgated by the Ministry of Finance on November 2, 1988 and the “Approval on Land Use Tax Exemption of Foreign-Invested Enterprises” issued by the State Administration of Taxation on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise. However, the Interim Regulations of the People’s Republic of China on Land Use Tax in respect of Urban Land were revised by the State Council on December 31, 2006. As of January 1, 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

Buildings Tax

Under the “Interim Regulations of the People’s Republic of China on Buildings Tax” promulgated by the State Council in September 1986, buildings tax shall be 1.2% if it is calculated on the basis of residual value of a building, and 12% if it is calculated on the basis of the rental.

According to the Circular Concerning the Levy of Building Tax on Foreign Enterprises and Foreigners (關於對外資企業及外籍個人徵收房產稅有關問題的通知) promulgated by the MOF on January 12, 2009, and the Circular Concerning the Implementation of the Levy of Building Tax on Foreign-Invested Enterprise and Foreign Individuals (關於做好外資企業及外籍個人房產稅徵管工作的通知) issued by the SAT on January 6, 2009, from January 1, 2009, domestic and foreign-invested enterprises and foreign individuals will all be subject to the Interim Regulations of the People’s Republic of China on Building Tax.

Stamp Duty

Under the “Interim Regulations of the People’s Republic of China on Stamp Duty” promulgated by the State Council in August 1988, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein, for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5.0 per item.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通告) and temporarily exempted stamp duty for individuals selling or buying houses starting from November 1, 2008.

Municipal Maintenance Tax

Under the “Interim Regulations of the People’s Republic of China on Municipal Maintenance Tax” promulgated by the State Council in 1985, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county 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” and the “Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises” issued by State Administration of Taxation on February 25, 1994 and on September 14, 2005, respectively, whether foreign-invested enterprises are subject to municipal maintenance tax will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Education Surcharge

Under the “Interim Provisions on Imposition of Education Surcharge” promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the “Notice of the State Council on Raising Funds for Schools in Rural Areas.” Under the “Supplementary Notice Concerning Imposition of Education Surcharge” issued by the State Council on October 12, 1994, the “Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises” and the “Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises” issued by the State Administration of Taxation on February 25, 1994 and on September 14, 2005, respectively, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

MANAGEMENT

The following table sets forth certain information with respect to our directors (“Directors”) and senior management as of the date of this offering memorandum.

Name	Age	Title
Mr. Zhang Zhi Rong	41	Chairman and Executive Director
Mr. Ding Xiang Yang	43	Vice Chairman and Executive Director
Mr. Cheng Li Xiong	41	Chief Executive Officer and Executive Director
Mr. Liu Ning	45	Chief Operating Officer, executive Director and Vice President
Mr. Xia Jing Hua	38	Executive Director and Vice President
Mr. Li Xiao Bin	46	Executive Director and Vice President
Mr. Yan Zhi Rong	49	Executive Director
Mr. Yim Ping Kuen	48	Independent Non-executive Director
Mr. Liu Shun Fai	39	Independent Non-executive Director
Mr. Wo Rui Fang	70	Independent Non-executive Director
Mr. Han Ping	42	Independent Non-executive Director
Mr. Ching Yu Lung	40	Chief Financial Officer, Company Secretary and Qualified Accountant
Ms. Fang Zhi Rong	42	Head of Human Resources
Mr. Xu Quan	42	Vice President of the Group
Ms. Liu Yan Xia	48	Head of Operations (Pan Bohai Rim region)
Mr. Fang Shi Min	71	Chief Engineer
Mr. Li Jian Zhong	53	Head of Operations (East China region)

Directors

Our Board currently consists of 11 Directors, 4 of whom are independent non-executive Directors.

Executive Directors

Mr. Zhang Zhi Rong (張志熔), aged 41, is the Chairman of the Board and an executive Director of the Company and the founder and controlling shareholder of the Group. Mr. Zhang is also a director of Shanghai Chuangmeng International Architectural Design Co., Ltd. Mr. Zhang is primarily responsible for the formulation of the Group’s overall strategies. Mr. Zhang has more than 14 years of experience in corporate management and real estate development and investment. Prior to his involvement in real estate development and investment, Mr. Zhang engaged in the business of construction materials trading and construction sub-contracting in the early 1990s. In 1994, as the real estate industry in the PRC began to develop, Mr. Zhang entered the property development industry with his first residential property development project, Sunshine Greenland in Shanghai, which commenced development in January 1996. He received a master’s degree in business administration from Asia Macau International Open University in 2002.

Mr. Ding Xiang Yang (丁向陽), aged 43, is the Vice Chairman of the Board and an executive Director of the Company. Mr. Ding is also a director of a number of the Company’s subsidiaries, including Glorious Property Investment (Hefei) Co., Ltd., Shanghai Xintai Property Development Co., Ltd., Glorious Anshun (Shanghai) Property Development Co., Ltd., Glorious Yangguang Xindi (Tianjin) Investment Co., Ltd., Glorious Hongyun (Tianjin) Investment Co., Ltd. and Glorious Hongsheng (Suzhou) Property Development Co., Ltd. With more than eight years of experience in corporate and strategic management of real estate enterprises in the PRC, Mr. Ding is primarily responsible for the Company’s overall strategic planning and development. Mr. Ding joined the Group on March 18, 2001 and played an integral role in formulating the Group’s development strategies, operational management and supervising the construction of the Group’s projects. Prior to joining the Group, Mr. Ding

worked for more than 10 years at the enterprise management department of China Eastern Airlines Corp. Ltd. (中國東方航空股份有限公司), a company listed on the Hong Kong Stock Exchange. Mr. Ding is currently a member of the Chinese People's Political Consultative Conference for Fengxian District, Shanghai. Mr. Ding obtained a bachelor's degree in law from Fudan University in July 1989, and a master's degree in law from Fudan University in July 2002. Mr. Ding is the brother-in-law of the Company's Chairman, Mr. Zhang Zhi Rong.

Mr. Cheng Li Xiong (程立雄), aged 41, is the Chief Executive Officer and an executive Director of the Company. Mr. Cheng is also a director of the Company's subsidiaries, Glorious Property Investment (Nantong) Co., Ltd., Glorious Property Investment (Shanghai) Co., Ltd., Glorious Shengtong (Shanghai) Property Development Co., Ltd. and Zhuo Yi Real Estate Development (Nantong) Co., Ltd. He is in charge of the overall business operations and management of the Company. Mr. Cheng joined the Group on September 1, 2001 as the general manager of the Company's subsidiary, Glorious Haosen (Shanghai) Property Co., Ltd. Between July 1992 and September 2001, Mr. Cheng worked for Shanghai Property and Land Resources Bureau (上海市房屋土地資源管理局). Mr. Cheng has more than 16 years of experience in the planning, development, construction and management of land and property. Mr. Cheng is also a qualified property valuer in the PRC. Mr. Cheng graduated with a bachelor's degree from Shanghai International Studies University in July 1992.

Mr. Liu Ning (劉寧), aged 45, is an executive Director, a vice president and the chief operating officer of the Company and the head of operations for the Shanghai region, responsible for the operational management and project development of the Company's property projects in the Shanghai region. Mr. Liu is a director of Glorious Fusheng Property Investment (Beijing) Co., Ltd. and Shanghai Xintai Property Development Co., Ltd. and the general manager of Glorious Yijing (Shanghai) Property Development Co., Ltd., both of which are the Company's subsidiaries. Prior to joining the Group as the chairman of Glorious Yijing (Shanghai) Property Development Co., Ltd. on 5 June 2005, Mr. Liu worked as the executive vice president of Shanghai Jinjiang Realty Co., Ltd., a wholly-owned subsidiary of Shanghai Jin Jiang International Hotels (Group) Company Limited, a company listed on the Hong Kong Stock Exchange with extensive hotel operations in the PRC, from June 2003 to April 2005. Mr. Liu worked for three years at Shanghai (New Asia) Group Co., Ltd. (上海新亞(集團)股份有限公司), a company listed on the Shanghai Stock Exchange, and was its general manager from June 2000 to June 2003. Mr. Liu is a senior economist and an experienced manager of hotel operations, with more than eight years of experience in the hotel and property industry. He is currently the vice president of the Shanghai Young Entrepreneur Association. Mr. Liu graduated with a bachelor's degree in bridge construction from Tongji University in July 1986.

Mr. Xia Jing Hua (夏景華), aged 38, is an executive Director and a vice president of the Company, responsible for developing the financial strategies, the overall financial and asset management of the Group. Currently, Mr. Xia is a director of the Company's subsidiaries, Fuda Real Estate Development (Nantong) Co., Ltd. Glorious Fusheng Property Investment (Beijing) Co., Ltd. and Glorious Property Investment (Shanghai) Co., Ltd. Mr. Xia joined the Group on May 2, 1999 and had been the manager of the auditing department and supervisor of the finance and treasury department of the Company. Between 1994 and 1999, Mr. Xia worked in the loans department of the Zhoushan City branch of Bank of China (中國銀行舟山分行), a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Mr. Xia has more than ten years of experience in financial management in the property industry. He received a bachelor's degree in economics from the Zhejiang University of Finance and Economics and a master's degree in public economics and investment from the Shanghai University of Finance & Economics in July 1994 and September 2002, respectively.

Mr. Li Xiao Bin (李曉斌), aged 46, is an executive Director, a vice president of the Company and the head of operations for the northeast China region, responsible for the operational management and project development of the Company's property projects in the northeast China region. Mr. Li is also a director and general manager of the Company's subsidiary, Glorious Yangguang Xindi (Liaoning) Property Development Co., Ltd. ("Glorious

Liaoning”). Since June 2005, Mr. Li has been a director and general manager of Glorious Liaoning. Prior to joining the Group, Mr. Li worked for 16 years at China Timber General Co. (中國木材總公司), a state-owned enterprise, and was its general manager prior to his departure in January 2001. Mr. Li joined the Group on May 17, 2001. He has more than seven years of experience in property management and development. He graduated with a master’s degree in business administration from Peking University in July 2006 and obtained a doctorate degree in corporate management from Dongbei University of Finance and Economics in January 2008.

Mr. Yan Zhi Rong (嚴志榮), aged 49, is an executive Director and head of project budgeting of the Company. Mr. Yan is also a director of a number of the Company’s subsidiaries, namely Glorious Property Investment (Hefei) Co., Ltd. and Glorious Property Investment (Harbin) Co., Ltd., Glorious Yijing (Shanghai) Property Development Co., Ltd., Shanghai Xintai Property Development Co., Ltd., Glorious Wangjiarui (Wuxi) Co., Ltd., Glorious Liaoning, Glorious Yangguang Xindi (Tianjin) Investment Co., Ltd., Glorious Yangguang Binhai (Harbin) Property Development Co., Ltd., Glorious Qiwei (Shanghai) Industries Co., Ltd. and Glorious Tianxingjian (Tianjin) Real Estate Investment Co., Ltd. With more than 11 years of experience in managing the construction and budgets of property projects, Mr. Yan is primarily responsible for supervision of the development and construction of projects, and management of project budgets of the Company. Mr. Yan joined the Group on 8 December 1996 as the manager of the project budgeting department. Prior to joining the Group, Mr. Yan served as the deputy general manager of the property development subsidiary company of Shanghai Materials Bureau (上海市物資局) from 1989 to 1996. Mr. Yan received a graduate diploma in Industrial and Civil Architecture from the Suzhou Industrial College in 1981 and is a qualified engineer in the PRC.

Independent Non-executive Directors

Mr. Yim Ping Kuen (嚴炳權), aged 48, is an independent non-executive Director of the Company. Mr. Yim is currently a partner of Lau, Yim, Chiu and Co., a public accounting firm in Hong Kong. Mr. Yim has been a financial controller, company secretary and chief financial officer for various international companies in different industries, including listed companies in Hong Kong and Singapore. He has more than 22 years of experience in accounting and setting up financial operations for companies in Asia. Mr. Yim joined the Group on June 17, 2008, resigned on March 16, 2009 and rejoined the Group on September 9, 2009. Mr. Yim graduated from the University of Hong Kong with a bachelor’s degree in social sciences in 1986 and also holds a master’s degree in corporate finance from the Hong Kong Polytechnic University. He is a fellow member of the Association of Chartered Certified Accountants and a practising member of the Hong Kong Institute of Certified Public Accountants.

Mr. Liu Shun Fai (廖舜輝), aged 39, is an independent non-executive Director of the Company. Mr. Liu is currently the chief financial officer of AMVIG Holdings Limited (澳科控股有限公司), a company listed on the Hong Kong Stock Exchange. Mr. Liu has been the financial controller and qualified accountant of two listed companies in Hong Kong for nine years. From 2003 to 2007, Mr. Liu served as the accounting controller and assistant company secretary of a property development company listed on the Hong Kong Stock Exchange, which engaged in the development of large-scale residential property projects in various cities in the PRC and Mr. Liu was in charge of accounting and financial reporting of the company. Mr. Liu had also worked for a major accounting firm for seven years from 1992 to 1999, during which he gained extensive experience in the auditing of real estate enterprises. Mr. Liu has more than 16 years of experience in auditing and accounting. He joined the Group on June 17, 2008, resigned on March 16, 2009 and rejoined the Group on September 9, 2009. He obtained a bachelor’s degree and a master’s degree in business administration from the Chinese University of Hong Kong in 1992 and 1999, respectively, and is an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Wo Rui Fang (沃瑞芳), aged 70, is an independent non-executive Director of the Company. From 1965 to 1993, Mr. Wo worked at the Design Administration Bureau of the PRC

(now under the Ministry of Housing and Urban-Rural Construction of the PRC), and was head of its information technology division from 1988 to 1993, responsible for the development of new construction design technology and standards. From 1993 to 1997, Mr. Wo served as the vice mayor of Nantong City, Jiangsu Province, PRC and was in charge of the administration of the overall city planning and railway construction. Mr. Wo then re-joined the Design Administration Bureau as a senior engineer in 1997. From 1998 to 2001, he was the deputy chairman of the Practice Qualification Management Center of the Ministry of Construction. Mr. Wo has accumulated 30 years of experience in supervising the design and construction of various government property development projects and assessing the design techniques and standards of commercial and residential property development in the PRC. Mr. Wo retired from public service in 2001. He joined the Group on June 17, 2008, resigned on March 16, 2009 and rejoined the Group on September 9, 2009. He graduated from Jilin University with a bachelor's degree in construction in 1964.

Mr. Han Ping (韓平), aged 42, is an independent non-executive Director of the Company. From September 1990 to October 1996, Mr. Han worked for the Jiangsu Province Supply and Marketing Co-operative (江蘇省供銷合作社) and was responsible for the management of its construction and capital investment. In November 1996, Mr. Han became the chief economist of Jiangsu Huaxia Construction Project Management Co., Ltd. (江蘇省華廈工程項目管理有限公司), a company engaged in the provision of construction supervision, project management and construction costs auditing services to property developers and government entities. Since June 2001, Mr. Han has served as the deputy general manager of Jiangsu Huaxia Construction Project Management Co., Ltd. Mr. Han had been a project manager and auditor of engineering costs for a large number of project developments involving the construction of various kinds of properties, such as hotels, villas and other residential properties, government buildings, logistic centers and warehouses. In 2002, Mr. Han was selected as an industry expert for the assessment of tenders for property construction and urban infrastructure projects by the Office of the Tendering and Bidding of Construction Projects of Jiangsu Province (江蘇省建設工程招標投標辦公室). Over a period of six years, Mr. Han had participated in the assessment of tenders for over 20 construction projects in Jiangsu Province and Beijing. Mr. Han has accumulated more than 19 years of experience in the management and supervision of property construction projects in the PRC. Mr. Han joined the Group on June 17, 2008, resigned on March 16, 2009 and rejoined the Group on September 9, 2009. He graduated with a bachelor's degree in construction engineering and economic management from the Southeast University in 1990. He obtained a master's degree in construction and civil engineering from the Southeast University in 2005. Mr. Han is currently a member of the Hong Kong Institute of Surveyors and is a registered cost engineer, registered supervisory engineer and registered construction professional in the PRC. He holds a Level C certification from the International Project Managers Association (IPMA) and is a certified project management professional.

Senior Management

Mr. Ching Yu Lung (程如龍), aged 40, is the chief financial officer, company secretary and qualified accountant of the Company. Mr. Ching is responsible for the Company's overall financial management and corporate finance. Mr. Ching is also an independent non-executive director of Ngai Hing Hong Company Limited (毅興行有限公司), a company listed on the Hong Kong Stock Exchange. Prior to joining the Group in February 2008, Mr. Ching had been the vice president of finance for Hong Kong and China Gas Investment Limited, a subsidiary of the Hong Kong and China Gas Company Limited (香港中華煤氣有限公司), a company listed on the Hong Kong Stock Exchange. Mr. Ching had also been the chief financial officer of a real estate company and the executive director and finance director of Ngai Hing Hong Company Limited. He has more than 18 years of experience in auditing, corporate finance and accounting. He obtained a bachelor's degree of business administration from the Chinese University of Hong Kong and an executive master of business administration degree from Tsinghua University in 1992 and 2006, respectively. Mr. Ching is a fellow member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants, and a member of American Institute of Certified Public Accountants.

Ms. Fang Zhi Rong (方志榮), aged 42, is the head of the human resources department of the Group, responsible for formulating and implementing the Group's talent management strategies and policies on salary and welfare benefits of employees, as well as organizing the management structure and managing the employees' training and assessment programs of the Group. Prior to joining the Group in March 2002 as the manager of the information department of the Group, Ms. Fang worked for the Shanghai City Water Discharge Co., Ltd. (上海市城市排水有限公司) for more than 12 years. Ms. Fang graduated from the Shanghai University of Finance and Economics with a diploma in statistics in Shanghai University of Finance & Economics.

Mr. Xu Quan (徐龔), aged 42, is a vice president of the Group. Mr. Xu is responsible for the business development and investment of the Group's subsidiaries in Tianjin. Mr. Xu has been a director of Shanghai Xintai Property Development Co., Ltd. since June 2005. Currently, Mr. Xu is also a director of a number of the Company's subsidiaries, namely Shanghai Xintai Property Development Co., Ltd., Glorious Yangguang Xindi (Tianjin) Investment Co., Ltd., the executive director and general manager of Yonghe Property Development (Nantong) Co., Ltd. and the general manager of Glorious Tianxingjian (Tianjin) Real Estate Investment Co., Ltd.. Mr. Xu worked as the head of the property development department of Hanchang Property (Shanghai) Co., Ltd. (漢昌物業(上海)有限公司), a foreign-invested enterprise, from December 1995 to June 2000. Mr. Xu joined the Group in August 2000 and has more than 11 years of experience in property development and sales in the PRC. Mr. Xu obtained a graduate diploma from East China Normal University in July 1994.

Ms. Liu Yan Xia (劉艷霞), aged 48, is the head of operations for the Pan Bohai Rim region, responsible for the operational management and project development of the Company's property projects in the Pan Bohai Rim. Ms. Liu joined the Group in June 2002 and she is currently the executive director of Glorious Yangguang Xindi (Beijing) Property Development Co., Ltd. and Glorious Hetian Hexin (Beijing) Property Development Co., Ltd., which are the Company's subsidiaries. She had also previously worked for Oriental Logistics Holdings Limited (東方物產集團) from 1992 to 2002. She graduated with a bachelor's degree in economics from the Xian Jiaotong University in 1985 and a master's degree in business administration from the Renmin University in November 2002.

Mr. Fang Shi Min (方世敏), aged 71, is the chief engineer of the Group. Mr. Fang is primarily responsible for overseeing the design and quality control of the Group's property development projects. Prior to joining the Group in August 1997, Mr. Fang worked for 30 years at the Shanghai Institute of Architectural Design & Research (上海建築設計研究院). From July 1993 to July 1996, Mr. Fang worked as chief engineer for the Hainan Zhujiang Industrial Shanghai Real Estate Co., Ltd. (海南珠江實業上海房地產公司), responsible for the architectural design and supervision of construction of property development projects. In July 1996, he worked as vice general manager and the chief engineer for Shanghai Anfu Property Co., Ltd (上海安福置業有限公司). Mr. Fang has more than 41 years of experience in the construction industry. He graduated with a bachelor's degree in industrial and civil architecture from Tongji University in July 1962.

Mr. Li Jian Zhong (李建中), aged 53, is the head of operations for the east China region (excluding Shanghai), responsible for the operational management and project development of the Company's property projects in the east China region (excluding Shanghai). Mr. Li is currently the chairman of Glorious Property Investment (Nantong) Co., Ltd. and the executive director of Glorious Zhuowei (Nantong) Trade Development Co., Ltd. and Glorious Rongsheng Building (Nantong) Property Development Co., Ltd., the Company's subsidiaries. Prior to joining the Group in January 2001, Mr. Li worked for the Minhang People's Government (閩行區人民政府), a district level government of Shanghai, from April 1996 to December 2000.

Mr. Li has more than eight years of experience in real estate investment and project management. He graduated with a bachelor's degree in management engineering from the East China University of Science and Technology in July 1985. In July 2001, Mr. Li completed a postgraduate course in economics management at the research institute of the Shanghai Academy of Social Sciences.

Compensation of directors

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.

For each of the three financial years ended December 31, 2009, the aggregate amount of salaries and other allowances and benefits in kind (excluding share-based compensation expenses) paid by us to our Directors was RMB3,493,000.0 (US\$515,077.8), RMB3,848,000.0 (US\$567,426.1) and RMB19,445,000.0 (US\$2,867,359.7), respectively.

Audit committee

The Company established an audit committee on September 9, 2009 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time) (the "Listing Rules"). The primary duties of the audit committee are to review and supervise our financial reporting process and our internal control system.

The audit committee has four members, namely, Mr. Yim Ping Kuen, Mr. Liu Shun Fai, Mr. Wo Rui Fang and Mr. Han Ping, all of whom are the independent non-executive Directors. Mr. Yim Ping Kuen has been appointed as the chairman of the audit committee.

Finance Committee

The Company established a finance committee ("Finance Committee") in April 2010 with delegated authority for reviewing and approving certain financial matters of the Group. Currently, the Finance Committee comprises Mr. Zhang Zhi Rong (chairman of the Board), Mr. Ding Xiang Yang (vice chairman of the Board) and Mr. Cheng Li Xiong (chief executive officer), and its primary duties include the determination and approval of the investment of surplus funds, approval of any investment acquisition and disposal of the Group each of an amount not exceeding HK\$1 billion, arrangement of banking facilities and approval of guarantees and indemnities each of an amount not exceeding HK\$1 billion, allotment and issuance of the ordinary shares of the Company pursuant to the pre-IPO share option scheme and the share option scheme of the Company.

Remuneration committee

The Company established a remuneration committee on September 9, 2009 with the primary duties of establishing and reviewing the policy and structure of the remuneration for the Directors and senior management.

The remuneration committee has three members, namely, Mr. Zhang Zhi Rong, Mr. Liu Shun Fai and Mr. Wo Rui Fang. Mr. Zhang Zhi Rong has been appointed as the chairman of the remuneration committee.

Directors' Interests in Shares, Underlying Shares and Debentures

As of June 30, 2010, the Directors and their respective associates (as defined in the Listing Rules) had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (the "Associated Corporations") (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which (a) were required to be notified to the Company and the Hong Kong

Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

(a) **The Company**

Name of Director	Number of ordinary shares			Approximate % of shareholding ⁽⁴⁾
	Personal interests ⁽¹⁾	Corporate interests	Total	
Mr. ZHANG Zhi Rong ⁽¹⁾ . . .	15,000,000	5,041,003,436 ⁽²⁾	5,056,003,436	64.88 ⁽³⁾
Mr. DING Xiang Yang	15,000,000	—	15,000,000	0.19
Mr. CHENG Li Xiong	15,000,000	—	15,000,000	0.19
Mr. LIU Ning	5,000,000	—	5,000,000	0.06
Mr. XIA Jing Hua	5,000,000	—	5,000,000	0.06
Mr. LI Xiao Bin	5,000,000	—	5,000,000	0.06
Mr. YAN Zhi Rong	5,000,000	—	5,000,000	0.06

(b) **Associated Corporations**

Name of Director	Name of Associated Corporation	Number of ordinary shares	Approximate % of shareholding
Mr. ZHANG Zhi Rong	Best Era International Limited	150,000	100 ⁽⁶⁾
Mr. ZHANG Zhi Rong ⁽⁵⁾	Shanghai Chuangmeng International Architectural Design Co., Ltd.	—	3

Notes:

- (1) This represents interests held by the relevant Director as beneficial owner in share options granted to the Directors under the pre-IPO share option scheme of the Company to subscribe for shares in the Company.
- (2) 4,978,923,436 shares and 62,080,000 shares were held by Mr. Zhang Zhi Rong through his two wholly-owned companies, Best Era International Limited and Novel Ventures Limited, respectively.
- (3) Best Era International Limited and Novel Ventures Limited, both of which are owned as to 100% by Mr. Zhang Zhi Rong purchased in total 3,490,000 shares, 4,500,000 shares and 5,800,000 shares, on August 30, 2010, October 11, 2010 and October 13, 2010, respectively. As at October 13, 2010, Mr. Zhang indirectly held in aggregate 5,069,793,436 shares, representing 65.06% of the issued share capital of the Company.
- (4) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as of June 30, 2010 (i.e. 7,792,645,623 ordinary shares).
- (5) Ms. Gao Wei Ping holds a 3% equity interest in Shanghai Chuangmeng International Architectural Design Co., Ltd. ("Shanghai Chuangmeng"). Since Mr. Zhang Zhi Rong is the husband of Ms. Gao Wei Ping, he is deemed to be interested in the 3% equity interest in Shanghai Chuangmeng held by Ms. Gao Wei Ping.
- (6) The percentage has been compiled based on the total number of ordinary shares of Best Era International Limited in issue as of June 30, 2010 (i.e. 150,000 ordinary shares).

All of the interests disclosed in sections (a) and (b) above represent long positions in the shares of the Company or the Associated Corporations.

Save as aforesaid, as of June 30, 2010, none of the Directors or their associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Share option scheme

We adopted a share option scheme on September 9, 2009 (“Share Option Scheme”). The purpose of the share option scheme is to provide incentives to our employees including our executive directors and non-executive directors (each a “participant”). Our board of directors may, at any time within 10 years after the date of adoption of the share option scheme, make an offer to any participant. The subscription price for shares granted pursuant to the share option scheme is the highest of:

- the closing price of the shares of the Company on the Hong Kong Stock Exchange on the business day on which an offer is made to a participant;
- the average of the closing prices of the shares on the Hong Kong Stock Exchange for the five business days immediately preceding the date on which such offer is made; and
- the nominal value of the shares of the Company.

The total number of shares which may be issued upon exercise of all options granted under the share option scheme must not, in aggregate, exceed 10% of the issued share capital of the Company at the date of approval of the share option scheme. The 10% limit may be refreshed with the approval by ordinary resolution of our shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted, and yet to be exercised, under the share option scheme must not exceed 30% of our issued share capital.

The total number of shares issued and to be issued upon exercise of all options granted under the share option scheme to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. If shares issued and to be issued upon exercise of all options granted under the share option scheme (including options exercised, cancelled and outstanding) to a participant who is a substantial shareholder or an independent non-executive director of the Company in any 12-month period, (i) represent in aggregate more than 0.1 % of the total number of shares in issue and (ii) have an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5,000,000, the proposed grant of option must be approved by our shareholders by poll in a general meeting.

The exercise period of any option granted under the share option scheme shall not be longer than 10 years from the date of grant of the relevant option. Our board of directors has the authority to determine the minimum period for which an option must be held before it can vest.

As of the date of this offering memorandum, no share options have been granted under the Share Option Scheme.

Pre-IPO share option scheme

Outstanding option granted

Options to subscribe for an aggregate of 84,000,000 ordinary shares at an exercise price equal to HK\$1.76 have been granted to 15 participants by us at a consideration of HK\$1.00 under the pre-IPO share option scheme. All the options under the pre-IPO share option scheme were granted on September 9, 2009 and no further options will be granted under the pre-IPO share option scheme.

Summary of terms

The principal terms of the pre-IPO share option scheme, approved by written resolutions of the Shareholders dated September 9, 2009, are substantially the same as the terms of the share option scheme except that:

- (a) the exercise price per share of options granted under the pre-IPO share option scheme is HK\$1.76, equal to a 60% discount to the IPO offer price; and
- (b) option grants under the pre-IPO share option scheme vested as to twenty (20)% on the date of our IPO; the remaining 80% vest 20% per year over a four-year period on each anniversary of the date of our IPO. The options expire on the tenth anniversary of the date of acceptance of the grant of options.

Options granted pursuant to the pre-IPO share option scheme are non-transferable. No share will be issued under the pre-IPO share option scheme if the Company's public float will as a result of such issue be less than the minimum requirements under the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As of June 30, 2010, the interests of substantial shareholders (other than the Directors) in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity in which ordinary shares were held	Number of ordinary shares	Long position/ Short position/ Lending pool	Approximate % of shareholding ⁽²⁾
Best Era International Limited ⁽¹⁾	Beneficial owner	4,978,923,436	Long position	63.89 ⁽³⁾
JPMorgan Chase & Co.	(i) Investment manager	352,622,000	Long position	4.52
	(ii) Custodian corporation/ approved lending agent	115,274,530	Lending pool	1.48

Notes:

- (1) Best Era International Limited is owned as to 100% by Mr. Zhang Zhi Rong, who is also the sole director of Best Era International Limited.
- (2) The percentage has been compiled based on the total number of ordinary shares of the Company in issue as of June 30, 2010 (i.e. 7,792,645,623 ordinary shares).
- (3) Best Era International Limited and Novel Ventures Limited, both of which are owned as to 100% by Mr. Zhang Zhi Rong, a director of the Company, purchased in total 3,490,000 shares, 4,500,000 shares and 5,800,000 shares, on August 30, 2010, October 11, 2010 and October 13, 2010, respectively. As at October 13, 2010, Mr. Zhang indirectly held in aggregate 5,069,793,436 shares, representing 65.06% of the issued share capital of the Company.

Apart from the aforesaid, as of June 30, 2010, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions in 2007, 2008, 2009 and the six months ended June 30, 2010 between us and controlling shareholder and, in each case, the companies with which they are affiliated. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, the aggregate amount of our related party transactions (in accordance with HKFRS) was RMB1,080.7 million, RMB1,233.5 million, RMB930.1 million (US\$137.2 million), RMB368.3 million and RMB415.4 million (US\$61.3 million), respectively. We discontinued some of these related party transactions after our IPO in October 2009.

The following table summarizes our related party transactions for the periods indicated.

	For the year ended December 31,				For the six months ended June 30,		
	2007	2008	2009		2009	2010	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	RMB'000	US\$'000
							(unaudited)
Purchase of construction services							
- Shanghai Ditong	1,019,730	1,185,545	816,787	120,443	352,018	352,320	51,953
- Other related parties	3,700	2,117	1,950	288	—	—	—
	<u>1,023,430</u>	<u>1,187,662</u>	<u>818,737</u>	<u>120,731</u>	<u>352,018</u>	<u>352,320</u>	<u>51,953</u>
Property management services	1,764	326	51	8	—	—	—
Purchase of gardening services	2,529	3,204	—	—	—	—	—
Purchase of property design services	17,524	10,656	14,723	2,171	4,622	10,762	1,587
Purchase of consultancy services	17,658	3,333	3,333	491	1,667	1,667	246
Commission fees paid/payable	6,082	18,872	6,104	900	6,104	—	—
Interest expenses	5,809	1,282	—	—	—	—	—
Key management compensation	5,927	8,177	87,148	12,851	3,880	50,641	7,467
Total	<u>1,080,723</u>	<u>1,233,512</u>	<u>930,096</u>	<u>137,152</u>	<u>368,291</u>	<u>415,390</u>	<u>61,253</u>

Amounts due from and to related parties

As of December 31, 2007, 2008, 2009 and June 30, 2010, respectively, we had the following trading balances with our related parties:

	As of December 31,				As of June 30,	
	2007	2008	2009		2010	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
						(unaudited)
Balances included in current assets:						
Prepayments of construction costs to or purchase of services from related companies - included in "Prepayments"						
- Shanghai Ditong	643,863	1,165,395	1,493,992	220,304	1,861,651	274,519
- Other companies controlled by close family members of Mr. Zhang Zhi Rong	21	8	—	—	—	—
- Companies controlled by Mr. Zhang Zhi Rong	9,702	5,000	1,667	246	—	—
- An associate of the Company . . .	—	—	—	—	—	—
- Prepayment to Jiangsu Rongsheng for acquisition.	—	—	—	—	1,799,200	265,310
	<u>653,586</u>	<u>1,170,403</u>	<u>1,495,659</u>	<u>220,550</u>	<u>3,660,851</u>	<u>539,829</u>
Non-trading balances - included in "Other receivables"						
- Shanghai Ditong	782,984	—	—	—	—	—
- Other companies controlled by close family members of Mr. Zhang Zhi Rong	21,803	—	—	—	—	—
- Companies controlled by Mr. Zhang Zhi Rong	346,130	—	—	—	—	—
- An associated company of a company controlled by Mr. Zhang Zhi Rong	8,350	—	—	—	—	—
- An associated company of Mr. Zhang Zhi Rong	9,828	—	—	—	—	—
- Mr. Zhang Zhi Rong	74,461	—	—	—	—	—
	<u>1,243,556</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	As of December 31,				As of June 30,	
	2007	2008	2009		2010	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
						(unaudited)
Balances included in current liabilities:						
Trading balances - included in "Trade payables"						
- Shanghai Ditong	393,322	489,797	18,839	2,778	—	—
- Associated companies of Mr. Zhang Zhi Rong	8,346	—	—	—	—	—
- An associate of the Company	—	8,777	3,961	584	—	—
- Other companies controlled by close family members of Mr. Zhang Zhi Rong	16,295	14,302	12,502	1,844	—	—
- Companies controlled by Mr. Zhang Zhi Rong	61,270	10,637	8,755	1,291	—	—
	<u>479,233</u>	<u>523,513</u>	<u>44,057</u>	<u>6,497</u>	<u>—</u>	<u>—</u>
Non-trading balances - included in "Other payables"						
- Shanghai Ditong	—	—	—	—	—	—
- Other companies controlled by close family members of Mr. Zhang Zhi Rong	225,809	—	—	—	—	—
- Companies controlled by Mr. Zhang Zhi Rong	75,086	4,500	—	—	—	—
- Mr. Zhang Zhi Rong	87,340	—	—	—	—	—
- An associated company of a company controlled by Mr. Zhang Zhi Rong	30	—	—	—	—	—
- An associated company of Mr. Zhang Zhi Rong	1,628	—	—	—	—	—
	<u>389,893</u>	<u>4,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Non-trading balances included in "Borrowings"						
- A company controlled by Mr. Zhang Zhi Rong	<u>680,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Deed of Non-compete Undertaking

On September 9, 2009, we entered into the Deed of Non-compete Undertaking with Mr. Zhang Zhi Rong and Best Era, our controlling shareholders. Under the terms of the Deed of Non-compete Undertaking, Mr. Zhang Zhi Rong and Best Era have agreed not to compete with us in our business.

Property management services

We do not engage in property management services. Yangguang Management is 90% owned by the wife of Mr. Zhang Zhi Rong. Yangguang Management is one of the service providers we engage by way of a tender process in accordance with the relevant property management laws and regulations to provide pre-delivery property management services. Yangguang Management currently provides pre-delivery property management services (which include security, property maintenance, gardening and other ancillary services) for two of our project developments. These two project developments are Shanghai Park Avenue (development completed) and Sunshine Venice (development of Phases I, II, IIIA and IIIB completed, and the expected completion of Phase IIIC in September 2009). After more than 70% of the properties in a property development are delivered to our customers, an owners' committee is formed to choose the property management service provider for on-going property management services. Following the delivery of the properties to our customers, such property management services are no longer be provided to us, but are contractually or legally provided to the customers, which therefore will not constitute connected transactions. The provision of pre-delivery property management services by Yangguang Management constitutes a connected transaction.

The management fee is determined by reference to the prevailing market rates set by the relevant government authorities and is calculated based on the GFA of the units. Based on the number of unsold units and their GFAs, we estimate that our annual pre-delivery management service fees payable to Yangguang Management for each of the two financial years ending December 31, 2011 will not exceed HK\$1,000,000.

On September 9, 2009, we entered into a framework management service agreement with Yangguang Management (the "Management Service Agreement"), pursuant to which Yangguang Management has agreed to provide pre-delivery property management service to us according to the property management agreements to be signed between Yangguang Management and us. According to the Management Service Agreement, the management fee will be based on: (a) a rate fixed by the PRC government, (b) if there is no rate fixed by the PRC government, a rate proposed by the PRC government, (c) if there is no rate proposed by the PRC government, the market rate, or (d) if all the above rates are inapplicable, a rate agreed by Yangguang Management and us. The Management Service Agreement shall be effective from the date of our IPO up to December 31, 2011 and the term may be renewed as the parties may mutually agree.

Construction Services Agreement

Shanghai Ditong, which is principally engaged in property construction and engineering work and holds a Class I Qualification for General Contracting of Building Construction Works (房屋建築工程施工總承包一級資質), is controlled by Mr. Zhang De Huang, the father of Mr. Zhang Zhi Rong. For the three financial years ended December 31, 2009 and the six months ended June 30, 2010, the total construction costs incurred for the construction services provided by Shanghai Ditong amounted to RMB1,019.7 million, RMB1,185.5 million, RMB816.8 million (US\$120.4 million) and RMB352.3 million (US\$52.0 million). Shanghai Ditong is currently working on six uncompleted construction projects for us.

In connection with the IPO, we undertook that, with respect to our project developments for which a construction company had not yet been selected at the time of the IPO, the annual construction fees paid to Shanghai Ditong for such projects will not exceed 40%, 30% and 20%, respectively, of the estimated total annual construction fees payable for such projects for each of the three years ending December 31, 2011. For the year ended December 31, 2009 and the six months ended June 30, 2010, the construction costs paid/payable to Shanghai Ditong were RMB816.8 million (US\$120.4 million) and RMB352.3 million (US\$52.0 million), respectively. Taking into account our undertaking and the estimated total amounts payable for our anticipated project developments of RMB2,090.0 million and RMB4,347.6 million, respectively, for each of the two financial years ending December 31, 2011, the maximum amounts payable to Shanghai Ditong for the two financial years ending December 31, 2011 are RMB627.0 million and RMB869.5 million, respectively. After December 31, 2011, we will continue to adopt corporate governance measures in the selection of construction contractors and review its list of construction contractors from time to time so as to evaluate its working relationship with other third party construction contractors. We will comply with the requirements under the listing rules of the Hong Kong Stock Exchange if we intend to engage Shanghai Ditong in providing construction services to us after going through the corporate governance measures and the tender process.

On September 9, 2009, Shanghai Ditong entered into a framework construction services agreement (the “Construction Services Agreement”) with us, pursuant to which Shanghai Ditong agreed, in the event it is selected following the tender process, to provide construction and related services to us according to the tender document and the construction contracts to be signed between Shanghai Ditong and us from time to time. The Construction Services Agreement is effective from October 9, 2009 up to December 31, 2011 and may be renewed if the parties mutually agree, subject to compliance with Chapter 14A of the listing rules of the Hong Kong Stock Exchange.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have borrowed money from various banks and other third parties. As of June 30, 2010, our total borrowings (including the promissory notes issued to pre-IPO investors and the Shanghai Bay Arrangements) totaled RMB10,761.4 million (US\$1,586.9 million). We set forth below a summary of the material terms and conditions of these loans and other material indebtedness.

Project loan agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, primarily China Construction Bank, China Bank of Communications, Bank of China, China Minsheng Bank and Bank of Shanghai. These loans typically are secured project loans to finance the construction of our projects (the “project loans”) and have terms ranging from 1 year to 5 years, which generally correspond to the construction periods of the particular projects. The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) will be structurally subordinated to these loans and any other indebtedness incurred by our PRC Subsidiaries. As of June 30, 2010, the balance of our project loans was RMB8,857.6 million (US\$1,306.1 million).

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 periodic review by the banks. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2009, the weighted average interest rate on the aggregate outstanding amount of our project loans was 7.89% per annum.

Covenants

Under these project loans, many of our subsidiary borrowers have agreed, among other things, to restrictions on taking the following actions without first obtaining the lenders’ prior consent:

- creating encumbrances on their properties or assets;
- granting guarantees to third parties;
- making major changes to their corporate structures, such as entering into joint ventures, mergers or acquisitions and reorganizations or making other changes to the company’s status, such as by liquidation or dissolution;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing of assets; and
- incurring other indebtedness.

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 and associates have guaranteed all liabilities of the subsidiary borrowers under these project loans. Our obligations under the project loan agreements are typically secured by mortgages over the land use rights for the projects.

2010 Entrusted Loan Agreements

On February 1, 2010, our subsidiaries Wuxi Wangjiarui and Shanghai Yijing borrowed an aggregate of RMB1.0 billion under two entrusted loan agreements with CITIC for the specific purpose of funding the purchase price for the Xuhui Acquisition. Under current PRC laws and regulations, PRC companies other than licensed financial institutions are prohibited from making loans to each other directly. As a result, companies commonly use indirect entrusted loan arrangements under which funds are first deposited by the lending company with a PRC commercial bank, and the PRC commercial bank then loans the corresponding amount of funds to the borrower pursuant to the instruction of the lending company. As the principal and interest of the loan are repaid to the bank, the bank makes corresponding repayments to the lending company after deducting service fees. Each of these entrusted loan agreements bear interest at the rate of 6.5% per annum. One is repayable within 18 months, and the second is repayable within 24 months. The entrusted loans are guaranteed by our Company and secured by a pledge of Wuxi Wangjiarui's 100% equity interest in the companies acquired in the acquisition. In relation to these two entrusted loans, Wuxi Wangjiarui agreed to pay to CCB Shenzhen and CITIC a loan arrangement fee in an aggregate amount of RMB67.3 million, which is payable in various installments throughout the life of the loans.

On March 5, 2010, Shanghai Xintai borrowed an aggregate of RMB1.0 billion under two entrusted loan agreements with Bohai International Entrustment Company Ltd. for the specific purpose of funding development of Phases I, IIA and III of Shanghai Bay. Each of the entrusted loan agreements bear interest at a floating interest rate calculated as the base borrowing rate set by the People's Bank of China plus 0.6% per annum, which interest rate totaled 6% per annum at execution. Under the two entrusted loan agreements, RMB400 million is repayable within 18 months, an additional RMB400 million is repayable within 21 months and a further RMB200 million is repayable within 24 months. The entrusted loans are guaranteed by our Company and secured by a pledge of a 70% equity interest in Shanghai Xintai by Shanghai Yijing. In relation to these two entrusted loans, Shanghai Xintai agreed to pay to CCB Shenzhen a loan arrangement fee of RMB68.0 million, which is payable in various installments throughout the life of the loans.

On March 29, 2010, Shanghai Xintai borrowed an aggregate of RMB925.0 million under two entrusted loan agreements with Huabao Entrustment Company Ltd. to finance the purchase price for the Nanjing Jiangxu Acquisition. Each of these entrusted loan agreements bear interest at the rate of 4.98% per annum. Under the two entrusted loan agreements, RMB92.5 million is repayable within 18 months, an additional RMB92.5 million is repayable within 24 months and a further RMB740 million is repayable within 30 months. The entrusted loans are guaranteed by our Company and secured by pledges of a 60% equity interest in Nanjing Jiangxu. The sales revenues from some of our existing projects will be used to repay these loans. If our Sanchahe Project is not funded within nine months after the drawdown date under these loan agreement, we may be obligated to provide additional security or guarantees. In relation to these two entrusted loans, Shanghai Xintai agreed to pay to CCB Shenzhen a loan arrangement fee of RMB85.0 million, which is payable in various installments throughout the life of the loans.

On April 13, 2010, Shanghai Xintai borrowed an aggregate of RMB1.0 billion under two entrusted loan agreements with Bohai International Entrustment Company Ltd. for the specific purpose of funding development of Phases I, IIA and III of Shanghai Bay. Each of the entrusted loan agreements bear interest at a floating interest rate calculated as the base borrowing rate

set by the People's Bank of China plus 0.6% per annum, which interest rate totaled 6% per annum at execution. Under the two entrusted loan agreements, RMB200.0 million is repayable within nine months, additional RMB300.0 million is repayment within 12 months, a further RMB400.0 million is repayable within 15 months and a final amount of RMB100.0 million is repayable within 24 months. The entrusted loans are guaranteed by our Company and secured by a pledge of Shanghai Yijing's 70% equity interest in Shanghai Xintai, which is shared as security under the two entrustment loan agreements Shanghai Xintai entered into with Bohai International Entrustment Company Ltd. on March 5, 2010. In relation to these two entrusted loans, Shanghai Xintai agreed to pay to CCB Shenzhen a loan arrangement fee of RMB46.0 million, which is payable in various installments throughout the life of the loans.

Shanghai Bay Arrangements

In August 2009, pursuant to the Shanghai Bay Arrangements, we transferred our legal ownership interests in Blocks Nos. 2 and 8 of Shanghai Bay, with a total GFA of 56,202 sq.m., to Shanghai Industrial Group. In return, we received a payment of approximately US\$190.2 million (equivalent to RMB1.3 billion) which we used to partially redeem the original promissory notes.

In December 2009, we received a second payment in an amount equal to the US\$ equivalent of RMB0.7 billion when we pledged 30% of the total equity interests of our subsidiary, Shanghai Xintai, to Shanghai Industrial Group, and agreed to transfer our legal interests in additional Blocks Nos. 9 and 10 of Shanghai Bay with a total GFA of 53,984 sq. m. to Shanghai Industrial Group by December 31, 2011.

Under the Shanghai Bay Arrangements, we have the right and obligation to reacquire Shanghai Penghui, the legal entity that owns Blocks No.2 and 8 of Shanghai Bay and that will own Blocks No.9 and 10 if they are transferred, and Shanghai Industrial Group has the right and obligation to resell Shanghai Penghui to us on December 1, 2011. The consideration for the reacquisition of Shanghai Penghui will be RMB2.0 billion. Upon payment of such consideration, the pledge to Shanghai Industrial Group of 30% of the equity in our subsidiary, Shanghai Xintai, will also be released. As part of such arrangements, we have agreed to ensure that Shanghai Industrial Group receives a "shareholder return" (net of tax) for each of the three years ending December 31, 2011 equal to 18% per annum of the consideration paid by Shanghai Industrial Group. The payments we received from Shanghai Industrial Group are accounted for as a loan on our balance sheet. The "shareholder return" is accounted for in our financial statements as interest.

As of December 31, 2009, the weighted average interest rate on the aggregate outstanding amount under the Shanghai Bay Arrangements was 20.0% per annum.

The commercial intention for entering into the Shanghai Bay Arrangements was to enable us to obtain financing from, and grant collateral for such financing to, Shanghai Industrial Group. As such, pursuant to the terms of the Shanghai Bay Arrangements and following the transfer of each of the transferred blocks and prior to December 31, 2011, (i) we will continue to bear the risks associated with the development of the transferred blocks and (ii) unless a non-performing event occurs, we still will retain the right to manage and control the construction, pre-sale, sale, and development of the transferred blocks and manage the daily operations of Shanghai Penghui, the entity that will have legal ownership of the transferred blocks during such period.

As part of the Shanghai Bay Arrangements, we have also agreed to provide additional security to Shanghai Industrial Group in the form of a pledge of our legal interests in Block No. 6 of Shanghai Bay (once Block No. 6's development status meets the required standard to be pledged). The pledge of Block 6, if made, will be released at the time that we repurchase Shanghai Penghui or when the amount of pre-sale proceeds from Block No. 6 received by Shanghai Penghui reaches RMB350.0 million (whichever is earlier).

Assuming that we do not default in our obligations under the Shanghai Bay Arrangements, including our obligation to repurchase Shanghai Penghui for RMB2.0 billion and to ensure payment of the 18% shareholder return to Shanghai Industrial Group, Shanghai Industrial Group will have no further interest or entitlement in respect of the transferred blocks or Shanghai Penghui once we repurchase Shanghai Penghui. If we fail to repurchase Shanghai Penghui or fail to pay the shareholder return, we are liable to make a penalty payment in an amount equal to 8% of the RMB2.0 billion consideration.

Nantong Credit Facility

In September 2010, our subsidiary, Glorious Property Investment (Nantong) Co., Ltd., entered into an acquisition loan agreement with Bank of China (Nantong Branch) (“BOC Nantong”). The loan agreement provides a credit facility of RMB300.0 million (the “Nantong Credit Facility”) of which we had utilized RMB150.0 million as of September 30, 2010. The loan bears floating interest that is based on the PBOC benchmark lending rate. This loan facility is secured by a 100% equity interest in Glorious Baofeng (Nantong) Property Development Co., Ltd. and will be repayable in three installments through September 7, 2013. In relation to the loan facility, we agreed to pay BOC Nantong a loan arrangement fee of RMB25.3 million.

Nantong Trust Arrangements

In early October 2010, Fuda Nantong (our indirect wholly-owned subsidiary and the sole equity owner of Glorious Weida), Shanghai Xintai (our indirect wholly-owned subsidiary), Glorious Weida (our indirect wholly-owned subsidiary and a direct wholly-owned subsidiary of Fuda Nantong) and Jiangsu International Trust Corporation Limited (“Jiangsu Trust”) entered into a series of agreements (the “Nantong Trust Arrangements”). The commercial intention for entering into the Nantong Trust Arrangements was to enable Glorious Weida to obtain approximately RMB1.25 billion in financing from, and to grant collateral for such financing to, Jiangsu Trust. Such financing will be contributed to Glorious Weida to develop our Nantong Royal Bay Project. The financing will be accounted for as a loan. Pursuant to the Nantong Trust Arrangements:

- Jiangsu Trust established a trust scheme (the “Trust Scheme”) to raise funds to invest in Glorious Weida, which is developing our Nantong Royal Bay Project;
- Members of the public purchased 1.25 billion units in the Trust Scheme as preferential investors for RMB1.25 billion and Fuda Nantong purchased 420 million units in the Trust Scheme as a subordinated investor for RMB420 million;
- Jiangsu Trust invested the RMB1.67 billion raised by the Trust Scheme as a capital contribution to Glorious Weida and received a 49.55% equity interest in Glorious Weida in return;
- Fuda Nantong contributed RMB1.3 billion to Glorious Weida as a shareholder loan and RMB181 million as a capital contribution;
- It was agreed that, after two years, Fuda Nantong or Shanghai Xintai would purchase (the “Purchase Undertaking”), and the holders of the preferential trust units would sell, the preferential trust units at a price providing an annual return of approximately 8.0% to 8.5%;
- Fuda Nantong pledged its remaining 50.45% equity interest in Glorious Weida to Jiangsu Trust and Glorious Weida pledged the land use rights over the land where the Nantong Royal Bay Project is located to Jiangsu Trust to secure our obligations under the Purchase Undertaking;

- We agreed to pay Jiangsu Trust fees and expenses equal to 3% per annum on the RMB1.25 billion raised from the preferential trust units; and
- After our fulfillment of the Purchase Undertaking and payment of the fees and expenses, Jiangsu Trust will distribute the 49.55% equity interest in Glorious Weida held by it (the only asset under the Trust Scheme) to Fuda Nantong and/or Shanghai Xintai, for consideration of RMB1.00.

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 RMB3,790.1 million (US\$558.9 million).

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Glorious Property Holdings Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company that 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 the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and The Bank of New York Mellon, London Branch as trustee (the “Trustee”).

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees (as defined below) and the Intercreditor Agreement (as defined below). 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, the JV Subsidiary Guarantees and the Intercreditor Agreement. 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 The Bank of New York Mellon, London Branch, One Canada Square, 40th Floor, London E14 5AL, United Kingdom.

Brief Description of the Notes

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 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 and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under the caption “— The Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral;”
- effectively subordinated to the other secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (other than Permitted *Pari Passu* Secured Indebtedness), to the extent 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 “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 Shared Collateral as described below under the caption “— Security” and will:

- be entitled to a first priority Lien on the Shared Collateral (subject to any Permitted Liens) shared on a *pari passu* basis with (i) the Term Loan Lenders, if any, and (ii) holders of any other Permitted *Pari Passu* Secured Indebtedness; and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Shared 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 October 25, 2015 unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 13.00% 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 on April 25 and October 25 of each year (each, an “Interest Payment Date”), commencing April 25, 2011. Interest on the Notes will be paid to Holders of record at the close of business on April 10 or October 10 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. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under “— Optional Redemption” and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

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.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— 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 be issued only in fully registered form, without coupons, in denominations of US\$100,000 and integral multiples of US\$1,000 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 at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York (which initially will be the corporate trust administration office of the Trustee, currently located at 101 Barclay Street, Floor 4E, New York, NY 10286, United States of America), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made

by check mailed at the Company's expense 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 on the Business Day following payment thereof.

The Subsidiary Guarantees

The initial Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) 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 (as defined below). All of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) are holding companies that do not have significant operations.

None of the Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor or a JV Subsidiary Guarantor on the Original Issue Date or will at any time in the future provide a Subsidiary Guarantee or a JV Subsidiary Guarantee. Moreover, no future Restricted Subsidiary organized under the laws of the PRC will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future.

The Company may designate any Offshore Subsidiary as an Offshore Non-Guarantor Subsidiary (an "Offshore Non-Guarantor Subsidiary" and, together with the PRC Non-Guarantor Subsidiaries, the "Non-Guarantor Subsidiaries") subject to the limitations described below.

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. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

The Company will cause each of its future Restricted Subsidiaries (other than Non-Guarantor Subsidiaries) to become a Subsidiary Guarantor or a JV Subsidiary Guarantor promptly after such Restricted 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 U.S. Investment Company Act of 1940, as amended. 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 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 an Offshore Subsidiary, (iii) that is not designated as an Offshore Non-Guarantor Subsidiary or an Unrestricted Subsidiary and (iv) in respect of which the Company or any of its Restricted Subsidiaries is proposing to divest, whether through the sale of existing shares or the issuance of new shares, 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, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary Guarantee from (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are not organized under the laws of the PRC, *provided* that each of the following conditions have been satisfied:

- concurrently with providing such JV Subsidiary Guarantee, the Company and the JV Subsidiary Guarantor have delivered to the Trustee:
 - (i) (A) a duly executed Guarantee of the JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and of each Restricted Subsidiary of the JV Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly

executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which each provide, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of the JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

- (ii) a duly executed Shared Security Document that pledges in favor of the Trustee the Capital Stock of the JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of the JV Subsidiary Guarantor;
 - (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantees have 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 addressed to the Trustee confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing the JV Subsidiary Guarantees (subject to customary qualifications and assumptions);
- as of the date of execution of the JV Subsidiary Guarantees, no document or agreement exists that is binding on the Company or any of its Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of its Restricted Subsidiaries from providing such JV Subsidiary Guarantees or (b) requiring the Company or any of its Restricted Subsidiaries to deliver or keep in force a guarantee on terms that are more favorable to the recipients of such guarantee than any such JV Subsidiary Guarantee;
 - such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, one or more Independent Third Parties 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 each JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in the JV Subsidiary Guarantor, the Non-Guaranteed Portion does not exceed 15.0% of Total Assets; and
 - 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 the JV Subsidiary Guarantor from the date of the sale of existing shares or issuance of new shares 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 Parties that purchased or subscribed for shares in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentage of the Capital Stock of the JV Subsidiary Guarantor.

Notwithstanding the immediately preceding paragraph, any such sale or issuance of Capital Stock, including the application of the proceeds thereof, must comply with the other terms of the Indenture.

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 all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

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

- will be a general obligation of such JV Subsidiary Guarantor;
- will be limited as to enforceability to the JV Entitlement Amount;
- 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, 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, will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

Subject to the limitations described in “Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral,” the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor (i) will be entitled to a Lien on the Shared Collateral (subject to any Permitted Liens) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption “— Security”, shared on a *pari passu* basis with the Term Loan Lenders, if any, and with the holders of any other Permitted *Pari Passu* Secured Indebtedness and (ii) will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Shared Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

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, *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 the 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 respective rights 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 payments 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 in 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.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each JV Subsidiary Guarantee will be limited to an amount equal to 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 a 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 respective Subsidiary Guarantee and the enforceability of the Shared 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 "Risk Factors — Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees and the JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees."

Offshore Non-Guarantor Subsidiaries

An Offshore Subsidiary that is a Restricted Subsidiary need not provide a Subsidiary Guarantee or JV Subsidiary Guarantee if it is designated by the Company as an Offshore Non-Guarantor Subsidiary. The Board of Directors may designate any Offshore Subsidiary to be an Offshore Non-Guarantor Subsidiary if:

- (1) at any time of determination, the total Non-Guaranteed Portion would not exceed 15.0% of Total Assets; and
- (2) such designation would not cause a Default.

The Board of Directors may at any time remove the designation of any Offshore Non-Guarantor Subsidiary as such, and unless such Offshore Subsidiary is designated an Unrestricted Subsidiary, it will become a Subsidiary Guarantor or JV Subsidiary Guarantor and execute a supplemental indenture pursuant to which it will Guarantee the Notes under a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the provisions of the indenture, within 30 Business Days of the date on which its designation as an Offshore

Non-Guarantor Subsidiary was removed. Simultaneously, the Company will cause all of the Capital Stock in such Offshore Subsidiary (unless it is the Subsidiary of a JV Subsidiary Guarantor) owned by the Company and its Restricted Subsidiaries to be pledged to secure the Notes, the Subsidiary Guarantees and any Permitted *Pari Passu* Secured Indebtedness.

Any designation of an Offshore Subsidiary as an Offshore Non-Guarantor Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions.

If, at any time, the Non-Guaranteed Portion exceeds 15.0% of Total Assets, the Company must remove the designation of one or more Offshore Non-Guarantor Subsidiaries such that the 15.0% limitation is complied with. This removal of designation must be made within 30 Business Days from the date consolidated financial statements of the Company for the most recent fiscal quarter (which the Company must use its best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements).

Release of the Subsidiary Guarantees and JV 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 “— 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 or an Offshore Non-Guarantor Subsidiary in compliance with the terms of the Indenture; or
- 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 captions “— 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; and
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

In addition, 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 Capital Stock of the relevant Subsidiary Guarantor, *provided* that each of the following conditions have been satisfied:

- concurrently with the release of such Subsidiary Guarantee, the Company and such former Subsidiary Guarantor have delivered to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such former Subsidiary Guarantor and of each Restricted Subsidiary of such former Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which each provide, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of the JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) a duly executed Shared Security Document that pledges in favor of the Trustee the Capital Stock of the JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of the JV Subsidiary Guarantor;
 - (iii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantees have 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 addressed to the Trustee confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing the JV Subsidiary Guarantees (subject to customary qualifications and assumptions);
- as of the date of such proposed release, no document or agreement exists that is binding on the Company or any of its Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of its Restricted Subsidiaries from releasing such Subsidiary Guarantee or providing such JV Subsidiary Guarantees or (b) requiring the Company or any of its Restricted Subsidiaries to deliver or keep in force a guarantee on terms that are more favorable to the recipients of such guarantee than any such JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to one or more Independent Third Parties 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 each JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in the JV Subsidiary Guarantor, the Non-Guaranteed Portion does not exceed 15.0% of Total Assets; and

- 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 the JV Subsidiary Guarantor from the date of the sale of existing shares or issuance of new shares 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 Parties that purchased or subscribed for shares in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentage of the Capital Stock of the JV Subsidiary Guarantor.

Notwithstanding the immediately preceding paragraph, any such sale or issuance of Capital Stock, including the application of the proceeds thereof, must comply with the other terms of the Indenture.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "— 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.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and that such release has been authorized by, permitted by and made in accordance with the provisions of the Indenture.

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, the Capital Stock of the initial Subsidiary Guarantors (subject to Permitted Liens) 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 Pledgor under its Subsidiary Guarantee.

The initial Subsidiary Guarantor Pledgors are Allied Honest Holdings Limited, Bright New Investments Limited, East Harbour Development Limited, Grand Target Group Limited, Highest Reach Limited (BVI), Regal World Development Limited and Vieward Group Limited. On the Original Issue Date, the Company and the initial Subsidiary Guarantor Pledgors will pledge the Capital Stock of the initial Subsidiary Guarantors, which are the initial Subsidiary Guarantor Pledgors plus Cheston Holdings Limited, Extreme (Asia) Limited, Fast Right Limited, Rich Tech International Enterprise Limited, Venture Hong Kong Group Limited and Worldex Investment Development Limited.

None of the Capital Stock of the Non-Guarantor Subsidiaries 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 Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future. The Company has also agreed, for the benefit of the Holders, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Non-Guarantor Subsidiaries as determined in accordance with the Indenture) after the Original Issue Date, immediately upon such Person becoming 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."

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 pledge the Capital Stock of its direct or indirect Subsidiaries as security in favor of the Trustee. The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

The Shared Collateral will be shared on a *pari passu* basis by the Holders and the holders of any Permitted *Pari Passu* Secured Indebtedness, including the Term Loans, if any. Accordingly, in the event of a default under the Notes or the other secured indebtedness and a foreclosure on the Shared Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness.

The value of the Shared Collateral securing the Notes and the Subsidiary Guarantees 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 and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the amount of Shared Collateral securing the Notes and such Subsidiary Guarantee may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and Permitted *Pari Passu* Secured Indebtedness and the disposition of assets comprising the Shared Collateral, subject to the terms of the Indenture. No appraisals of the Shared Collateral have been prepared in connection with this offering of the Notes. By its nature, some or all of the Shared Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Shared Collateral would be sold in a timely manner or at all. See "— 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."

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Shared 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 Shared 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 Shared 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 described under the caption "— Limitation on Indebtedness and Preferred Stock;" (2) the holders of such Indebtedness (other than Additional Notes) or their representative become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of the Shared Collateral and such *Pari Passu* Subsidiary Guarantees that are substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Shared Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee an Opinion of Counsel and Officer's Certificate with respect to compliance with the conditions stated above and other corporate and collateral matters in connection with the Shared Security Documents, in form and substance as set forth in the Shared Security Documents. The Trustee will be permitted and authorized, without the consent

of any Holder, to enter into any amendments to the Shared Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Shared 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 Shared Collateral on behalf of the Holders and the holders of Permitted *Pari Passu* Secured Indebtedness).

Except for certain Permitted Liens and 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 Shared Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

Prior to the first Incurrence of any Term Loan or of any other Permitted *Pari Passu* Secured Indebtedness, the Trustee will enter into an intercreditor agreement (the “Intercreditor Agreement”), which shall be in the form annexed to the Indenture, with the Company, the Subsidiary Guarantor Pledgors and the holders of such Permitted *Pari Passu* Secured Indebtedness (or their representative). The Intercreditor Agreement provides, among other things, that (i) the parties thereto shall share equal priority and *pro rata* entitlement in and to the Shared Collateral, (ii) the conditions under which the parties thereto will consent to the release of or granting of any Lien on such Shared Collateral and (iii) the conditions under which the parties thereto will enforce their rights with respect to such Shared Collateral and the Indebtedness secured thereby.

Enforcement of Security

The Liens securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Trustee, in its capacity as collateral agent under the Shared Security Documents, for the benefit of the Holders, the Paying Agent and itself. The Trustee, in its capacity as collateral agent, will hold such liens and security interests in the Shared Collateral granted pursuant to the Shared Security Documents with sole authority as directed by the written instruction of the Holders to exercise remedies under the Shared Security Documents (subject to the terms of the Intercreditor Agreement). The Trustee, in its capacity as collateral agent, has agreed to act as secured party on behalf of the Holders, the Paying Agent and itself under the applicable Shared Security Documents, to follow the instructions provided to it under the Indenture and the Shared Security Documents (subject to the terms of the Intercreditor Agreement) and to carry out certain other duties.

The Indenture and the Shared Security Documents provide that, at any time while the Notes are outstanding, the Trustee, in its capacity as collateral agent, has the right to manage, perform and enforce the terms of the Shared Security Documents relating to the Shared Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Shared Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Shared Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture (subject to the terms of the Intercreditor Agreement).

All payments received and all amounts held by the Trustee, in its capacity as collateral agent, on behalf of Holders in respect of the Shared Collateral under the Shared Security Documents will be applied as follows:

first, to the Trustee to the extent necessary to reimburse the Trustee, for itself and in its capacity as collateral agent and Paying Agent, for any expenses incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing its remedies under the Shared Security Documents and preserving the Shared Collateral and all amounts for which the Trustee, for itself and in its capacity as collateral agent and Paying Agent, are entitled to indemnification under the Shared Security Documents, the Intercreditor Agreement and the Indenture;

second, to the Trustee for the benefit of the Holders; and

third, any surplus remaining after such payments will be paid to the Company or the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Trustee, in its capacity as collateral agent, may decline to foreclose on the Shared Collateral or exercise remedies available if it does not receive indemnification to its satisfaction. In addition, the Trustee's ability to foreclose on the Shared Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Trustee's Liens on the Shared Collateral. Neither the Trustee, in its capacity as such or as 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 the Shared Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Shared Security Documents, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, or 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 Shared Security Documents or any delay in doing so.

The Shared Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Trustee for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Trustee arising out of the Shared Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the negligence or willful misconduct of the Trustee.

This section, "— Enforcement of Security," shall be subject to any amendments to the Shared Security Documents or the Indenture to permit the creation of Liens on the Shared Collateral to secure Permitted *Pari Passu* Secured Indebtedness in accordance with "— Permitted *Pari Passu* Secured Indebtedness" above.

Release of Security

The security created in respect of the Shared Collateral granted under the Shared 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 caption "— Defeasance — Defeasance and Discharge;"
- upon certain dispositions of the Shared Collateral in compliance with the covenants under the captions "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "— Limitation on Asset Sales" or in accordance with the provision under the caption "— Consolidation, Merger and Sale of Assets;" or
- 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.

In addition, 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.

No release of Shared Collateral shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and that such release has been authorized by, permitted by and made in accordance with the provisions of the Indenture.

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 any 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) 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 and the other provisions of the Indenture; *provided further* that any Additional Notes will be issued with no more than a *de minimis* amount of original issue discount or be part of a “qualified reopening” as defined for U.S. federal income tax purposes. The Bank of New York Mellon, London Branch may serve as trustee with respect to any Additional Notes.

Optional Redemption

At any time and from time to time on or after October 25, 2013, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on October 25 of each of the years indicated below.

Period	Redemption Price
2013	106.50%
2014 and thereafter	103.25%

At any time prior to October 25, 2013, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 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. The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption.

At any time and from time to time prior to October 25, 2013, 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 113.00% 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.

Selection and Notice

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 recognized securities exchange, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed; or
- (2) if the Notes are not listed on any recognized securities exchange, on a *pro rata* basis, by lot or by such method as the Trustee deems fair and appropriate.

A Note of US\$100,000 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 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, the Subsidiary Guarantors’ and the JV 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 “Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the 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 or under the Subsidiary Guarantees and the JV Subsidiary Guarantees 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 caption “— Consolidation, Merger and Sale of Assets”) or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor 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 or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note or the Subsidiary Guarantees or the JV Subsidiary Guarantees, 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 or JV Subsidiary Guarantee, 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 or a JV Subsidiary Guarantee, 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 or any Subsidiary Guarantor or JV Subsidiary Guarantor 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;
 - (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 or JV Subsidiary Guarantee, 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 (which notice shall be irrevocable), and upon reasonable written notice in advance of such notice to the Trustee and the Paying Agent, at a redemption price equal to 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 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 is proposed and 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, on or after 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 or a 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, a Surviving Person or a 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 or a 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 or a 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 a 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 or a 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, addressed to the Trustee 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 Officers' 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 3.0 to 1.0 (with respect to an Incurrence on or prior to September 30, 2012) or 3.5 to 1.0 (with respect to an Incurrence thereafter). 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;
 - (b) any *Pari Passu* Subsidiary Guarantee 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 clauses (d) or (p); *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 that 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 be unsecured and be expressly 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, substantially concurrently with the Incurrence thereof, to refinance or refund, then outstanding Indebtedness Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h) or (p) 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, such Subsidiary Guarantee or such JV Subsidiary Guarantee, 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 such JV Subsidiary Guarantee 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 or a JV Subsidiary Guarantor, and (iv) 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 JV Subsidiary Guarantor (provided that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);
- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of 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 a 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 a 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 aggregate principal amount outstanding of all such Indebtedness permitted only 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) does not exceed an amount equal to 20% of Total Assets;
- (i) Indebtedness Incurred by the Company or any Restricted Subsidiary in the ordinary course of business 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 the 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* 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 PRC Restricted

Subsidiary of Indebtedness that was permitted to be Incurred by another provision of this covenant of another PRC Restricted Subsidiary, (iii) 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, and (iv) 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 maturing within one year; *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 in an aggregate principal amount outstanding at any time not to exceed US\$15.0 million (or the Dollar Equivalent thereof); and
 - (p) Indebtedness of the Company or any Restricted Subsidiary under the Term Loans in an aggregate principal amount outstanding (together with refinancings thereof) at any time not to exceed US\$95.0 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 sentence of paragraph (1) of this covenant, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types.

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 shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (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 sentence of paragraph (1) of the covenant under the caption “— 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 Original Issue 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 Notes are 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 Original Issue 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 excluding 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 Original Issue 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 sum of: (A) (1) the net reduction in Investments (that were treated as a Restricted Payment) in any Person resulting from (x) dividends, repayments of loans or advances or other transfers of property, in each case to the Company or any Restricted Subsidiary from such Person or (y) the unconditional release of a Guarantee (to the extent such Guarantee, when given, constituted a Restricted Payment) provided by the Company or a Restricted Subsidiary or (2) to the extent that an

Investment made after the Original Issue Date (that was treated as a Restricted Payment) is sold or otherwise liquidated or repaid for cash, the lesser of (x) the cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, plus (B) the portion (proportionate to the Company's equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; *provided*, however, that the foregoing sum shall not exceed, in the case of any Person, the amount of Investments previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Person, and *provided further* that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income; 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 or JV 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 Restricted Subsidiary (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, shares of Capital Stock (other than Disqualified Stock) of the Company or any Restricted Subsidiary (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 or JV 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, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor or JV 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 dividends or distributions 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, at least a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company; or

- (6) the declaration and payment, on or before May 31, 2010, of dividends by the Company with respect to the fiscal year ended December 31, 2009 in an aggregate amount not to exceed 30% of the profit for the year attributable to equityholders of the Company as shown in the consolidated financial statements of the Company for that period in accordance with GAAP;

provided that, in the case of clauses (2), (3), (4) and (6) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein. In addition, on and prior to the Shanghai Penghui Acquisition Date, the definition of “Restricted Payment” shall be deemed to exclude the Shanghai Bay Repurchase and any other payments made pursuant to the Shanghai Bay Arrangements, other than any dividends or distributions in excess of the Shareholder Returns.

Each Restricted Payment permitted pursuant to clauses (1) and (5) 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 Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the assets 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 their 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, addressed to the Trustee, issued by an accounting, 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 “— Limitation on Restricted Payments” covenant were computed, together with a copy of any 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 distributions 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 paragraph (a) 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 Shared 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, (ii) exist by virtue of any Lien, 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 “Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “Limitation on Indebtedness and Preferred Stock” and “Limitation on Asset Sales” covenants; 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 “Limitation on Indebtedness and Preferred Stock” covenant 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 such clause (2)(h), 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 shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary;
- (2) to the extent such Capital Stock represents directors' 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) the sale of all of the shares of Capital Stock of a Restricted Subsidiary if permitted under, and made in accordance with, the "Limitation on Asset Sales" covenant; 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 "Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary that 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 is permitted by clause (2)(c), (2)(d), (2)(m)(ii) or 2(m)(iii) (other than, in the case of clause 2(m)(iii), a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock." Notwithstanding any provision to the contrary in the Indenture, no JV Subsidiary Guarantor shall Guarantee any Indebtedness of the Company or any Subsidiary Guarantor.

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 addressed to the Trustee 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 clauses (1) or (2) of the first paragraph of the covenant described above under the caption “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company; and
- (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, for so long as such scheme is in compliance with the listing rules of the SEHK, which as of the Original Issue Date require majority shareholder approval of any such scheme.

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 the Company and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary; *provided* that in the case of clause (iii) above (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 is a Person described in clauses (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). Furthermore, the requirements of clause (2)(b) of the first paragraph of this covenant shall not apply to transactions with Shanghai Ditong for construction and related services for so long as the Company and its Restricted Subsidiaries are in compliance with the listing rules and other requirements of the SEHK applicable to transactions with Shanghai Ditong.

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 Shared 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 Shared 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 proviso in the first sentence of paragraph (1) of the covenant described above under the caption “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens,” in which case the corresponding Indebtedness will be deemed Incurred and the corresponding Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of such 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 such Sale and Leaseback Transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— 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) 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;

- (2) 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 sentence of paragraph (1) of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock” after giving *pro forma* effect to such Asset Disposition; and
- (3) 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 recognized 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, 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 such 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 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 outstanding principal amount of the Notes and (y) the denominator of which is equal to 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 Asset Sale,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 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, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased 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 a Permitted Business; *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 a Permitted Business so long as any Investment therein was not prohibited when made by the covenant described under the caption “— 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 (other than Shanghai Penghui) 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) none of the Company, any Subsidiary Guarantor or any JV 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 described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— 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 re-designated would be permitted to be made by the covenant described under the caption “— 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 that 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 described under the caption “— Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of

such designation that 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 described under the caption “— 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 or a JV 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 “— 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, 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 any 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, as the case may be, 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.

Shanghai Bay

Prior to the Shanghai Penghui Acquisition Date, the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, (1) amend, waive or modify any terms of the Shanghai Bay Arrangements in a manner that is materially adverse to the interests of Holders; (2) sell, transfer or otherwise dispose of any right to acquire Shanghai Penghui or any interest in Shanghai Bay, or consummate, or agree or consent to, any Asset Sale relating to Shanghai Bay or Shanghai Penghui, in each case other than pursuant to the Shanghai Bay Arrangements; or (3) take any action, or omit to take any action, that would result in Shanghai Penghui no longer being included as a consolidated subsidiary in the Company’s consolidated financial statements in accordance with GAAP. Notwithstanding clause (1) of this covenant, the Company may amend or modify the Shanghai Bay Arrangements to permit the Shanghai Bay Repurchase to occur prior to December 1, 2011, at a purchase price not to exceed that set forth in the definition of “Shanghai Bay Repurchase” and to make such related changes as are not materially adverse to the interests of Holders.

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 captions will be suspended:

- (1) "— Limitation on Indebtedness and Preferred Stock;"
- (2) "— Limitation on Restricted Payments;"
- (3) "— Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;"
- (4) "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries;"
- (5) "— Limitation on Issuances of Guarantees by Restricted Subsidiaries;"
- (6) "— Limitation on the Company's Business Activities;"
- (7) "— Limitation on Sale and Leaseback Transactions;" and
- (8) "— 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 described under the caption "— 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 described under "— 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 remain 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 SEHK or any other recognized exchange on which the Company's common shares 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 fiscal 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 fiscal 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 remain 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 such fiscal year 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 and correctness 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 days;
- (3) default in the performance or breach of the provisions of the covenant described under the caption "— Consolidation, Merger and Sale of Assets," failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "— Certain Covenants — Limitation on Asset Sales," or failure by the Company to create, or cause its Restricted Subsidiaries to create, a first priority Lien on the Shared Collateral (subject to any Permitted Liens) in accordance with the provisions described under the caption "— 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 (or the Dollar Equivalent thereof) (in excess of amounts that 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 Shared Security Documents that adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Shared Collateral or adversely affects the condition or value of the Shared Collateral, taken as a whole, in any material respect; or

- (11) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Shared Security Document or, other than in accordance with the Indenture and the Shared Security Documents, any Shared Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a first priority Lien on the Shared Collateral (subject to any Permitted Liens).

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 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 (but shall not be obligated 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, the Trustee, in its capacity as collateral agent, may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, foreclose on the Shared Collateral in accordance with the terms of the Shared Security Documents and take such further action on behalf of the Holders with respect to the Shared Collateral as the Trustee deems appropriate. See “— 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 exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee 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 provides the Trustee with an indemnity or security reasonably 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 both the request and the indemnity or security, as the case may be; 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 to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under any Subsidiary Guarantee or JV Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

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 its Restricted Subsidiaries' performance under the Indenture and that the Company has 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 "— 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 Shared 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 Shared 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 proviso in the first sentence of paragraph (1) of the covenant described under the caption “— Certain Covenants — 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) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this covenant and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (6) each Subsidiary Guarantor and each 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 the caption “— Consolidation, Merger and Sale of Assets,” shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, 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, in the case of a Subsidiary Guarantor, to the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, 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 another JV Subsidiary Guarantor or shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor concurrently with the transaction;
- (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 proviso in the first sentence of paragraph (1) of the covenant described under the caption “— Certain Covenants — 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) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this covenant 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 Subsidiary Guarantees — Release of the Subsidiary Guarantees.”

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV 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 that 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 Shared 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, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide 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 (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 of such payment in accordance with the terms of the Indenture;

- (2) the Company has delivered to the Trustee (a) either (i) an Opinion of Counsel from a firm of recognized standing with respect to U.S. federal income tax matters which is based on a change in applicable U.S. federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Company's exercise of its option under this "Defeasance and Discharge" provision and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred or (ii) a ruling directed to the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel and (b) an Opinion of Counsel from a firm of recognized standing in the U.S. 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, each Subsidiary Guarantee and each JV Subsidiary Guarantee will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and classes (3), (4), (5)(x) and (6) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants," other than as described under "— 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, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide 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, the satisfaction of the provisions described in clause (2)(b) of the preceding paragraph and the delivery by the Company to the Trustee of an Opinion of Counsel from a firm of recognized standing with respect to U.S. federal income tax matters to the effect that beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default in respect of the Notes that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Subsidiary Guarantor Pledgors and the Trustee may amend and supplement the Indenture, the Intercreditor Agreement or any Shared Security Document, 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 Shared Security Document;
- (2) comply with the provisions described under “— 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 the case may be, 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 as provided or permitted by the terms of the Indenture;
- (7) add additional collateral to secure the Notes, any Subsidiary Guarantee or 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 to enter into any amendments to the Intercreditor Agreement, the Shared Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Shared 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

The Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Subsidiary Guarantor Pledgors and the Trustee, with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, may amend or waive future compliance by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor with any provision of the Indenture, the Intercreditor Agreement or any Shared Security Document; *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 place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (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 and Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (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 the Notes;
- (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 Shared Collateral, except as provided in the Intercreditor Agreement, the Indenture and the Shared 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 the Holders;
- (11) amend, change or modify any provision of the Intercreditor Agreement, any Shared Security Document or the Indenture relating to the Shared Collateral in a manner that adversely affects the 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 the Notes 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 the Notes from that stated under the captions “— Optional Redemption” or “— Redemption for Taxation Reasons;”
- (14) amend, change or modify the obligation of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to pay Additional Amounts; or
- (15) amend, change or modify any provision of the Indenture or the related definitions affecting the ranking of the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner that adversely affects the 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, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the 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, 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 and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under U.S. federal securities laws.

Concerning the Trustee and the Paying Agent

The Bank of New York Mellon, London Branch has been appointed as Trustee under the Indenture and as registrar and paying and transfer agent (the “Paying Agent”) with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable except for the performance of such duties or obligations as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture 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 or JV 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 and shall not be obligated to account for any profits therefrom; *provided*, however, that if the Trustee 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.

Subject to the terms of Shared Security Documents, the Bank of New York Mellon will initially act as collateral agent under the Shared Security Documents in respect of the Liens

over the Shared Collateral. The Trustee (in its capacity as such or as collateral agent, as the case may be) shall have such duties with respect to the Shared Collateral pledged, assigned or granted pursuant to the Shared Security Documents as are set forth in the Indenture and the Shared Security Documents. Under certain circumstances, the Trustee (in its capacity as such or as collateral agent, as the case may be) may have obligations under the Shared Security Documents that are in conflict with the interests of the Holders. The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Shared Security Documents for the benefit of the Holders unless such Holders have provided the Trustee with an indemnity or security reasonably satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes, agrees, for the benefit of the Trustee (in its capacity as such and as collateral agent, as the case may be) that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Shared Security Documents and has not relied upon and will not at any time rely upon the Trustee (in its capacity as such or as collateral agent, as the case may be) in respect of such risks.

The Trustee (in its capacity as such or as collateral agent, as the case may be) shall not be responsible for the performance by any other person appointed by the Company in relation to the Notes. The Trustee (in its capacity as such or as collateral agent, as the case may be) shall not be responsible for the value of the Shared Collateral nor any liability for the validity, sufficiency or enforcement thereof. The Trustee (in its capacity as such or as collateral agent, as the case may be) shall not be liable to any Holder or any other person for any action taken by the Holders or the Trustee (in its capacity as such or as collateral agent, as the case may be) in accordance with the instructions of the Holders. The Trustee (in its capacity as such or as collateral agent, as the case may be) shall be entitled to rely on any written direction of the Holders which has been duly given by the Holders of the requisite principal amount of the Notes outstanding. Subject to applicable law, the Trustee (in its capacity as such or as collateral agent, as the case may be) shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. The Trustee (in its capacity as such or as collateral agent, as the case may be) shall not be deemed to have knowledge of any fact unless it has been actually notified of such fact in accordance with the notice provisions of the Indenture or has actual knowledge thereof.

Book-Entry; Delivery and Form

The certificates representing the Notes will be issued in fully registered form without interest coupons attached (the “Global Note”). Notes sold in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a “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 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 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 principal paying agent. The principal 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. The Company 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 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 Trustee 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 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 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 US\$100,000 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 Trustee 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 bookentry 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 the United States mails (if intended for the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor, such JV 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. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company, each of the Subsidiary Guarantors and each of the JV 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 Corporation Service Company 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 principles of 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 “Description of the Notes” for which no definition is provided.

“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.

“Adjusted Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“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 or niece of a Person described in clause (1) or (2) of this definition. 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 redemption price of such Note at October 25, 2013 (such redemption price being set forth in the table appearing under the caption “— Optional Redemption”), plus (y) all required remaining scheduled interest payments due on such Note through October 25, 2013 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, 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 of a Subsidiary) 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 “Limitation on Restricted Payments” covenant;
- (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 described under the caption “— 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, 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 (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Company, or the sale of all or substantially all the assets of the Company to another Person (other than one or more Permitted Holders);
- (2) the Permitted Holders 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 of the Company, together with any new directors whose election to 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 on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the Board of Directors of the Company 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 a Rating Decline.

“Clearstream” means Clearstream Banking, société anonyme, Luxembourg.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or 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 includes, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to October 25, 2013.

“Comparable Treasury Price” means, with respect to any redemption date:

- (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities;” or
- (2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

“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 PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not otherwise 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 and 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, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), (7) any capitalized interest and (8) all interest expense (including capitalized interest) attributable to the Shanghai Bay Arrangements, including all Shareholder Returns, *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, with respect to the Company:
 - (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, *provided* that, with respect to the Company, this exclusion (3) shall not operate to exclude the net income of Shanghai Penghui prior to the Shanghai Penghui Acquisition Date;

- (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 or by Restricted Subsidiaries 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;
- (7) any net after-tax extraordinary or non-recurring gains; and
- (8) with respect to the Company, only for purposes of calculating Consolidated Net Income under clause (c) of the “Limitation on Restricted Payments” covenant, the net income (or loss) of Shanghai Penghui prior to the Shanghai Penghui Acquisition Date, *provided, however*, that the aggregate amount of cash actually dividended or distributed by Shanghai Penghui to the Company or a Restricted Subsidiary prior to the Shanghai Penghui Acquisition Date shall be included in the calculation of Consolidated Net Income (subject to the exclusions contained in this definition of “Consolidated Net Income” that would apply if Shanghai Penghui were a Restricted Subsidiary at the time of such dividend or distribution).

On and after the Shanghai Penghui Acquisition Date, Consolidated Net Income shall be calculated for purposes of the “Limitation on Restricted Payments” covenant as if Shanghai Penghui had been a Restricted Subsidiary from the Original Issue Date, net of any dividends or distributions that were included in calculations of Consolidated Net Income prior to the Shanghai Penghui Acquisition Date pursuant to the proviso in clause (8) above.

“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) of this definition 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 “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants 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 “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“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 *bona fide* underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any *bona fide* 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) results 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.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“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, except in the case of a determination of the Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized 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 full fiscal quarters 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 or redeem such Indebtedness, Disqualified Stock or Preferred Stock;
- (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 re-designation of Restricted and Unrestricted Subsidiaries as if such creation, designation or re-designation 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 four full fiscal quarters 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.

“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

- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase or redemption price, plus accrued dividends.

With respect to the Company and its Restricted Subsidiaries, “Indebtedness” includes all obligations of the Company and its Restricted Subsidiaries to acquire Shanghai Penghui pursuant to the Shanghai Bay Arrangements.

Notwithstanding the foregoing, “Indebtedness” shall not include any capital commitments, deferred payment obligation 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 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 shall be: (i) zero if Incurred pursuant to clause (2)(f) under the “Limitation on Indebtedness and Preferred Stock” covenant, and (ii) equal to the net amount payable if such Hedging Obligation terminated at that time due to default by such Person if not Incurred pursuant to such clause.

“Independent Third Party” means any Person that is not Affiliated with the Company or any of its Subsidiaries.

“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 “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (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 that are 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,” or “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 consolidated assets of such JV Subsidiary Guarantor measured in accordance with GAAP (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the last day of the most recently completed full fiscal quarter of the Company 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); and (ii) the proportionate ultimate beneficial ownership, expressed as a percentage, of the Company and its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor.

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “— 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).

“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; and
 - (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 date of determination, (1) the aggregate value (without duplication) of the equity interests held by Independent Third Parties in all JV Subsidiary Guarantors then existing, as determined with respect to each such JV Subsidiary Guarantor by multiplying (x) the total consolidated assets of such JV Subsidiary Guarantor measured in accordance with GAAP as of the last day of the most recently completed full fiscal quarter of the Company 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) by (y) the proportionate ultimate beneficial ownership, expressed as a percentage, of all Capital Stock held by Independent Third Parties in such JV Subsidiary Guarantor, plus (2) the Total Assets of all Offshore Non-Guarantor Subsidiaries, *provided* that, when calculating a Non-Guaranteed Portion, *pro forma* effect shall be given to the sale or issuance of Capital Stock to Independent Third Parties relating to (i) the Incurrence of any JV Subsidiary Guarantee(s) giving rise to the calculation of Non-Guaranteed Portion and (ii) any other Restricted Subsidiary that became a JV Subsidiary Guarantor after the end of such fiscal quarter; *provided further* that (A) assets attributable to any Unrestricted Subsidiary of such JV Subsidiary Guarantor and (B) assets that would be eliminated from the calculation of Total Assets for such fiscal quarter shall be excluded from the calculation of total

consolidated assets in clause (x) above; *provided further* that, when calculating a Non-Guaranteed Portion, *pro forma* effect shall be given to any designation of an Offshore Subsidiary as an Offshore Non-Guarantor Subsidiary giving rise to the calculation of Non-Guaranteed Portion.

“Offer to Purchase” means an offer to purchase Notes by the Company 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 provision in the Indenture 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”);
- (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 US\$100,000 or integral multiples of US\$1,000.

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 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 US\$100,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the 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.

“Offshore Non-Guarantor Subsidiary” means any Offshore Subsidiary of the Company that is designated by the Board of Directors as an Offshore Non-Guarantor Subsidiary in accordance with the provisions of the Indenture.

“Offshore Subsidiary” means any Subsidiary of the Company that is incorporated in any jurisdiction other than the PRC.

“Opinion of Counsel” means a written opinion from legal counsel addressed to the Trustee and in form reasonably acceptable to the Trustee. The counsel may be an employee of or external 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, as the case may be, 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 under the caption “— 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.

“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) the Notes 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 caption “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under the caption “— Limitation on Asset Sales” or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

“Permitted Businesses” means any business which is the same as or ancillary or complementary to any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date as described in this offering memorandum, including, without limitation, real estate acquisition, development, leasing and management, hotel acquisition, development, operation and management, and the acquisition, development, management and operation of leisure facilities and other infrastructure, in each case associated with real estate projects acquired, developed or managed, 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) Mr. Zhang Zhi Rong;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of “Affiliate”) of the Person specified in clause (1) of this definition; 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% or more by one or more of the Persons specified in clauses (1) and (2) of this definition.

“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 will 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 entered into in the ordinary course of business;
- (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 consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— 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 described under “— 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, 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 pre-sold 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;
- (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;
- (16) advances in the ordinary course of business to government authorities or government-affiliated entities in the PRC for the financing of primary land development that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet; and
- (17) the Shanghai Bay Repurchase.

"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 and 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 and 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 property of, or on shares of 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 assets 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 under the caption “— 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 described under the caption entitled “— Limitation on Indebtedness and Preferred Stock;” *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) Liens under the Shared Security Documents;
- (14) Liens securing any Permitted *Pari Passu* Secured Indebtedness that complies with each of the requirements set forth under “— 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 under the caption “— 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) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption “— Certain Covenants — 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 assets 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 consolidated financial statements of the Company (which may be internal consolidated financial 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 securing Indebtedness permitted to be Incurred under clause (2)(n) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock; and
- (23) Liens pursuant to the Shanghai Bay Arrangements.

provided that, in respect of the Shared Collateral, "Permitted Liens" only refers to the Liens described in clauses (13) and (14) of this definition.

"Permitted *Pari Passu* Secured Indebtedness" has the meaning set forth under "— Security — Permitted *Pari Passu* Secured Indebtedness."

"Permitted *Pari Passu* Secured Indebtedness Documents" means all agreements evidencing Permitted *Pari Passu* Secured Indebtedness and any other document or instrument executed or delivered in connection with the transactions contemplated thereby.

"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 described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and any Preferred Stock held by the Company or another Restricted Subsidiary, so long as it is so held); *provided* that, on the date of the Incurrence of such Indebtedness or Preferred Stock and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness plus the value of all such Preferred Stock issued by Restricted Subsidiaries organized under the laws of the PRC does not exceed an amount equal to 15% of 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.

“PRC” means the People’s Republic of China, excluding, solely for purposes of this definition, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

“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 such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the 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.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms 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 shares of Capital Stock of any other class of such Person. Preferred Stock shall be valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase or redemption price, if any, plus accrued dividends.

“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.

“Rating Agencies” means (1) S&P and (2) Moody’s and (3) if S&P or Moody’s or both shall not make a rating of the Notes publicly available, an internationally 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 “BB-” to “B+”, will constitute a decrease of one gradation).

“Rating Date” means (1) in connection with a Change of Control Triggering Event, that date which 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 caption “— Consolidation, Merger and Sale of Assets”, that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“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 caption “— 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).

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

“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.

“Required Secured Parties” means, at any time of determination, the Secured Party or Secured Parties holding more than 50% of the aggregate principal amount of the Secured Obligations then outstanding.

“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.

“SEHK” means The Stock Exchange of Hong Kong Limited.

“Secured Obligations” means, collectively, (a) the obligations of the Company under the Notes and the Indenture and of the Subsidiary Guarantor Pledgors under the Subsidiary Guarantees and the Indenture; and (b) to the extent any holder of Permitted *Pari Passu* Secured Indebtedness (or its representative) becomes party to the Intercreditor Agreement pursuant to the terms thereof, the obligations of the Company or any Subsidiary Guarantor Pledgor under such Permitted *Pari Passu* Secured Indebtedness.

“Secured Parties” means, collectively, the Trustee and any holder of any Permitted *Pari Passu* Secured Indebtedness (or its representative) who becomes party to the Intercreditor Agreement pursuant to the terms thereof.

“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.

“Shanghai Bay” has the meaning set forth under the caption “Certain Definitions, Conventions and Currency Presentation” in this offering memorandum.

“Shanghai Bay Arrangements” has the meaning set forth under the caption “Certain Definitions, Conventions and Currency Presentation” in this offering memorandum.

“Shanghai Bay Repurchase” means the purchase by the Company or its Wholly Owned Restricted Subsidiaries on or before December 1, 2011, of all outstanding Capital Stock and Voting Stock of Shanghai Penghui pursuant to the Shanghai Bay Arrangements for an aggregate purchase price not to exceed (i) RMB2.0 billion plus (ii), in the case of any Shanghai Bay Repurchase prior to December 1, 2011, Shareholder Returns for the period beginning on the date of such repurchase and ending on December 1, 2011.

“Shanghai Ditong” means Shanghai Ditong Construction (Group) Co., Ltd.

“Shanghai Penghui” means Shanghai Penghui Property Development Co., Ltd.

“Shanghai Penghui Acquisition Date” means the date upon which the Company or its Restricted Subsidiaries acquire all the outstanding Capital Stock and Voting Stock of Shanghai Penghui pursuant to the Shanghai Bay Arrangements.

“Shared Collateral” means all collateral securing, or purported to be securing, directly or indirectly, (i) the Notes and the Subsidiary Guarantees and (ii) any Permitted *Pari Passu* Secured Indebtedness pursuant to the Shared Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

“Shared Security Documents” means, collectively, the pledge agreements, the Intercreditor Agreement and any other agreements or instruments that may evidence or create any Lien by and among the Company, the Subsidiary Guarantor Pledgors, the Trustee, in its capacity as such and as collateral agent, and the various other parties thereto, granting liens and pledges over the Shared Collateral and defining the terms of the security for (i) the Notes and the Subsidiary Guarantees and (ii) any Permitted *Pari Passu* Secured Indebtedness.

“Shareholder Returns” means the annual shareholder returns (net of tax) for the three years ending December 31, 2011, prescribed by the Shanghai Bay Arrangements not to exceed 18% of the consideration paid by Shanghai Industrial Holdings Limited, together with its subsidiaries, thereunder.

“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, any Subsidiary Guarantor or any JV Subsidiary Guarantor that 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; *provided* that Shanghai Penghui and each of its Subsidiaries, prior to the Shanghai Penghui Acquisition Date, shall, except with respect to the “Limitation on Restricted Payments” covenant, be deemed to be a Wholly Owned Subsidiary of the Company for so long as Shanghai Penghui is included as a consolidated subsidiary in the Company’s consolidated financial statements in accordance with GAAP.

“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” does 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 Shared 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” does not include any person whose pledge under the Shared Security Documents has been released in accordance with the Shared 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 and 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 and 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, and 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 Securities Act);

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) of this definition entered into with a bank or trust company meeting the qualifications described in clause (2) of this definition;
- (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) The Agricultural Bank of China, Bank of America, Bank of Beijing, Bank of China Limited, Bank of Communications Co., Ltd., Bank of Hebei, Bank of Shanghai, Beijing Rural Commercial Bank, BOC Hong Kong (Holdings) Limited, China Citic Bank, China Construction Bank, China Everbright Bank, China Merchants Bank, China Minsheng Banking Corp. Ltd., Citibank, First Sino Bank, Guangdong Development Bank, Hang Seng Bank Limited, HSBC, Huishang Bank, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China Limited, Shanghai Pudong Development Bank, Shanghai Rural Commercial Bank, Shenzhen Development Bank, Standard Chartered Bank or Tianjin Binhai Rural Commercial Bank, (ii) any other bank or trust company organized under the laws of the PRC whose long-term debt is rated as high or higher than any of those banks described in clause (i) of this paragraph, or (iii) any other bank organized under the laws of the PRC; *provided* that, in the case of clause (iii), such deposits do not exceed US\$5.0 million (or the Dollar Equivalent thereof) with any single bank or US\$30.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination.

“Term Loans” has the meaning set forth under the caption “Certain Definitions, Conventions and Currency Presentation” in this offering memorandum.

“Term Loan Lenders” has the meaning set forth under the caption “Certain Definitions, Conventions and Currency Presentation” in this offering memorandum.

“Total Assets” means, as of any date with respect to any Person, the total consolidated assets of that Person and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent full fiscal quarter 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 clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and the definition of “Permitted Subsidiary Indebtedness,” “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 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 measurement of the percentage of Total Assets represented by the Non-Guaranteed Portion in connection with the Incurrence of JV Subsidiary Guarantee(s), *pro forma* effect shall be given to the sale or issuance of Capital Stock to Independent Third Parties relating to (i) the Incurrence of the JV Subsidiary Guarantee(s) giving rise to the calculation of Non-Guaranteed Portion and (ii) any other Restricted Subsidiary that became a JV Subsidiary Guarantor after the end of such fiscal quarter.

“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) 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 (2) 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 holder 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 Subsidiary Guarantees,” “Wholly Owned” means the ownership 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 and Hong Kong 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.

Cayman Islands Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

- (a) that no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax is to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of 20 years from December 19, 2006.

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not a party to any double tax treaties.

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. We do not hold, and do not intend to hold, any interest in land in the Cayman Islands.

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 or the JV Subsidiary Guarantors (if any) pursuant to the execution, delivery, performance or enforcement of the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

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) (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 of a Note.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated October 18, 2010 (the “Purchase Agreement”) between the Company and the initial purchaser named below (the “Initial Purchaser”), the Initial Purchaser has agreed to purchase from us, and we have agreed to sell to the Initial Purchaser, the aggregate principal amount of the Notes set forth opposite its name below:

<u>Initial Purchaser</u>	<u>Principal Amount of Notes</u>
Standard Chartered Bank	<u>US\$300,000,000</u>
Total	<u><u>US\$300,000,000</u></u>

The Purchase Agreement provides that the obligations of the Initial Purchaser to take and pay for the Notes is subject to the approval of certain legal matters by their counsel and certain other conditions. The Initial Purchaser has agreed to take and pay for all of the Notes if any are taken. The Purchase Agreement provides that upon the occurrence of certain events (including a default by the Company), the Purchase Agreement may be terminated by the Initial Purchaser. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchaser.

We and the Subsidiary Guarantors have jointly and severally agreed to indemnify the Initial Purchaser against certain liabilities and to contribute to payments which the Initial Purchaser may be required to make in respect thereof.

The Notes are a new issue of securities with no established trading market. Application has been made for the listing and quotation of the Notes on the Official List of the SGX-ST. We have been advised that the Initial Purchaser presently intends to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchaser is not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchaser. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. We have been advised by the Initial Purchaser that, in connection with the offering of the Notes, the Initial Purchaser may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchaser may over allot the offering, creating a short position. In addition, the Initial Purchaser may bid for, and purchase, the Notes in the open market to cover shorts or to stabilize the price of the Notes. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The Initial Purchaser is 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 Notes.

The Initial Purchaser or certain of its affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

We expect that delivery of the Notes 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 fifth business day following the pricing date of the Notes (this settlement cycle being referred to as “T+5”). Trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or succeeding business days should consult their own legal advisor.

Selling restrictions

United States

The Initial Purchaser has represented and agreed that, it has not offered, sold or delivered and will not offer, sell or deliver any Notes as part of its distribution in the United States.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act and may only be offered, sold or delivered in offshore transactions in reliance on Regulation S under the Securities Act.

In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with an exemption from registration under the Securities Act.

United Kingdom

The Initial Purchaser 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 Notes 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 Notes in circumstances in which Section 21(1) of the FSMA does not apply to it.

Singapore

The Initial Purchaser acknowledges and agrees that the 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, Cap. 289 of Singapore (the “SFA”). Accordingly, it has represented and agreed that it has not offered or sold any Notes, or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes, or cause the 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, whether directly or indirectly, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which 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 is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 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 and in accordance with the conditions specified in Section 275;
- (2) (in the case of a corporation) where the transfer arises from an offer referred to in Section 275(1A), or (in the case of a trust) where the transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$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; or
- (4) where the transfer is by operation of law.

Hong Kong

The Initial Purchaser has represented and agreed that (a) it has not, by means of any document, offered or sold and will not offer or sell any Notes in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) of Hong Kong 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 (Cap. 32, Laws) of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and (b) 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 Notes (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 the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Cayman Islands

The Initial Purchaser has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes to the public or any member of the public in the Cayman Islands.

People's Republic of China

The Initial Purchaser has represented and agreed that it has not circulated and will not circulate the offering memorandum and it has not offered or sold and will not offer or sell the Notes, directly or indirectly, in the People's Republic of China (for such purpose, not including the Hong Kong and Macau Special Administrative Regions or Taiwan).

British Virgin Islands

This offering memorandum and the Notes offered hereby have not been and will not be registered under the laws and regulations of the British Virgin Islands, nor has any regulatory authority in the British Virgin Islands passed comment on or approved the accuracy or adequacy of this Document or the Notes.

The Initial Purchaser has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes to the public or any member of the public in the British Virgin Islands.

European Union

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "relevant implementation date"), an offer of the Notes described in this offering memorandum may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes that has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that Relevant Member State at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of the Notes described in this offering memorandum located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive. For purposes of this provision, the expression an "offer to the public" in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Japan

The Initial Purchaser has represented and agreed that the Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”), and that they have not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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 Securities and Exchange Law and any other applicable laws and regulations of Japan.

Other relationships

The Initial Purchaser and its affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including various advisory, investment banking and commercial 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 the Initial Purchaser, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

The Initial Purchaser or its affiliates may own securities issued by the Issuer. The Initial Purchaser or their affiliates may purchase the Notes in this offering for their own accounts, subject to terms described in this Offering Memorandum.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, charge or other transfer of the Notes.

The Notes are being offered and sold only outside the United States in offshore transactions in accordance with Regulation S under the Securities Act. The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

By its purchase of the Notes, each purchaser of the Notes will be deemed to represent, acknowledge and agree:

1. that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a purchaser that is outside the United States;
2. that the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except as set forth below;
3. that the Notes (including the Subsidiary Guarantees) 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 Securities Act;
4. that it will inform each person to whom it transfers the Notes of any restrictions on transfer of such Notes;
5. that the Notes will be represented by the Regulation S Global Note and that transfers thereto are restricted as described under “Description of the Notes — Book-entry; delivery and form”.
6. that each Note will bear a legend to the following effect unless otherwise agreed by the Company and the holder thereof:

THIS NOTE, THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES (IF ANY) RELATED TO THIS NOTE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND ACCORDINGLY, NEITHER THIS NOTE 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;

7. that the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee, the Paying Agent and Registrar, the Initial Purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee, the Paying Agent and Registrar and the Initial Purchaser. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;
8. that it is not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that it is not acting on our behalf and that it is not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and it is purchasing Notes (including the Subsidiary Guarantees) in an offshore transaction in accordance with Regulation S;
9. that it is purchasing Notes (including the Subsidiary Guarantees) for its own account, or for one or more investor accounts for which it is 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 Notes (including the Subsidiary Guarantees) in violation of the Securities Act. Each purchaser agrees on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes (including the Subsidiary Guarantees) by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes (including the Subsidiary Guarantees) may be offered, sold or otherwise transferred only:
 - (a) to us;
 - (b) under a registration statement that has been declared effective under the Securities Act;
 - (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or
 - (d) under any other available exemption from the registration requirements of the Securities Act,

10. 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 Notes or any predecessor of the Notes (the “Resale Restriction Period”); and
11. that we and the trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clause 9(d) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Conyers Dill & Pearman as to matters of Cayman Islands law and British Virgin Islands law, Paul, Hastings, Janofsky & Walker as to matters of United States federal and New York law and Hong Kong law and Commerce and Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchaser by Milbank, Tweed, Hadley & McCloy LLP as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

GENERAL INFORMATION

Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture 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 are outstanding, copies of our audited financial statements for the last two financial years may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

Auditor

The audited consolidated financial statements as of and for the years ended December 31, 2007, 2008 and 2009 included elsewhere in this offering memorandum have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers has delivered unqualified reports in respect of our audited financial statements included in this offering memorandum, which reports are included herein.

The consolidated interim financial information as of and for the six months ended June 30, 2010 has been reviewed by PricewaterhouseCoopers for the purpose of our interim report in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA, as stated in their report appearing herein.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
Regulation S Global Note	XS0552084849	055208484

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Listing of the Notes

Application has been made for the listing and quotation of the Notes on the Official List of 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 us, our subsidiaries or associated companies or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 (or its equivalent in other currencies) so long as any of the Notes are listed on the SGX-ST.

So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we shall 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 Notes in definitive form. In addition, in the event that a Global Note is exchanged for Notes in definitive form, announcement of such exchange shall be made by us or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the Notes in definitive form, including details of the paying agent in Singapore.

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**AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE
COMPANY AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006,
2007 AND 2008 AND AS OF AND FOR THE FOUR MONTHS ENDED
APRIL 30, 2009**

The following is the reproduction of the accountant's report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in the prospectus of the Company dated September 21, 2009, in connection with the initial public offering and listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited. References to page number refer to the original page number of the accountant's report.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

21 September 2009

The Directors
Glorious Property Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Glorious Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out in Section I to III below, for inclusion in the prospectus of the Company dated 21 September 2009 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The Financial Information comprises the consolidated balance sheets of the Group as at 31 December 2006, 2007, 2008 and 30 April 2009, the balance sheets of the Company as at 31 December 2007, 2008 and 30 April 2009, and the consolidated statements of income, comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2006, 2007 and 2008 and the four months ended 30 April 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 27 July 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1 of Section II headed "Reorganisation" below, which was completed in September 2007, 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 Company 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 four months ended 30 April 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 true and fair presentation of the Underlying Financial Statements in accordance with HKFRSs.

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the four months ended 30 April 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 four months ended 30 April 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 in conformity with HKFRSs.

Reporting accountant’s responsibility

For the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the four months ended 30 April 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 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 HKICPA.

For the financial information for the four months ended 30 April 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 four months ended 30 April 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Company as at 31 December 2007 and 2008 and 30 April 2009 and of the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and 30 April 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 four months ended 30 April 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.

I CONSOLIDATED FINANCIAL INFORMATION

(a) Consolidated balance sheets

	Note	31 December			30 April
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property and equipment	6	17,197	16,400	392,313	421,870
Investment properties	8	—	—	1,103,500	2,144,940
Intangible asset	9	—	—	—	2,441
Investment in an associate		—	—	4,500	4,500
Deferred income tax assets	20	65,737	58,960	26,820	31,180
		<u>82,934</u>	<u>75,360</u>	<u>1,527,133</u>	<u>2,604,931</u>
Current assets					
Properties under development	10	4,505,737	5,829,489	7,345,976	7,482,943
Completed properties held for sale	11	513,600	357,893	1,201,268	1,073,625
Inventories	12	—	—	—	5,719
Trade and other receivables and prepayments	13	4,490,087	3,107,299	2,595,899	2,429,835
Prepaid taxes		42,133	71,378	106,257	106,641
Financial assets at fair value through profit or loss	14	—	21,091	—	—
Restricted cash	15	97,630	66,690	84,468	96,379
Cash and cash equivalents	16	112,187	3,199,105	297,221	327,524
		<u>9,761,374</u>	<u>12,652,945</u>	<u>11,631,089</u>	<u>11,522,666</u>
Total assets		<u>9,844,308</u>	<u>12,728,305</u>	<u>13,158,222</u>	<u>14,127,597</u>

(a) Consolidated balance sheets (continued)

	Note	31 December			30 April
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Capital and reserves attributable to the equity holders of the Company					
Share capital	17	—	962	962	962
Reserves	18	1,607,958	(336,935)	918,056	1,691,594
Total equity/(deficit)		<u>1,607,958</u>	<u>(335,973)</u>	<u>919,018</u>	<u>1,692,556</u>
LIABILITIES					
Non-current liabilities					
Borrowings	19	2,671,890	2,317,730	537,000	609,560
Deferred income tax liabilities	20	—	—	172,937	351,091
		<u>2,671,890</u>	<u>2,317,730</u>	<u>709,937</u>	<u>960,651</u>
Current liabilities					
Advanced proceeds received from customers		1,060,271	4,480,950	3,742,816	3,756,823
Trade and other payables .	21	3,215,657	1,438,661	1,185,235	1,025,065
Income tax payable		118,532	277,782	664,091	760,230
Borrowings	19	<u>1,170,000</u>	<u>4,549,155</u>	<u>5,937,125</u>	<u>5,932,272</u>
		<u>5,564,460</u>	<u>10,746,548</u>	<u>11,529,267</u>	<u>11,474,390</u>
Total liabilities		<u>8,236,350</u>	<u>13,064,278</u>	<u>12,239,204</u>	<u>12,435,041</u>
Total equity and liabilities		<u>9,844,308</u>	<u>12,728,305</u>	<u>13,158,222</u>	<u>14,127,597</u>
Net current assets		<u>4,196,914</u>	<u>1,906,397</u>	<u>101,822</u>	<u>48,276</u>
Total assets less current liabilities		<u>4,279,848</u>	<u>1,981,757</u>	<u>1,628,955</u>	<u>2,653,207</u>

(b) Balance sheets of the Company

	Note	31 December		30 April
		2007	2008	2009
		RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Interests in subsidiaries	7	3,426,584	3,237,792	3,238,066
Current assets				
Prepayments	13	3,781	48,067	57,279
Cash and cash equivalents	16	214,575	8,912	7,289
		218,356	56,979	64,568
Total assets		<u>3,644,940</u>	<u>3,294,771</u>	<u>3,302,634</u>
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	17	962	962	962
Reserves	18	(44,530)	(1,042,714)	(1,405,732)
Total equity		<u>(43,568)</u>	<u>(1,041,752)</u>	<u>(1,404,770)</u>
LIABILITIES				
Current liabilities				
Trade and other payables	21	8,597	358	96
Amounts due to subsidiaries	22	14,756	29,150	37,236
Borrowings	19	3,665,155	4,307,015	4,670,072
Total current liabilities		<u>3,688,508</u>	<u>4,336,523</u>	<u>4,707,404</u>
Total equity and liabilities		<u>3,644,940</u>	<u>3,294,771</u>	<u>3,302,634</u>
Net current liabilities		<u>(3,470,152)</u>	<u>(4,279,544)</u>	<u>(4,642,836)</u>
Total assets less current liabilities		<u>(43,568)</u>	<u>(1,041,752)</u>	<u>(1,404,770)</u>

(c) Consolidated income statements

	Note	Year ended 31 December			Four months ended 30 April	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)		
Revenue	5	1,718,132	1,791,942	3,948,959	975,811	933,980
Cost of sales	25	<u>(1,091,112)</u>	<u>(1,164,818)</u>	<u>(2,293,339)</u>	<u>(462,566)</u>	<u>(480,847)</u>
Gross profit		627,020	627,124	1,655,620	513,245	453,133
Other income	23	15,068	17,194	21,405	7,106	6,671
Other (losses)/gains, net ..	24	—	(34,513)	825,563	(22,099)	735,117
Selling and marketing expenses	25	(46,534)	(77,426)	(150,494)	(46,347)	(34,278)
Administrative expenses ..	25	(100,187)	(105,666)	(214,818)	(65,071)	(90,251)
Finance costs	26	<u>(73,702)</u>	<u>(97,225)</u>	<u>(54,479)</u>	<u>(18,061)</u>	<u>(11,376)</u>
Profit before income tax ...		421,665	329,488	2,082,797	368,773	1,059,016
Income tax expenses	29	<u>(162,481)</u>	<u>(221,394)</u>	<u>(827,806)</u>	<u>(194,047)</u>	<u>(285,478)</u>
Profit for the year/period attributable to equity holders of the Company		<u>259,184</u>	<u>108,094</u>	<u>1,254,991</u>	<u>174,726</u>	<u>773,538</u>
Other comprehensive income:						
Gain/loss recognised directly in equity		—	—	—	—	—
Total comprehensive income for the year/period attributable to equity holders of the Company		<u>259,184</u>	<u>108,094</u>	<u>1,254,991</u>	<u>174,726</u>	<u>773,538</u>
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)						
— Basic and diluted	30	<u>N/A</u>	<u>N/A</u>	<u>12.55</u>	<u>1.75</u>	<u>7.74</u>

(d) Consolidated statements of changes in equity

	Attributable to equity holders of the Company					
	Share capital (note 17)	Merger reserve (note 18(b))	Statutory reserve (note 18(c))	Other reserve (note 18(d))	(Accumulated losses)/ retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2006	—	758,800	11,027	—	(101,053)	668,774
Total comprehensive income for 2006	—	—	—	—	259,184	259,184
Transfer to statutory reserve	—	—	13,059	—	(13,059)	—
Capital injections to subsidiaries by their then shareholders	—	680,000	—	—	—	680,000
Balance at 31 December 2006	—	1,438,800	24,086	—	145,072	1,607,958
Total comprehensive income for 2007	—	—	—	—	108,094	108,094
Transfer to statutory reserve	—	—	22,730	—	(22,730)	—
Issue of share capital	962	—	—	—	—	962
Capital injections to subsidiaries by their then shareholders	—	124,377	—	—	—	124,377
Shareholder's contribution in relation to Notes borrowing	—	—	—	156,290	—	156,290
Deemed distribution to equity owner	—	(2,333,654)	—	—	—	(2,333,654)
Balance at 31 December 2007	962	(770,477)	46,816	156,290	230,436	(335,973)
Total comprehensive income for 2008	—	—	—	—	1,254,991	1,254,991
Transfer to statutory reserve	—	—	32,373	—	(32,373)	—
Balance at 31 December 2008	962	(770,477)	79,189	156,290	1,453,054	919,018
Total comprehensive income for the period	—	—	—	—	773,538	773,538
Balance at 30 April 2009	962	(770,477)	79,189	156,290	2,226,592	1,692,556
Unaudited:						
Balance at 1 January 2008	962	(770,477)	46,816	156,290	230,436	(335,973)
Total comprehensive income for the period	—	—	—	—	174,726	174,726
Balance at 30 April 2008	962	(770,477)	46,816	156,290	405,162	(161,247)

(e) Consolidated statements of cash flows

	Note	Year ended 31 December			Four months ended 30 April	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash (used in)/generated						
from operations	31	(1,917,005)	2,387,579	(1,864,380)	(2,300,793)	413,876
Income tax paid		(40,898)	(84,612)	(271,300)	(28,675)	(15,929)
Interest paid		(251,744)	(342,144)	(590,730)	(102,707)	(46,777)
Net cash (used in)/generated from operating activities		<u>(2,209,647)</u>	<u>1,960,823</u>	<u>(2,726,410)</u>	<u>(2,432,175)</u>	<u>351,170</u>
Cash flows from investing activities						
Investment income		1,800	4,127	—	—	—
Purchases of property and equipment		(4,941)	(5,063)	(16,871)	(10,510)	(32,437)
Cash outflow in the construction of investment properties		—	—	—	—	(4,047)
Proceeds from disposals of property and equipment ..		8	—	963	—	233
Acquisition of subsidiary	36	—	—	—	—	(2,000)
Advances to and receipt of advances to related parties and third parties, net.....		(957,854)	1,763,559	791,445	622,113	(1,986)
Interest received		3,528	6,702	7,900	4,028	248
Net cash (used in)/generated from investing activities		<u>(957,459)</u>	<u>1,769,325</u>	<u>783,437</u>	<u>615,631</u>	<u>(39,989)</u>
Cash flows from financing activities						
Proceeds from issuance of ordinary shares		—	962	—	—	—
Deemed distribution to equity owner		—	(2,333,654)	—	—	—
Capital injections to subsidiaries by their then shareholders		680,000	124,377	—	—	—
Advances from and repayment of advances from related parties and third parties, net		787,812	(1,475,390)	(362,052)	(368,397)	14,501
Proceeds from borrowings ..		2,962,000	3,325,155	489,000	145,000	120,000
Repayment of borrowings		(1,320,110)	(3,965,315)	(1,062,620)	(468,980)	(415,350)
Proceeds from Notes borrowing		—	3,717,350	—	—	—
Net cash generated from/(used in) financing activities		<u>3,109,702</u>	<u>(606,515)</u>	<u>(935,672)</u>	<u>(692,377)</u>	<u>(280,849)</u>
Net (decrease)/increase in cash and cash equivalents ..		(57,404)	3,123,633	(2,878,645)	(2,508,921)	30,332
Cash and cash equivalents at beginning of the year/period		169,591	112,187	3,199,105	3,199,105	297,221
Exchange losses on cash and bank balances		—	(36,715)	(23,239)	(18,461)	(29)
Cash and cash equivalents at end of the year/period	16	<u>112,187</u>	<u>3,199,105</u>	<u>297,221</u>	<u>671,723</u>	<u>327,524</u>

II NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 General Information and Group Reorganisation

(a) General information

Glorious Property Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 27 July 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and is the holding company of its subsidiaries (together, the “Group”). During the Relevant Periods, the subsidiaries of the Company were principally engaged in the development of real estate projects in the People’s Republic of China (the “PRC”).

(b) Reorganisation

Mr. Zhang Zhi Rong (hereinafter referred to as the “Founder”) established various companies in the PRC engaging in the property development business. As part of the Reorganisation, the Founder incorporated Best Era International Limited (“Best Era”), which then established Bright New Investments Limited (“Bright New”). Both Best Era and Bright New were incorporated in the British Virgin Islands (“BVI”). In May 2007, Bright New acquired from a company owned by the Founder five BVI companies namely Allied Honest Holdings Limited, East Harbour Development Limited, Vieward Group Limited, Regal World Development Limited and Grand Target Group Limited (collectively referred to as the “BVI Subsidiaries”). In 2006, the BVI Subsidiaries acquired five Hong Kong companies namely Rich Tech International Enterprise Limited, Extreme (Asia) Limited, Venture Hong Kong Group Limited, Worldex Investment Development Limited, and Cheston Holdings Limited (collectively referred to as the “HK Subsidiaries”) from a third party. In May 2007, the HK Subsidiaries acquired all the interest in the registered capital of nine wholly foreign owned enterprises (the “WFOEs”) from third parties. At the respective dates of acquisition, all these BVI Subsidiaries, HK Subsidiaries and WFOEs did not have business operations except for investment holding.

In June 2007, the WFOEs acquired the entire equity interest in four companies namely Shanghai Yijing Property Development Co., Ltd., Wuxi Wangjiarui Co., Ltd., Tianjin Yangguang Xindi Investment Co., Ltd. and Liaoning Yangguang Xindi Property Development Co., Ltd. (collectively referred to as the “Regional Companies”), all of which were incorporated in the PRC, from the Founder at an aggregate cash consideration of RMB1,289,020,000. During the period from May to June 2007, the Regional Companies acquired the entire or remaining equity interest of other nine PRC incorporated project companies (the “Project Companies”) at an aggregate cash consideration of RMB1,044,634,000 from the Founder. The considerations for the acquisitions of the Regional Companies and Project Companies were determined with reference to valuations of these companies as at 31 May 2007 prepared by an independent valuer and were settled in cash.

On 27 July 2007, the Company was incorporated by Best Era. On 17 September 2007, the Company acquired the entire share capital of Bright New from Best Era by issuing 900 shares of the Company’s ordinary shares.

Upon the completion of the Reorganisation, the Company became the holding company of the subsidiaries comprising the Group. Best Era also became the immediate and ultimate holding company of the Company.

During 2007, Best Era transferred 0.7% equity interest in the Company to the Investors in relation to the Notes borrowing as further mentioned in note 19(a). Immediately after such transfer but before completion of the Listing, the Company is owned as to 99.3% by Best Era.

(c) Acquisitions

In 2009, the Group acquired the entire interest in Shanghai Mingbao Construction Co. Ltd. (“Shanghai Mingbao”) at cash consideration of RMB2,500,000, the purpose of which is to acquire the business licence held by Shanghai Mingbao. For details of this acquisition, please refer to note 36.

In 2008, the Group acquired the entire interests in two companies namely Nantong Rongsheng Building Real Estate Development Co., Ltd. (南通熔盛大廈房地產開發有限公司) (“Nantong Rongsheng”) and Tianjin Tianxingjian Real Estate Investment Co., Ltd. (天津天行建房地產投資有限公司) (“Tianjin Tianxingjian”) at cash considerations of RMB31,803,000, and RMB454,180,000 respectively, the purpose of which is to acquire the land use rights or property development projects owned by these companies. For details of these acquisitions, please refer to note 36.

In 2008, the Group also acquired 45% equity interest in Shanghai Chuangmeng International Architectural Design Co., Ltd. (上海創盟國際建築設計有限公司) (formerly known as Shanghai Haichao Architectural Design Institute, Shanghai Haichao Architectural Design Co., Ltd. and Shanghai Chuangmeng Architectural Design Co., Ltd.) at cash consideration of RMB4,500,000 from the Founder.

Particulars of the subsidiaries of the Company as at the date of this report and during the Relevant Periods are set out below:

Name	Date of incorporation/ establishment	Country/place of incorporation/ establishment and operation	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest					Principal activities
					31 December			30 April 2009	At the date of this report	
					2006	2007	2008			
Directly held:										
Bright New Investments Limited (明新投資有限公司)	2 May 2007	The BVI	Limited company	US\$50,000	N/A	100%	100%	100%	100%	Investment holding
Indirectly held:										
Allied Honest Holdings Limited	30 March 2006	The BVI	Limited company	US\$1,000	—	100%	100%	100%	100%	Investment holding
Better Score Limited	25 February 2009	The BVI	Limited company	US\$1	N/A	N/A	N/A	100%	—	Investment holding
East Harbour Development Limited	9 March 2006	The BVI	Limited company	US\$1,000	—	100%	100%	100%	100%	Investment holding
Grand Target Group Limited (君達集團有限公司)	23 January 2006	The BVI	Limited company	US\$1,000	—	100%	100%	100%	100%	Investment holding
Regal World Development Limited	21 February 2006	The BVI	Limited company	US\$1,000	—	100%	100%	100%	100%	Investment holding
Vieward Group Limited (景向集團有限公司)	15 February 2006	The BVI	Limited company	US\$1,000	—	100%	100%	100%	100%	Investment holding
Rich Tech International Enterprise Limited (富達國際企業有限公司)	2 June 2006	Hong Kong	Limited company	HK\$1	—	100%	100%	100%	100%	Investment holding
Extreme (Asia) Limited (永和(亞洲)有限公司)	15 May 2006	Hong Kong	Limited company	HK\$1	—	100%	100%	100%	100%	Investment holding

Name	Date of incorporation/ establishment	Country/place of incorporation/ establishment and operation	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest					Principal activities
					31 December			30 April 2009	At the date of this report	
					2006	2007	2008			
Cheston Holdings Limited (卓怡集團有限公司)	14 June 2006	Hong Kong	Limited company	HK\$1	—	100%	100%	100%	100%	Investment holding
Worldex Investment Development Limited (恒匯投資發展有限公司)	14 June 2006	Hong Kong	Limited company	HK\$1	—	100%	100%	100%	100%	Investment holding
Venture Hong Kong Group Limited (富昇香港集團有限公司)	26 June 2006	Hong Kong	Limited company	HK\$1	—	100%	100%	100%	100%	Investment holding
Greater Base Ltd. (基鉅有限公司)	3 March 2009	Hong Kong	Limited company	HK\$1	N/A	N/A	N/A	100%	—	Investment holding
Fusheng Real Estate Development (Nantong) Co., Ltd. (富昇房地產開發(南通)有限公司)	27 June 2005	The PRC	Limited company	US\$29,960,000	—	100%	100%	100%	100%	Property development and investment holding
Fuda Real Estate Development (Nantong) Co., Ltd. (富達房地產開發(南通)有限公司)	1 August 2006	The PRC	Limited company	US\$12,880,000	—	100%	100%	100%	100%	Property development and investment holding
Yonghe Real Estate Development (Nantong) Co., Ltd. (永和房地產開發(南通)有限公司)	10 April 2006	The PRC	Limited company	US\$14,800,000	—	100%	100%	100%	100%	Property development and investment holding
Henghui Real Estate Development (Nantong) Co., Ltd. (恒匯房地產開發(南通)有限公司)	22 July 2005	The PRC	Limited company	US\$13,990,000	—	100%	100%	100%	100%	Property development and investment holding
Nantong Jigui Road Estate Development Co., Ltd. (南通杰匯置業發展有限公司)	14 April 2006	The PRC	Limited company	US\$29,990,000	—	100%	100%	100%	100%	Property development and investment holding
Nantong Jiangle Real Estate Development Co., Ltd. (南通江樂房地產開發有限公司)	27 June 2006	The PRC	Limited company	US\$29,800,000	—	100%	100%	100%	100%	Property development and investment holding
Nantong Lehua Real Estate Development Co., Ltd. (南通樂華房地產開發有限公司)	29 June 2006	The PRC	Limited company	US\$29,800,000	—	100%	100%	100%	100%	Property development and investment holding
Nantong Huangshi Hui Real Estate Development Co., Ltd. (南通皇室會房地產開發有限公司)	25 July 2005	The PRC	Limited company	US\$29,990,000	—	100%	100%	100%	100%	Property development and investment holding

Name	Date of incorporation/ establishment	Country/place of incorporation/ establishment and operation	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest					Principal activities
					31 December			30 April 2009	At the date of this report	
					2006	2007	2008			
Zhuo Yi Real Estate Development (Nantong) Co., Ltd. (卓怡房地產開發(南通)有限公司)	2 August 2006	The PRC	Limited company	US\$29,800,000	—	100%	100%	100%	100%	Property development and investment holding
Shanghai Yijing Property Development Co., Ltd. (上海意景房地產開發有限公司)	22 January 2001	The PRC	Limited company	RMB563,587,214	100%	100%	100%	100%	100%	Property development and investment holding
Tianjin Yangguang Xindi Investment Co., Ltd. (天津陽光鑫地投資有限公司)	19 May 2003	The PRC	Limited company	RMB806,039,565	100%	100%	100%	100%	100%	Property development and investment holding
Wuxi Wangjiarui Co., Ltd. (無錫旺佳瑞有限公司)	7 September 2004	The PRC	Limited company	RMB1,197,911,767	100%	100%	100%	100%	100%	Property development and investment holding
Liaoning Yangguang Xindi Property Development Co., Ltd. (遼寧陽光鑫地置業有限公司)	6 June 2005	The PRC	Limited company	RMB1,333,502,483	100%	100%	100%	100%	100%	Property development and investment holding
Shanghai Xintai Property Development Co., Ltd. (上海鑫泰房地產發展有限公司)	22 April 1999	The PRC	Limited company	RMB800,000,000	100%	100%	100%	100%	100%	Property development
Shanghai Shentong Property Development Co., Ltd. (上海勝通房地產開發有限公司)	19 June 2001	The PRC	Limited company	RMB8,000,000	100%	100%	100%	100%	100%	Property development
Shanghai Anshun Property Development Co., Ltd. (上海安順房地產發展有限公司)	18 January 1996	The PRC	Limited company	RMB30,000,000	100%	100%	100%	100%	100%	Property development
Shanghai Haosen Property Co., Ltd. (上海豪森房地產有限公司)	6 October 1998	The PRC	Limited company	RMB80,000,000	100%	100%	100%	100%	100%	Property development
Suzhou Hongsheng Property Co., Ltd. (蘇州弘晟房地產有限公司)	17 March 2005	The PRC	Limited company	RMB170,000,000	100%	100%	100%	100%	100%	Property development
Nantong Zhuowei Trade Development Co., Ltd. (南通焯焯貿易發展有限公司)	5 June 2003	The PRC	Limited company	RMB155,000,000	100%	100%	100%	100%	100%	Property development

Name	Date of incorporation/ establishment	Country/place of incorporation/ establishment and operation	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest					Principal activities
					31 December			30 April 2009	At the date of this report	
					2006	2007	2008			
Beijing Yangguang Xindi Property Development Co., Ltd. (北京陽光鑫地置業有限公司)	25 February 2003	The PRC	Limited company	RMB129,000,000	100%	100%	100%	100%	100%	Property development
Beijing Hetian Hexin Property Development Co., Ltd. (北京合天和信房地產開發有限公司)	25 December 2001	The PRC	Limited company	RMB130,000,000	100%	100%	100%	100%	100%	Property development
Tianjin Hongyun Investment Co., Ltd. (天津弘耘投資有限公司)	13 September 2004	The PRC	Limited company	RMB88,000,000	100%	100%	100%	100%	100%	Property development
Anhui Hengmao Property Development Co., Ltd. (安徽恆茂房地產開發有限公司)	24 October 2007	The PRC	Limited company	RMB509,830,227	N/A	100%	100%	100%	100%	Property development
Harbin Yangguang Binhai Property Co., Ltd. (哈爾濱陽光濱海置業有限公司)	19 December 2007	The PRC	Limited company	RMB260,000,000	N/A	100%	100%	100%	100%	Property development
Nantong Rongsheng Building Real Estate Development Co., Ltd. (南通榕盛大廈房地產開發有限公司)	12 December 2007	The PRC	Limited company	RMB30,000,000	N/A	—	100%	100%	100%	Property development
Tianjin Tianxingjian Real Estate Investment Co., Ltd. (天津天行建房地產投資有限公司)	20 March 2006	The PRC	Limited company	RMB53,480,000	—	—	100%	100%	100%	Property development
Shanghai Hongye Property Development Co., Ltd. (上海弘擘房地產發展有限公司)	7 April 2008	The PRC	Limited company	RMB150,000,000	N/A	N/A	100%	100%	100%	Property development
Wuxi Wangjiarui Decoration and Renovation Co., Ltd. (無錫旺佳瑞裝飾裝修有限公司)	13 May 2008	The PRC	Limited company	RMB5,000,000	N/A	N/A	100%	100%	100%	Interior and exterior decoration and renovation
Shanghai Shuntianlong Concrete Co., Ltd. (上海順添隆混凝土有限公司)	14 November 2008	The PRC	Limited company	RMB30,000,000	N/A	N/A	100%	100%	100%	Sales of concrete
Shanghai Qiwei Industry Co., Ltd. (上海祺偉實業有限公司)	24 September 2008	The PRC	Limited company	RMB5,000,000	N/A	N/A	100%	100%	100%	Wholesale of construction materials
Shanghai Mingbao Construction Co., Ltd. (上海明寶建設工程有限公司)	17 January 2004	The PRC	Limited company	RMB6,000,000	—	—	—	100%	100%	Interior and exterior decoration and renovation

No statutory audited financial statements have been prepared for those companies incorporated in the BVI where there is no statutory audit requirement. No statutory audited financial statements is required to be issued for the period ended 30 April 2009. The companies that have statutory audited financial statements and the name of the statutory auditors are as follows:

Subsidiaries	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Rich Tech International Enterprise Limited (富達國際企業有限公司)	N/A	PricewaterhouseCoopers	PricewaterhouseCoopers
Extreme (Asia) Limited (永和(亞洲)有限公司)	N/A	PricewaterhouseCoopers	PricewaterhouseCoopers
Cheston Holdings Limited (卓怡集團有限公司)	N/A	PricewaterhouseCoopers	PricewaterhouseCoopers
Worldex Investment Development Limited (恒匯投資發展有限公司)	N/A	PricewaterhouseCoopers	PricewaterhouseCoopers
Venture Hong Kong Group Limited (富昇香港集團有限公司)	N/A	PricewaterhouseCoopers	PricewaterhouseCoopers
Greater Base Limited (基鉅有限公司)	N/A	N/A	N/A
Fusheng Real Estate Development (Nantong) Co., Ltd. (富昇房地產開發(南通)有限公司)	N/A	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)
Fuda Real Estate Development (Nantong) Co., Ltd. (富達房地產開發(南通)有限公司)	N/A	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)
Yonghe Real Estate Development (Nantong) Co., Ltd. (永和房地產開發(南通)有限公司)	N/A	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)
Henghui Real Estate Development (Nantong) Co., Ltd. (恒匯房地產開發(南通)有限公司)	N/A	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)
Nantong Jigui Road Estate Development Co., Ltd. (南通杰匯置業發展有限公司)	N/A	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)
Nantong Jiangle Real Estate Development Co., Ltd. (南通江樂房地產開發有限公司)	N/A	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)
Nantong Lehua Real Estate Development Co., Ltd. (南通樂華房地產開發有限公司)	N/A	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)
Nantong Huangshi Hui Real Estate Development Co., Ltd. (南通皇室會房地產開發有限公司)	N/A	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)
Zhuo Yi Real Estate Development (Nantong) Co., Ltd. (卓怡房地產開發(南通)有限公司)	N/A	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)	Rugao Gaojian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)
Shanghai Yijing Property Development Co. Ltd. (上海意景房地產開發有限公司)	Shanghai Zhong Qin Wan Xin Certified Public Accountants Co., Ltd. (上海中勤萬信會計師事務所有限公司)	Shanghai Zhong Qin Wan Xin Certified Public Accountants Co., Ltd. (上海中勤萬信會計師事務所有限公司)	Shanghai Tianyi Certified Public Accountants Firm (上海天一會計師事務所)

Statutory auditors

Subsidiaries	Year 2006	Year 2007	Year 2008
Shanghai Xintai Property Development Co., Ltd. (上海鑫泰房地產發展有限公司)	Shanghai East Asia Certified Public Accountants Co., Ltd. (上海東亞會計師事務所有限公司)	Shanghai HDDY Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司)	Shanghai HDDY Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司)
Shanghai Shentong Property Development Co., Ltd. (上海勝通房地產開發有限公司)	Shanghai East Asia Certified Public Accountants Co., Ltd. (上海東亞會計師事務所有限公司)	Shanghai HDDY Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司)	Shanghai HDDY Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司)
Shanghai Anshun Property Development Co., Ltd. (上海安順房地產發展有限公司)	Shanghai East Asia Certified Public Accountants Co., Ltd. (上海東亞會計師事務所有限公司)	Shanghai HDDY Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司)	Shanghai HDDY Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司)
Shanghai Haosen Property Co., Ltd. (上海豪森房地產有限公司)	Shanghai East Asia Certified Public Accountants Co., Ltd. (上海東亞會計師事務所有限公司)	Shanghai HDDY Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司)	Shanghai HDDY Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司)
Wuxi Wangjiarui Co., Ltd. (無錫旺佳瑞有限公司)	Wuxi Gong Qin CPAs Ltd. (無錫公勤會計師事務所有限公司)	Wuxi Gong Qin CPAs Ltd. (無錫公勤會計師事務所有限公司)	Wuxi Gong Qin CPAs Ltd. (無錫公勤會計師事務所有限公司)
Suzhou Hongsheng Property Co., Ltd. (蘇州弘晟房地產有限公司)	Jiangsu Xinrui Certified Public Accountants Co., Ltd. (江蘇新瑞會計師事務所有限公司)	Jiangsu Xinrui Certified Public Accountants Co., Ltd. (江蘇新瑞會計師事務所有限公司)	Changshu Xinlian Certified Public Accountants Co., Ltd. (常熟新聯會計師事務所有限公司)
Nantong Zhuowei Trade Development Co., Ltd. (南通焯焯貿易發展有限公司)	Rugao Gao Jian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)	Rugao Gao Jian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)	Rugao Gao Jian Certified Public Accountants Co., Ltd. (如皋皋劍會計師事務所有限公司)
Tianjin Yangguang Xindi Investment Co., Ltd. (天津陽光鑫地投資有限公司)	Tian Jin Tian Rui Certified Public Accountants Firm Ltd. (天津天瑞有限責任會計師事務所)	Tian Jin Bohai Certified Public Accountants Ltd. (天津市渤海會計師事務所有限責任公司)	Tian Jin Bohai Certified Public Accountants Ltd. (天津市渤海會計師事務所有限責任公司)
Tianjin Hongyun Investment Co., Ltd. (天津弘耘投資有限公司)	Tian Jin Bohai Certified Public Accountants Ltd. (天津市渤海會計師事務所有限責任公司)	Tian Jin Bohai Certified Public Accountants Ltd. (天津市渤海會計師事務所有限責任公司)	Tian Jin Bohai Certified Public Accountants Ltd. (天津市渤海會計師事務所有限責任公司)
Beijing Yangguang Xindi Property Development Co., Ltd. (北京陽光鑫地置業有限公司)	Beijing Hengcheng Yongxin Certified Public Accountants Co., Ltd. (北京恒誠永信會計師事務所)	Beijing Hengcheng Yongxin Certified Public Accountants Co., Ltd. (北京恒誠永信會計師事務所)	Beijing Hengcheng Yongxin Certified Public Accountants Co., Ltd. (北京恒誠永信會計師事務所)
Beijing Hetian Hexin Property Development Co., Ltd. (北京合天和信房地產開發有限公司)	Beijing Hengcheng Yongxin Certified Public Accountants Co., Ltd. (北京恒誠永信會計師事務所)	Beijing Hengcheng Yongxin Certified Public Accountants Co., Ltd. (北京恒誠永信會計師事務所)	Beijing Zhong Yihe Certified Public Accountants Co., Ltd. (北京中怡和會計師事務所有限公司)
Liaoning Yangguang Xindi Property Development Co., Ltd. (遼寧陽光鑫地置業有限公司)	Liaoning Tiantuo Certified Public Accountants Co., Ltd. (遼寧天拓會計師事務所有限公司)	Liao Ning Concept Certified Public Accountants Co., Ltd. (遼寧理念會計師事務所有限公司)	Liao Ning Concept Certified Public Accountants Co., Ltd. (遼寧理念會計師事務所有限公司)
Anhui Hengmao Property Development Co., Ltd. (安徽恒茂房地產開發有限公司)	N/A	N/A	Anhui Huazhou Certified Public Accountants (安徽華洲會計師事務所)
Wuxi Wangjiarui Decoration and Renovation Co., Ltd. (無錫旺佳瑞裝飾裝修有限公司)	N/A	N/A	Wuxi Gong Qin CPAs Ltd (無錫公勤會計師事務所有限公司)

Subsidiaries	Statutory auditors		
	Year 2006	Year 2007	Year 2008
Harbin Yangguang Binhai Property Co. Ltd. (哈爾濱陽光濱海置業有限公司)	N/A	N/A	Heilongjiang Huaxin Certified Public Accountants Co. Ltd (黑龍江華新會計師事務所有限公司)
Nantong Rongsheng Building Real Estate Development Co., Ltd. (南通榕盛大廈房地產開發有限公司)	N/A	N/A	Rugao Gao Jian Certified Public Accountants Co., Ltd (如皋皋劍會計師事務所有限公司)
Tianjin Tianxingjian Real Estate Investment Co., Ltd. (天津天行建房地產投資有限公司)	N/A	N/A	Tian Jin Bohai Certified Public Accountants Ltd (天津市渤海會計師事務所有限責任公司)

The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

2 Summary of Significant Accounting Policies

The principal 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 presentation

For the purpose of this report, the Financial Information has been prepared to reflect the Reorganisation of a business under common control, in which certain companies comprising the Group are ultimately controlled by the Founder. Accordingly, the Reorganisation has been accounted for as a reorganisation of business under common control using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the HKICPA.

The consolidated income statements, consolidated statements of cash flows and consolidated statements of changes in equity of the Group for the Relevant Periods include the Financial Information of the companies comprising the Group as a result of the Reorganisation as if the current group structure had been in existence throughout the Relevant Periods, except that the Financial Information of those companies newly set up during the Relevant Periods and of those companies accounted for using purchase method of accounting are included in the Financial Information of the Group since their respective dates of establishment/incorporation and acquisition.

The Financial Information has been prepared in accordance with the HKFRSs under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss.

The preparation of Financial Information in conformity with the 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 HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the accounting periods of the Group. The following sets out the changes in accounting policies for the current and prior accounting periods reflected in this Financial Information.

(i) Amendment and interpretations effective in 2008

HKICPA has issued certain new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets
HK(IFRIC) - Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) - Int 12	Service Concession Arrangements
HK(IFRIC) - Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

These amendments to standards and interpretations did not result in substantial changes to the Group's accounting policies.

(ii) Amendment to standard early adopted by the Group in 2008

The Group has early adopted the following amendment to standard in the preparation of the Financial Information for the year ended 31 December 2008.

HKAS 40	Investment Property
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Earlier adoption is permitted and the adoption of the above amendment has resulted in the changes in the Group's accounting policy relating to valuation of property that is under construction or development. Pursuant to the amendment, property that is under construction or development for future use as investment property is within the scope of HKAS 40, such property is measured at fair value under the fair value model. As the Group had no properties under construction which were designated as investment properties as at 31 December 2006 and 2007, there was no impact on the Financial Information as at and for the years then ended 31 December 2006 and 2007 upon the adoption of the amendment. This amendment to HKAS 40 has been applied prospectively.

(iii) Standards and amendments effective in 2009

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown separately in income statement.
- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who makes strategic decisions.
- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but have no significant impact on the Group's Financial Information for the current and prior accounting periods.

HKAS 23 (Revised)	Borrowing Costs
HKAS 32 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 1	First-time adoption of HKFRS and HKAS 27 - Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
Improvements to HKFRS — Amendments to:	
HKAS 1 (Revised)	Presentation of Financial Statement
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 16	Property, Plant and Equipment
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 23 (Revised)	Borrowing Costs
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 29	Financial Reporting in Hyperinflationary Economies
HKAS 31	Interests in Joint Ventures
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 41	Agriculture
Other minor amendments to:	
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events After the Balance Sheet Date
HKAS 18	Revenue
HKAS 34	Interim Financial Reporting

(iv) Amendments and interpretations that are not yet effective and have not been early adopted by the Group

The following new standards, amendments and interpretations have been issued but are not yet effective for the period ended 30 April 2009 and which the Group has not early adopted:

HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
HKAS 39 (amendment)	Financial Instruments: Recognition and measurement (effective for annual periods beginning on or after 1 July 2009)
HKFRS 1 (Revised)	First-time adoption of HKFRS (effective for annual periods beginning on or after 1 July 2009)
Amendments to HKFRS 2	Share-based Payment Group Cash-settled share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010)
HKFRS 3 (Revised)	Business Combination (effective for annual periods beginning on or after 1 July 2009)
HK(IFRIC) - Int 17	Distributions of non-cash assets to owners (effective for annual periods beginning on or after 1 July 2009)
HK(IFRIC) - Int 18	Transfer of assets from customers (effective for annual periods beginning on or after 1 July 2009)
Improvements to HKFRS — Amendments to:	
HKAS 1	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010)
HKAS 7	Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010)
HKAS 17	Leases (effective for annual periods beginning on or after 1 January 2010)
HKAS 18	Revenue (effective for annual periods beginning on or after 1 July 2009)
HKAS 36	Impairment of Assets (effective for annual periods beginning on or after 1 January 2010)
HKAS 38	Intangible Assets (effective for annual periods beginning on or after 1 July 2009)
HKAS 39	Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010)
HKFRS 2	Share-based Payment (effective for annual periods beginning on or after 1 July 2009)
HKFRS 5	Non-current assets held for sales and discontinued operations (First and second amendments to be effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, respectively)
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1 January 2010)
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 July 2009)
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 July 2009)

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Consolidation

The Financial Information include the financial statements of the Company and all of its subsidiaries.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose vehicles) 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 the control ceases.

In the Company's balance sheet, the investment in subsidiaries are stated at cost less provision for impairment losses (note 2(g)). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) Business combination under common control

The Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated 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 consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the capital reserve.

The consolidated income statements includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or business had been consolidated at the earliest balance sheet date presented or when they first came under common control, whichever is the later.

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.

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 by using merger accounting are recognised as an expense in the period in which they are incurred.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Purchase method of accounting

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the 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.

(iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (note 2(g)).

The Group's share of its associates post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the companies comprising the Group are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The Financial Information is presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(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 statements.

(iii) Group companies

The results and financial positions of all the companies comprising the Group (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 companies comprising the Group are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement of the companies comprising the Group 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, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated 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 the closing rate.

(d) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any impairment losses. 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.

Repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

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

Computer and office equipment	5 years
Motor vehicles	5 years
Furniture, fitting and equipment	5 years
Leasehold improvements	Over the lease terms of 1 to 5 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 proceeds with carrying amount. These are included in the consolidated income statements.

Properties under construction in progress are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the properties which comprises land costs, construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to land and buildings within property and equipment.

No depreciation is provided for properties under construction in progress. The carrying amount of properties under construction is written down immediately to its recoverable amount if the assets carrying amount are greater than their estimated recoverable amount (note 2(g)).

(e) Investment properties

Property that is held for long-term rental yields and is not occupied by the Group is classified as investment property. 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 a finance lease. Investment property is carried at fair value, representing open market value determined annually by external valuers. 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 the 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 reviewed annually by an independent and professionally qualified valuer, changes in fair values are recorded in the consolidated income statement as part of "other gains/losses, net".

Property that is currently being constructed or developed for future use as investment property is classified as investment properties and stated 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 of construction is completed or the date at which fair value becomes reliably measurable.

If an item of completed properties held for sale 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 the consolidated income statement.

(f) Intangible asset

Intangible asset represented the licence which was recorded at cost of acquisition on initial recognition. The licence has a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licence over their estimated useful lives of 5 years.

(g) 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.

(h) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as “trade and other receivables” in the consolidated balance sheet (note 2(m)).

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. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value and loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the consolidated income statement within “Other gains/losses, net”, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. Impairment testing of trade and other receivables is described in note 2(m).

(i) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion based on prevailing marketing conditions.

Development cost of property primarily comprises land costs, construction costs, 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 the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(j) Completed properties held for sale

Completed properties remaining unsold at the balance sheet date 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 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.

(k) Land use rights

Land use rights are up-front payments to acquire long-term interest in leasehold properties, which are stated at cost and are amortised on a straight-line basis over the lease period to the consolidated income statement. The amortisation during the period of construction of the properties is capitalised as cost of properties under development.

(l) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition, 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 entity will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. 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 original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the 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 with original maturities of three months or less. Bank deposits which are restricted to use are not included in the cash and cash equivalents.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Trade and other payables

Payables are recognised initially at fair value and subsequently measured at amortised costs 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 consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

(s) Current and deferred income tax

The income tax expenses for the period comprise current and deferred tax. Tax is recognised in the consolidated income statement.

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 Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates position taken in tax return 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 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 Information. 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 administrated funds managed by the PRC governments.

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 the lower of 5% of eligible employees' relevant aggregate income and HK\$1,000. The assets of this pension scheme are held separately from those of the Group in independently administrated funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(u) Share-based payments

In relation to the provision of certain loans by the Investors, Best Era, which is the Company's immediate holding company and is wholly owned by the Founder has transferred 0.7% equity interest in the Company to the Investors (note 19 (a)) as arrangement fees for the loans. The fair value of the 0.7% equity interest is recognised as part of the transaction costs for obtaining the loans. It is offset against the loans and form part of the borrowing costs as determined by using the effective interest method (note 2(q)).

(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 is recognised as follows:

(i) Sales of properties

Revenue from sale of properties is recognised when the risks and rewards of the properties are transferred to the purchasers, which occurs 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. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as advanced proceeds received from customers under current liabilities.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(w) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(x) 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), including up-front prepayment made for the land use rights, are charged to the consolidated income statement or capitalised in the properties under development (note 2(i)) on a straight-line basis over the period of the lease.

(ii) The Group is the lessor

Properties leased out under operating leases, that management intends to sell in the ordinary course of business, are included in completed properties held for sale. Properties leased out under operating leases, that management intends to held for long-term rental yields, are included in investment properties.

(y) Dividend distribution

Dividend distribution to the then equity holders of the companies comprising the Group during the Relevant Periods is recognised as a liability in the Group's consolidated financial information in the period in which the dividends are appropriately authorised and no longer at the discretion of the entity.

(z) Financial guarantee

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group for property purchasers.

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 contracts 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.

(aa) 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.

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 Information. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(ab) 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.

3 Financial Risk Management

(a) Financial risk factors

The Group's major financial instruments include cash and bank deposits, trade and other receivables, financial assets at fair value through profit and loss, 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.

(i) Foreign currency exchange risk

The Group's property development projects are all located in the PRC and all the related transactions are settled in RMB. The Company and certain of the Group's intermediate holding companies operate in Hong Kong which have recognised assets and liabilities in currencies other than RMB. The directors consider the exposures to those assets and liabilities to be insignificant. As at 31 December 2007, the Group holds a significant amount of United States dollars ("USD"), which represented the Notes (see note 19(a)) drew down from the Investors in November and December 2007 in the form of USD cash. As the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government, the USD cash have not yet been converted into RMB for the Group's property development projects as at 31 December 2007. For the year ended 31 December 2008, the majority of the USD cash have been converted into RMB.

The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2006, all of the Group's financial assets and liabilities were denominated in RMB. As at 31 December 2007 and 31 December 2008 and 30 April 2009, if RMB had strengthened by 5% against USD, with all other variables held constant, post-tax profit for the year ended 31 December 2007 and 2008 and 30 April 2009 would have been approximately RMB78 million, RMB1 million and RMB1 million lower.

(ii) Interest rate risk

As the Group has no significant assets that bear floating interest rates, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's receivables that carry fixed interest rates expose the Group to fair value interest rate risk.

The Group's exposures to changes in interest rates are mainly attributable to its borrowings (note 19). Borrowings issued at variable rates expose the Group to cash flow interest risk. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis and will consider the interest rate exposure when enter into any refinancing, renewal of existing positions and alternative financing transactions.

(iii) Price risk

The Group is not exposed to material equity securities price risk and commodity price risk as the Group only has very minimal investments in securities that are exposed to price risk.

(iv) Credit risk

Credit risk is managed on a group basis. The Group's credit risk arises from cash deposits, trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

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 only granted to customers for very 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 the Group's properties and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 34.

(v) **Liquidity risk**

Management of the Group aims to maintain sufficient cash from operating activities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the Group's liquidity by preparing and reviewing rolling cashflow forecast that covers (i) monthly cash flow forecast for the coming month and (ii) quarterly cash flow forecast for the next six-month period.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the consolidated balance sheets for borrowings and trade and other payables.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2006				
Borrowings	1,376,395	377,903	2,518,162	4,272,460
Trade and other payables	3,225,340	—	—	3,225,340
Financial guarantee	528,603	—	—	528,603
Total	<u>5,130,338</u>	<u>377,903</u>	<u>2,518,162</u>	<u>8,026,403</u>
At 31 December 2007				
Borrowings	5,623,985	973,047	1,499,146	8,096,178
Trade and other payables	1,444,548	—	—	1,444,548
Financial guarantee	1,860,806	—	—	1,860,806
Total	<u>8,929,339</u>	<u>973,047</u>	<u>1,499,146</u>	<u>11,401,532</u>
At 31 December 2008				
Borrowings	6,983,177	565,479	—	7,548,656
Trade and other payables	1,193,093	—	—	1,193,093
Financial guarantee	2,662,065	—	—	2,662,065
Total	<u>10,838,335</u>	<u>565,479</u>	<u>—</u>	<u>11,403,814</u>
At 30 April 2009				
Borrowings	6,591,444	632,552	—	7,223,996
Trade and other payables	1,035,427	—	—	1,035,427
Financial guarantee	3,112,399	—	—	3,112,399
Total	<u>10,739,270</u>	<u>632,552</u>	<u>—</u>	<u>11,371,822</u>

(b) **Capital risk management**

The Group regards its shareholders' equity as capital. 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 shareholders 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 shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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 below 60%. The gearing ratios as at 31 December 2006, 2007 and 2008 and 30 April 2009 were as follows:

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings	<u>3,841,890</u>	<u>6,866,885</u>	<u>6,474,125</u>	<u>6,541,832</u>
Total assets	<u>9,844,308</u>	<u>12,728,305</u>	<u>13,158,222</u>	<u>14,127,597</u>
Gearing ratio	<u>39%</u>	<u>54%</u>	<u>49%</u>	<u>46%</u>

The increase in gearing ratio for the years ended 31 December 2007, 2008 and for the four months ended 30 April 2009 was resulted primarily from the issuance of the Notes borrowing as further mentioned in note 19(a).

(c) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows 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 Information 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) Income tax and deferred income tax

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 income 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) Land appreciation tax

The Group is subject to land appreciation tax 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 expense and deferred income tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(c) Estimated valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent and professionally qualified valuer.

In determining the fair value, the valuer has based on property valuation techniques which involve, inter alia, certain estimates including comparable sales in the relevant market, current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market condition.

5 Segment Information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

Management regularly reviews the operating results by property development projects. As property development projects are all located in the PRC, their revenue are primarily derived from the sales of properties, and are related and subject to common risk and returns, all property development projects are aggregated into a single reportable segment in accordance with HKFRS 8 "Operating segments". No segment information is presented.

6 Property and equipment

	Computer and office equipment	Motor vehicles	Furniture, fitting and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006						
Cost	2,582	15,850	850	—	—	19,282
Accumulated depreciation	(810)	(2,203)	(418)	—	—	(3,431)
Net book amount	<u>1,772</u>	<u>13,647</u>	<u>432</u>	<u>—</u>	<u>—</u>	<u>15,851</u>
Year ended 31 December 2006						
Opening net book amount	1,772	13,647	432	—	—	15,851
Additions	1,402	3,357	182	—	—	4,941
Disposals	(8)	(5)	—	—	—	(13)
Depreciation	(677)	(2,736)	(169)	—	—	(3,582)
Closing net book amount	<u>2,489</u>	<u>14,263</u>	<u>445</u>	<u>—</u>	<u>—</u>	<u>17,197</u>

	Computer and office equipment	Motor vehicles	Furniture, fitting and equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2006						
Cost	3,966	19,202	1,032	—	—	24,200
Accumulated depreciation	(1,477)	(4,939)	(587)	—	—	(7,003)
Net book amount	<u>2,489</u>	<u>14,263</u>	<u>445</u>	<u>—</u>	<u>—</u>	<u>17,197</u>
Year ended 31 December 2007						
Opening net book amount	2,489	14,263	445	—	—	17,197
Additions	1,053	3,317	693	—	—	5,063
Disposals	(4)	(2)	—	—	—	(6)
Depreciation	(898)	(4,739)	(217)	—	—	(5,854)
Closing net book amount	<u>2,640</u>	<u>12,839</u>	<u>921</u>	<u>—</u>	<u>—</u>	<u>16,400</u>
At 31 December 2007						
Cost	4,953	22,479	1,725	—	—	29,157
Accumulated depreciation	(2,313)	(9,640)	(804)	—	—	(12,757)
Net book amount	<u>2,640</u>	<u>12,839</u>	<u>921</u>	<u>—</u>	<u>—</u>	<u>16,400</u>
Year ended 31 December 2008						
Opening net book amount	2,640	12,839	921	—	—	16,400
Acquisition of subsidiaries (note 36)	48	—	—	—	—	48
Additions	2,658	8,160	1,499	4,554	—	16,871
Transfer from properties under development	—	—	—	—	367,325	367,325
Disposals	(39)	(776)	(477)	—	—	(1,292)
Depreciation	(967)	(5,048)	(269)	(755)	—	(7,039)
Closing net book amount	<u>4,340</u>	<u>15,175</u>	<u>1,674</u>	<u>3,799</u>	<u>367,325</u>	<u>392,313</u>
At 31 December 2008						
Cost	7,446	29,141	2,714	4,554	367,325	411,180
Accumulated depreciation	(3,106)	(13,966)	(1,040)	(755)	—	(18,867)
Net book amount	<u>4,340</u>	<u>15,175</u>	<u>1,674</u>	<u>3,799</u>	<u>367,325</u>	<u>392,313</u>
Four months ended 30 April 2009						
Opening net book amount	4,340	15,175	1,674	3,799	367,325	392,313
Additions	4,396	160	8	—	27,873	32,437
Disposals	(11)	(295)	—	—	—	(306)
Depreciation	(409)	(1,686)	(164)	(315)	—	(2,574)
Closing net book amount	<u>8,316</u>	<u>13,354</u>	<u>1,518</u>	<u>3,484</u>	<u>395,198</u>	<u>421,870</u>
At 30 April 2009						
Cost	11,816	28,783	2,722	4,554	395,198	443,073
Accumulated depreciation	(3,500)	(15,429)	(1,204)	(1,070)	—	(21,203)
Net book amount	<u>8,316</u>	<u>13,354</u>	<u>1,518</u>	<u>3,484</u>	<u>395,198</u>	<u>421,870</u>

Construction in progress comprises the land costs, construction costs, borrowing costs and professional fees incurred during the development period. The movement of land use rights are as follows:

	Year ended 31 December			Four months ended 30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount.....	—	—	—	39,440
Transfer from properties under development	—	—	39,440	—
Amortisation				
- Capitalised in plant and equipment	—	—	—	(288)
	<u>—</u>	<u>—</u>	<u>39,440</u>	<u>39,152</u>

Depreciation charge was capitalised or expensed in the following categories in the consolidated balance sheets and the consolidated income statements:

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Properties under development ...	468	261	468	173	98
Cost of sales	32	67	—	—	—
Selling and marketing expenses .	97	207	260	111	148
Administrative expenses	<u>2,985</u>	<u>5,319</u>	<u>6,311</u>	<u>1,812</u>	<u>2,328</u>
	<u>3,582</u>	<u>5,854</u>	<u>7,039</u>	<u>2,096</u>	<u>2,574</u>

7 Interests in subsidiaries — Company

	31 December		30 April
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	—	—	—
Advances to subsidiaries (a)	<u>3,426,584</u>	<u>3,237,792</u>	<u>3,238,066</u>
	<u>3,426,584</u>	<u>3,237,792</u>	<u>3,238,066</u>

(a) The advances to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

8 Investment properties

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Opening carrying value.....	—	—	—	1,103,500
Additions.....	—	—	—	4,047
Transfer from properties under development	—	—	257,415	134,212
Transfer from completed properties held for sale	—	—	—	167,992
Fair value gains (included in other gains/(losses), net)	—	—	846,085	735,189
	<u>—</u>	<u>—</u>	<u>1,103,500</u>	<u>2,144,940</u>

The investment properties were valued on 31 December 2008 and on 30 April 2009 at fair value, comprising market value by Jones Lang LaSalle Sallmanns Limited, an independent and professionally qualified valuer.

The Group's interests in investment properties at their carrying amounts are analysed as follows:

	31 December	30 April
	2008	2009
	RMB'000	RMB'000
In the PRC, held on:		
Leases of 10-50 years	1,103,500	1,137,700
Leases of over 50 years.....	—	1,007,240
	<u>1,103,500</u>	<u>2,144,940</u>

9 Intangible asset

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
For the years/period ended				
Opening net book amount	—	—	—	—
Acquisition of subsidiary (note 36)	—	—	—	2,500
Amortisation charge.....	—	—	—	(59)
Closing net book amount	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,441</u>
At years/period ended				
Cost	—	—	—	2,500
Accumulated amortisation	—	—	—	(59)
Net book amount	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,441</u>

10 Properties under development

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within normal operating cycle included under current assets	<u>4,505,737</u>	<u>5,829,489</u>	<u>7,345,976</u>	<u>7,482,943</u>
Amount comprised:				
Land use rights (a)	2,040,802	2,072,702	3,182,450	3,073,655
Construction costs and capitalised expenditures	2,198,913	3,148,044	2,674,982	2,540,718
Interest capitalised	<u>266,022</u>	<u>608,743</u>	<u>1,488,544</u>	<u>1,868,570</u>
	<u>4,505,737</u>	<u>5,829,489</u>	<u>7,345,976</u>	<u>7,482,943</u>

The properties under development are all located in the PRC.

As at 31 December 2006, 2007, 2008 and 30 April 2009, properties under development of carrying values of approximately RMB2,742,886,000, RMB2,891,913,000, RMB2,541,852,000 and RMB2,079,764,000 were pledged as collateral for the Group's borrowings, respectively (note 19).

(a) The movements of land use rights are as follows:

	Year ended 31 December			Four months ended 30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount	1,770,073	2,040,802	2,072,702	3,182,450
Additions	503,355	310,658	2,004,377	17,413
Amortisation:				
- capitalised in properties under development	(30,080)	(35,527)	(48,444)	(18,788)
Transfer to completed properties held for sale	(202,546)	(243,231)	(770,195)	(76,345)
Transfer to investment properties	—	—	(36,550)	(31,075)
Transfer to property and equipment	—	—	(39,440)	—
	<u>2,040,802</u>	<u>2,072,702</u>	<u>3,182,450</u>	<u>3,073,655</u>

11 Completed properties held for sale

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Completed properties held for sale comprised:				
Land use rights (a)	87,650	77,331	359,539	337,635
Construction costs and capitalised expenditures	417,454	273,196	784,436	697,523
Interest capitalised	8,496	7,366	57,293	38,467
	<u>513,600</u>	<u>357,893</u>	<u>1,201,268</u>	<u>1,073,625</u>

The completed properties held for sale are all located in the PRC.

As at 31 December 2006, 2007 and 2008 and 30 April 2009, completed properties held for sale of carrying values of approximately RMB41,408,000, RMB10,133,000, RMB315,590,000 and RMB73,364,000 were pledged as collateral for the Group's borrowings, respectively (note 19).

As at 31 December 2007, completed properties held for sale of carrying values of approximately RMB118,232,000 were pledged as collateral for certain borrowings of three related companies. The Group's maximum credit risk exposure as at 31 December 2007 was the carrying value of the collaterals of approximately RMB118,232,000. As at 31 December 2008, such pledge has been fully released. No completed properties held for sale were pledged as collateral for borrowings of other companies as at 31 December 2006, 31 December 2008 and 30 April 2009.

(a) The movements of land use rights are as follows:

	Year ended 31 December			Four months ended 30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book amount	46,850	87,650	77,331	359,539
Transfer from properties under development ...	202,546	243,231	770,195	76,345
Amortisation included in administrative expenses	(695)	(2,634)	(2,948)	(2,901)
Transfer to cost of sales	(161,051)	(250,916)	(485,039)	(70,548)
Transfer to investment properties	—	—	—	(24,800)
	<u>87,650</u>	<u>77,331</u>	<u>359,539</u>	<u>337,635</u>

12 Inventories

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Construction materials, at cost	—	—	—	5,719

13 Trade and other receivables and prepayments

Group	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:	28,663	32,360	4,419	6,354
Third parties (a)	28,663	32,360	4,419	6,354
Other receivables:	3,068,108	1,286,663	43,647	59,187
Related parties (note 33(c))	3,008,426	1,243,556	—	—
Third parties (b)	59,682	43,107	43,647	59,187
Prepayments:	1,393,316	1,788,276	2,547,833	2,364,294
Related parties (note 33(c))	1,013,559	653,586	1,170,403	1,114,621
Third parties	379,757	1,134,690	1,377,430	1,249,673
	<u>4,490,087</u>	<u>3,107,299</u>	<u>2,595,899</u>	<u>2,429,835</u>
Company		31 December		30 April
		2007	2008	2009
		RMB'000	RMB'000	RMB'000
Prepayments to third parties		<u>3,781</u>	<u>48,067</u>	<u>57,279</u>

- (a) Trade receivables are mainly arisen 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 and customers are generally required to settle the receivables within 30 days after the date of signing the sales and purchase agreements. The ageing analysis of trade receivables at the balance sheet dates is as follows:

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Not yet due	1,557	5,787	300	1,800
Within 6 months	23,744	13,150	250	2,588
Between 7 and 12 months	—	859	—	10
Between 13 months and 3 years.....	3,362	12,564	3,869	1,956
	<u>28,663</u>	<u>32,360</u>	<u>4,419</u>	<u>6,354</u>

As at 31 December 2006, 2007 and 2008 and 30 April 2009, trade receivables of RMB27,106,000, RMB26,573,000, RMB4,119,000 and RMB4,554,000 were overdue but not impaired. Trade receivables that are past due but not impaired relate to certain customers that have a good track record with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully receivable. All trade receivables were denominated in RMB.

- (b) Other receivables due from third parties are unsecured, interest-free and repayable on demand.

As at 31 December 2006, 2007 and 2008 and 30 April 2009, the fair values of the Group's and the Company's trade and other receivables approximate their carrying amounts. The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security. None of the receivables from third parties is either past due or impaired.

As at 31 December 2006 and 2007, the Group's receivables due from Shanghai Ditong amounted to RMB1,301,875,000 and RMB782,984,000 respectively, representing 42.0% and 59.4% of the Group's total trade and other receivables as at each balance sheet date. As set out in note 33(c)(i), the other receivables due from Shanghai Ditong has been fully settled subsequent to 31 December 2007.

14 Financial assets at fair value through profit or loss

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Listed securities				
— Equity securities in the PRC	—	4,591	—	—
Unlisted securities				
— funds in the PRC	—	16,500	—	—
Market value of listed and unlisted securities	<u>—</u>	<u>21,091</u>	<u>—</u>	<u>—</u>

Cash flows associated with financial assets at fair value through profit or loss are presented within "operating activities" in the consolidated statements of cash flows.

Changes in fair value of financial assets at fair value through profit or loss are recorded in "other gains/(losses), net" in the consolidated income statements (note 24).

The fair value of all equity securities is based on their current bid prices in an active market.

15 Restricted cash

Restricted cash represents guaranteed deposits for the mortgage loan facilities granted by the banks to the purchasers of the Group's properties. Such restrictions will be released at the earlier of (i) getting agreement from the banks for releasing such restriction, and (ii) the property ownership certificates have been provided to the banks.

16 Cash and cash equivalents

Group	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand:				
Denominated in RMB	209,817	991,641	355,104	405,348
Denominated in USD	—	2,273,197	23,341	14,525
Denominated in HKD	—	957	3,244	4,030
	<u>209,817</u>	<u>3,265,795</u>	<u>381,689</u>	<u>423,903</u>
Less: Restricted cash	<u>(97,630)</u>	<u>(66,690)</u>	<u>(84,468)</u>	<u>(96,379)</u>
	<u>112,187</u>	<u>3,199,105</u>	<u>297,221</u>	<u>327,524</u>
Maximum exposure to credit risk	<u>208,836</u>	<u>3,264,893</u>	<u>380,871</u>	<u>422,654</u>

As at 31 December 2006, 2007 and 2008 and 30 April 2009, the Group's five highest bank balances amounted to RMB170,835,000, RMB2,891,422,000, RMB298,816,000 and RMB337,970,000 respectively, representing 81.4%, 88.5%, 78.3% and 79.7% of the Group's total cash and bank balances as at each balance sheet date.

Company	31 December		30 April
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Cash at bank and in hand:			
Denominated in USD	214,043	8,760	7,134
Denominated in HKD	532	152	155
	<u>214,575</u>	<u>8,912</u>	<u>7,289</u>

The conversion of Renminbi 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 regulations of foreign exchange control promulgated by the PRC government.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

17 Share capital

Company and Group	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		HK\$	RMB'000
<i>Authorised:</i>			
Ordinary shares of HK\$0.1 each at 27 July 2007 (date of incorporation) (a)	3,800,000	380,000	—
Increase pursuant to share sub-division (d)	34,200,000	—	—
	38,000,000	380,000	—
Creation of additional authorised shares (e)	342,000,000	3,420,000	—
Ordinary shares of HK\$0.01 each at 31 December 2007 ..	380,000,000	3,800,000	—
Creation of additional authorised shares (g)	37,620,000,000	376,200,000	—
Ordinary shares of HK\$0.01 each at 31 December 2008 and 30 April 2009	<u>38,000,000,000</u>	<u>380,000,000</u>	—
<i>Issued:</i>			
Ordinary shares of HK\$0.1 each issued on 27 July 2007 (date of incorporation) (a)	100	10	—
Issue of shares for acquisition of Bright New (b)	900	90	—
Allotment of shares of HK\$0.1 each (c)	999,000	99,900	96
	1,000,000	100,000	96
Increase pursuant to share sub-division (d)	9,000,000	—	—
	10,000,000	100,000	96
Allotment of new shares of HK\$0.01 each (f)	90,000,000	900,000	866
Ordinary shares of HK\$0.01 each at 31 December 2007, 31 December 2008 and 30 April 2009.....	<u>100,000,000</u>	<u>1,000,000</u>	<u>962</u>

- (a) The Company was incorporated in the Cayman Islands on 27 July 2007 with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each. On the same date, the Company issued and allotted 100 nil-paid shares to Best Era.
- (b) On 17 September 2007, the Company acquired the entire share capital of Bright New from Best Era in the consideration of (i) issuing 900 ordinary shares of HK\$0.1 each and (ii) by crediting as fully paid at par 100 shares in the name of Best Era.
- (c) On 18 October 2007, the Company further allotted and issued 999,000 shares to Best Era at par.
- (d) Pursuant to a resolution on 18 October 2007, every issued and unissued ordinary share of HK\$0.1 was sub-divided into 10 shares of HK\$0.01 each such that the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and 10,000,000 shares of HK\$0.01 each in issue.
- (e) Pursuant to a resolution on 2 November 2007, the Company's authorised share capital was increased from HK\$380,000 to HK\$3,800,000 by the creation of an additional 342,000,000 shares of HK\$0.01 each.
- (f) On 2 November 2007, the Company further allotted 90,000,000 shares of HK\$0.01 each to Best Era at par.
- (g) Pursuant to a resolution on 17 June 2008, the Company's authorised share capital was increased from HK\$3,800,000 to HK\$380,000,000 by the creation of an additional 37,620,000,000 shares of HK\$0.01 each.
- (h) Pursuant to a board resolution dated 9 September 2009, conditional on the share premium account of the Company being credited as a result of the Global Offering, the Company will capitalise an amount of HK\$55,250,000 standing to the credit of its share premium account in paying up in full at par 5,525,000,000 shares, each of which will be allotted and issued to the shareholders.

18 Reserves

(a) Company reserves

	Other reserve (note (d))	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
As at date of incorporation	—	—	—
Total comprehensive loss for the period from date of incorporation to 31 December 2007	—	(200,820)	(200,820)
Shareholder's contribution in relation to Notes borrowing (note 19(a))	156,290	—	156,290
Balance at 31 December 2007	156,290	(200,820)	(44,530)
Total comprehensive loss for the year	—	(998,184)	(998,184)
Balance at 31 December 2008	156,290	(1,199,004)	(1,042,714)
Total comprehensive loss for the period	—	(363,018)	(363,018)
Balance at 30 April 2009	<u>156,290</u>	<u>(1,562,022)</u>	<u>(1,405,732)</u>

(b) Merger reserve

Merger reserve arises from merger accounting for Reorganisation.

Movement of merger reserve during the Relevant Periods includes paid in capital of the subsidiaries acquired in the Reorganisation and cash considerations of RMB2,333,654,000 paid to the Founder for the acquisition of interests in subsidiaries and assets and liabilities related to the Regional Companies and Project Companies pursuant to the Reorganisation (note 1(b)) which have been treated as a deemed distribution to the equity owner in the consolidated statements of changes in equity. Details of the movement in merger reserve are set out in the consolidated statement of changes in equity.

As a result, merger reserve as at 31 December 2007 represents the difference between the cash consideration and the paid-in capital of the subsidiaries acquired in the Reorganisation.

(c) Statutory reserve

In accordance with the relevant regulations and their articles of association, the Company's subsidiaries incorporated in the PRC are required to allocate at least 10% of their after-tax profit according to PRC accounting standards and regulations to the general statutory reserve until such reserve has reached 50% of registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective board of directors of the subsidiaries. These reserves can only be used for specific purposes and are not distributable or transferable in the form of loans, advances, or cash dividends. During the years ended 31 December 2006 and 2007 and 2008, appropriations to the general statutory reserve amounted to approximately RMB13,059,000, RMB22,730,000 and RMB32,373,000 respectively.

(d) Other reserve

It represents the 0.7% equity interest in the Company contributed by Best Era in connection with the Notes borrowing (note 19(a)).

19 Borrowings

Group	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings included in non-current liabilities:				
Bank borrowings - secured	2,671,890	2,317,730	537,000	609,560
Borrowings included in current liabilities:				
Bank borrowings - secured	1,170,000	204,000	1,630,110	1,262,200
Borrowing from a related party - unsecured (note 33(c))	—	680,000	—	—
Notes borrowing - secured (a)	—	3,665,155	4,307,015	4,670,072
	1,170,000	4,549,155	5,937,125	5,932,272
Total borrowings	<u>3,841,890</u>	<u>6,866,885</u>	<u>6,474,125</u>	<u>6,541,832</u>

The Group's borrowings are all denominated in RMB.

The Group's bank borrowings of approximately RMB3,481,890,000, RMB2,521,730,000, RMB2,167,110,000 and RMB1,871,760,000 as at 31 December 2006 and 2007 and 2008 and 30 April 2009 respectively were secured by certain properties under development and completed properties held for sale of the Group (note 10 and 11). Please refer to note (a) for the securities in relation to the Notes borrowing.

Company	31 December		30 April
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Borrowings included in current liabilities:			
Notes borrowing - secured (a)	<u>3,665,155</u>	<u>4,307,015</u>	<u>4,670,072</u>

- (a) On 2 November 2007, the Company and certain investors (the "Investors") entered into a subscription agreement (as amended by a supplemental agreement dated 17 December 2007) (collectively, the "Subscription Agreement") pursuant to which the Company agreed to issue and the Investors agreed to subscribe for the RMB denominated, interest bearing, registered promissory notes with an aggregate principal amount of the RMB equivalent of USD500 million (the "Notes") to the Investors or their respective nominee(s). The Notes were drawn on 2 November 2007 and 17 December 2007 for USD200 million and USD300 million respectively and the principal amount of the Notes was fixed at RMB3,717 million, representing the RMB equivalent of USD500 million at the date of drawdown. In relation to the issue of the Notes, Best Era has transferred 0.7% equity interest in the Company to the Investors and the value of such shareholding of RMB156,290,000, which was determined based on a business valuation of the Group as at 31 October 2007 performed by an independent valuer, is regarded as a shareholder's contribution and forms part of the borrowing cost of the Notes.

The Notes shall be redeemed by the Company at the earlier of (i) at the second anniversary of the date of first drawdown and (ii) the date of a qualified initial public offering.

In consideration of the Investors agreeing to enter into the Subscription Agreement and to subscribe for the Notes pursuant to the terms and conditions thereunder, the following securities were created in favour of the Investors:

- a share mortgage over 89.3% of the shares of the Company executed by Best Era to secure the Founder's obligation under the transaction agreements in connection with the Notes (the "Note Documents");
- a share mortgage over 526,400 shares in Rongsheng Heavy Industries Group Co., Ltd. executed by Fine Profit Enterprises Limited, a BVI company controlled by the Founder and engaging in heavy industries business, to secure the respective obligations of the Founder and the Company under the Note Documents;
- a guarantee executed by the Founder to secure the obligations of the Company under the Note Documents;
- a debenture executed by the Company to secure its obligations under the Note Documents;
- guarantees executed by each of the BVI Subsidiaries and HK Subsidiaries to secure the obligations of the Company under the Note Documents;
- share mortgages executed by each of the Company, Bright New and the BVI Subsidiaries to secure the obligations of the Company under the Note Documents; and
- share pledges over the paid up capital of the WFOEs executed by each of the HK Subsidiaries to secure the obligations of the Company under the Note Documents.

All the above securities created pursuant to the above security documents shall be released upon the repayment of all sums due for the Notes.

- (b) The maturities of the Group's total borrowings at respective balance sheet dates are as follows:

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,170,000	4,549,155	5,937,125	5,932,272
After 1 and within 2 years	187,000	857,730	537,000	609,560
After 2 and within 5 years	2,484,890	1,460,000	—	—
	<u>3,841,890</u>	<u>6,866,885</u>	<u>6,474,125</u>	<u>6,541,832</u>

As at 31 December 2007 and 2008 and 30 April 2009, the Company's borrowings of RMB3,665,155,000, RMB4,307,015,000 and RMB4,670,072,000 are all repayable within one year.

- (c) The fair values of the Group's current borrowings approximate their carrying amounts at each balance sheet dates for the reason that the impact of discounting is not significant or the current borrowings carry floating rate interests.

The fair values of the Group's non-current borrowings approximate their carrying amounts at each balance sheet as all the non-current borrowings carry floating rate interests.

- (d) The weighted average effective interest rates at each of the balance sheet dates of the Relevant Periods were as follows:

Group	31 December			30 April
	2006	2007	2008	2009
Bank borrowings	7.07%	8.60%	6.33%	6.05%
Borrowing from a related party	N/A	0%	N/A	N/A
Notes borrowing	N/A	42.01%	24.30%	24.30%

Company	31 December		30 April
	2007	2008	2009
Notes borrowing	42.01%	24.30%	24.30%

- (e) 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:

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	3,841,890	6,675,085	6,474,125	6,541,832
Between 7 and 12 months	—	—	—	—
Between 13 months and 5 years	—	191,800	—	—
	<u>3,841,890</u>	<u>6,866,885</u>	<u>6,474,125</u>	<u>6,541,832</u>

20 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority.

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets				
— to be realised after more than 12 months ..	48,457	47,347	11,571	22,674
— to be realised within 12 months	17,280	11,613	15,249	8,506
	<u>65,737</u>	<u>58,960</u>	<u>26,820</u>	<u>31,180</u>
Deferred income tax liabilities				
— to be realised after more than 12 months ..	—	—	172,937	351,091
— to be realised within 12 months	—	—	—	—
	<u>—</u>	<u>—</u>	<u>172,937</u>	<u>351,091</u>
Deferred income tax asset/(liabilities), net	<u>65,737</u>	<u>58,960</u>	<u>(146,117)</u>	<u>(319,911)</u>

The movement of the deferred income tax assets/(liabilities) is as follows:

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period	47,933	65,737	58,960	(146,117)
Recognised in the consolidated income statements (note 29)	17,804	(6,777)	(205,077)	(173,794)
End of the year/period	<u>65,737</u>	<u>58,960</u>	<u>(146,117)</u>	<u>(319,911)</u>

Movement in deferred income tax assets/(liabilities) during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax income assets/(liabilities)

	Tax losses	Other expenses	Fair value gains	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2006	47,933	—	—	47,933
Credited to the consolidated income statements	17,804	—	—	17,804
At 31 December 2006	65,737	—	—	65,737
(Charged)/credited to the consolidated income statements	(14,065)	7,288	—	(6,777)
At 31 December 2007	51,672	7,288	—	58,960
Credited/(charged) to the consolidated income statements	2,216	4,228	(211,521)	(205,077)
At 31 December 2008.....	53,888	11,516	(211,521)	(146,117)
Credited/(charged) to the consolidated income statements.....	10,003	—	(183,797)	(173,794)
At 30 April 2009	<u>63,891</u>	<u>11,516</u>	<u>(395,318)</u>	<u>(319,911)</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. As at 31 December 2006, 2007 and 2008 and 30 April 2009, there were unrecognised tax losses of approximately RMB3,567,000, RMB7,814,000, RMB28,111,000 and RMB38,009,000 to be carried forward for deduction against future taxable profits.

21 Trade and other payables

Group	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (a):	973,053	646,661	742,094	510,642
Related parties (note 33(c))	524,923	479,233	523,513	274,025
Third parties	448,130	167,428	218,581	236,617
Other payables:	2,208,983	769,488	379,040	450,019
Related parties (note 33(c))	1,829,757	389,893	4,500	—
Third parties (b)	379,226	379,595	374,540	450,019
Other taxes payable	33,621	22,512	64,101	64,404
	<u>3,215,657</u>	<u>1,438,661</u>	<u>1,185,235</u>	<u>1,025,065</u>

Company	31 December		30 April
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Other payables:			
Third parties	<u>8,597</u>	<u>358</u>	<u>96</u>

(a) The ageing analysis of trade payables at the balance sheet dates is as follows:

Group	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	734,181	508,757	586,932	443,320
Between 7 and 12 months	1,024	1,794	87,499	15,858
Between 13 months and 5 years.....	<u>237,848</u>	<u>136,110</u>	<u>67,663</u>	<u>51,464</u>
	<u>973,053</u>	<u>646,661</u>	<u>742,094</u>	<u>510,642</u>

(b) Other payables due to third parties are unsecured and repayable on demand. Amounts of approximately RMB156,246,000, RMB106,111,000, RMB110,000,000 and RMB100,000,000 are bearing interest at rates of 7% - 18% per annum whereas amounts of approximately RMB222,980,000, RMB273,484,000, RMB264,540,000 and RMB350,019,000 are interest-free as at 31 December 2006, 2007 and 2008 and 30 April 2009 respectively.

- (c) The carrying amounts of the Group's and the Company's trade and other payables are denominated in the followings currencies:

Group	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
HKD	—	436	1,413	429
RMB	3,215,657	1,430,022	1,183,451	1,024,540
Other currencies	—	8,203	371	96
	<u>3,215,657</u>	<u>1,438,661</u>	<u>1,185,235</u>	<u>1,025,065</u>

Company	31 December		30 April
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
HKD	394	—	—
RMB	—	—	—
Other currencies	8,203	358	96
	<u>8,597</u>	<u>358</u>	<u>96</u>

22 Amounts due to subsidiaries — Company

The amounts are unsecured, interest-free and repayable on demand.

23 Other income

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest income	3,529	6,702	7,900	4,028	248
Government grants (a).....	7,361	3,225	—	—	—
Investment income/(loss)	1,800	4,127	(1,832)	178	—
Others	2,378	3,140	15,337	2,900	6,423
	<u>15,068</u>	<u>17,194</u>	<u>21,405</u>	<u>7,106</u>	<u>6,671</u>

- (a) Government grants mainly represented government subsidies received by the Group from the relevant local government agencies for recognising the Group's contribution to the local government. These government grants were paid at the sole discretion of the relevant government authority and the Group does not anticipate receiving such government grants on a continuing basis.

24 Other (losses)/gains, net

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Fair value changes of the financial assets at fair value through profit or loss	—	2,202	—	(1,808)	—
Fair value changes of investment properties	—	—	846,085	—	735,189
Exchange losses, net	—	(36,715)	(20,522)	(20,291)	(72)
	<u>—</u>	<u>(34,513)</u>	<u>825,563</u>	<u>(22,099)</u>	<u>735,117</u>

25 Profit before income tax

Profit before income tax is stated after charging the following:

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Auditors' remuneration	10	80	484	37	16
Advertising costs	22,041	43,632	83,769	23,384	12,629
Business taxes and other levies	95,202	99,175	220,693	54,103	52,102
Costs of completed properties sold	995,910	1,065,643	2,072,646	408,463	428,745
Depreciation (note 6)	3,082	5,526	6,571	1,923	2,476
Amortisation of intangible asset (note 9)	—	—	—	—	59
Amortisation of land use rights (note 11)	695	2,634	2,948	400	2,901
Staff costs - excluding directors' emoluments (note 27)	19,707	32,771	69,397	19,981	27,885
Bad debts written off	1,369	—	—	—	—
Donations	380	50	5,170	50	—
Rental expenses	9,573	8,944	21,039	4,697	10,206
Losses on disposals of property and equipment	5	6	329	—	73
	<u>5</u>	<u>6</u>	<u>329</u>	<u>—</u>	<u>73</u>

26 Finance costs

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expenses:					
- bank borrowings	232,351	303,376	213,472	73,407	49,949
- Notes borrowing	—	136,001	995,706	318,660	363,058
- other payables from					
- related parties (note 33(b)) ..	16,145	5,809	1,282	1,282	—
- third parties	14,198	17,051	16,769	4,944	4,335
Total interest expenses	262,694	462,237	1,227,229	398,293	417,342
Less: interest capitalised in properties under development	(188,992)	(365,012)	(1,172,750)	(380,232)	(405,966)
	<u>73,702</u>	<u>97,225</u>	<u>54,479</u>	<u>18,061</u>	<u>11,376</u>

Borrowing costs of the loans used to finance the property development projects of the Group have been capitalised at capitalisation rate ranged from 5.27% to 42.01% during the Relevant Periods.

27 Staff costs — excluding directors' emoluments

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Wages and salaries	13,290	27,003	56,296	16,918	24,067
Retirement scheme contribution	722	775	2,040	349	311
Staff welfare	5,053	3,745	8,610	2,234	2,671
Medical benefits	166	270	422	95	114
Other allowances and benefits	476	978	2,029	385	722
	<u>19,707</u>	<u>32,771</u>	<u>69,397</u>	<u>19,981</u>	<u>27,885</u>

28 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:

	Fee	Salaries, bonus, allowance and benefits in kind	Employer's contribution to retirement scheme	Other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director:					
Mr. Ding Xiang Yang.....	—	130	23	12	165
Mr. Cheng Li Xiong.....	—	210	23	12	245
Mr. Xia Jing Hua.....	—	130	23	12	165
Mr. Liu Ning.....	—	260	23	12	295
Mr. Li Xiao Bin.....	—	1,000	38	13	1,051
Mr. Yan Zhi Rong.....	—	130	23	12	165
Non-executive director:					
Mr. Zhang Zhi Rong (a)	—	780	23	12	815
Independent Non-executive director:					
Mr. Yim Ping Kuen (b)	—	—	—	—	—
Mr. Liu Shun Fai (b)	—	—	—	—	—
Mr. Wo Rui Fang (b)	—	—	—	—	—
Mr. Han Ping (b).....	—	—	—	—	—

The remuneration of each director of the Company for the year ended 31 December 2007 is set out below:

	Fee	Salaries, bonus, allowance and benefits in kind	Employer's contribution to retirement scheme	Other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director:					
Mr. Ding Xiang Yang.....	—	390	25	13	428
Mr. Cheng Li Xiong.....	—	260	25	13	298
Mr. Xia Jing Hua.....	—	260	25	13	298
Mr. Liu Ning.....	—	260	25	13	298
Mr. Li Xiao Bin.....	—	1,000	41	14	1,055
Mr. Yan Zhi Rong.....	—	260	25	13	298
Non-executive director:					
Mr. Zhang Zhi Rong (a)	—	780	25	13	818
Independent Non-executive director:					
Mr. Yim Ping Kuen (b)	—	—	—	—	—
Mr. Liu Shun Fai (b)	—	—	—	—	—
Mr. Wo Rui Fang (b)	—	—	—	—	—
Mr. Han Ping (b).....	—	—	—	—	—

The remuneration of each director of the Company for the year ended 31 December 2008 is set out below:

	Fee	Salaries, bonus, allowance and benefits in kind	Employer's contribution to retirement scheme	Other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director:					
Mr. Ding Xiang Yang.....	—	360	29	15	404
Mr. Cheng Li Xiong.....	—	240	29	15	284
Mr. Xia Jing Hua.....	—	240	29	15	284
Mr. Liu Ning.....	—	240	29	15	284
Mr. Li Xiao Bin.....	—	1,495	35	14	1,544
Mr. Yan Zhi Rong.....	—	240	29	15	284
Non-executive director:					
Mr. Zhang Zhi Rong (a)	—	720	29	15	764
Independent Non-executive director:					
Mr. Yim Ping Kuen (b)	—	—	—	—	—
Mr. Liu Shun Fai (b)	—	—	—	—	—
Mr. Wo Rui Fang (b)	—	—	—	—	—
Mr. Han Ping (b).....	—	—	—	—	—

The remuneration of each director of the Company for the four months ended 30 April 2008 is set out below:

	Fee	Salaries, bonus, allowance and benefits in kind	Employer's contribution to retirement scheme	Other benefits	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Executive director:					
Mr. Ding Xiang Yang.....	—	120	9	4	133
Mr. Cheng Li Xiong.....	—	80	9	4	93
Mr. Xia Jing Hua.....	—	80	9	4	93
Mr. Liu Ning.....	—	80	9	4	93
Mr. Li Xiao Bin.....	—	498	12	5	515
Mr. Yan Zhi Rong.....	—	80	9	4	93
Non-executive director:					
Mr. Zhang Zhi Rong (a)	—	240	9	4	253
Independent Non-executive director:					
Mr. Yim Ping Kuen (b)	—	—	—	—	—
Mr. Liu Shun Fai (b)	—	—	—	—	—
Mr. Wo Rui Fang (b)	—	—	—	—	—
Mr. Han Ping (b).....	—	—	—	—	—

The remuneration of each director of the Company for the four months ended 30 April 2009 is set out below:

	Fee	Salaries, bonus, allowance and benefits in kind	Employer's contribution to retirement scheme	Other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director:					
Mr. Ding Xiang Yang.....	—	120	10	5	135
Mr. Cheng Li Xiong.....	—	80	10	5	95
Mr. Xia Jing Hua.....	—	80	10	5	95
Mr. Liu Ning.....	—	80	10	5	95
Mr. Li Xiao Bin.....	—	500	13	5	518
Mr. Yan Zhi Rong.....	—	80	10	5	95
Non-executive director:					
Mr. Zhang Zhi Rong (a)	—	240	10	5	255
Independent Non-executive director:					
Mr. Yim Ping Kuen (b)	—	—	—	—	—
Mr. Liu Shun Fai (b)	—	—	—	—	—
Mr. Wo Rui Fang (b)	—	—	—	—	—
Mr. Han Ping (b).....	—	—	—	—	—

Note a: Mr. Zhang Zhi Rong was re-designated as executive director on 9 September 2009.

Note b: Resigned on 16 March 2009 and reappointed on 9 September 2009.

During the Relevant Periods, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments.

All executive directors joined the Group before 1 January 2006.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group in each of the years ended 31 December 2006, 2007 and 2008 and four months ended 30 April 2008 and 2009 include 4, 3, 1, 1 and 1 directors, respectively. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 1, 2, 4, 4 and 4 individuals in each of the years ended 31 December 2006, 2007 and 2008 and four months ended 30 April 2008 and 2009, respectively, are as follows:

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other benefits	1,038	1,410	6,031	1,658	1,871

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
				(unaudited)	
RMB Nil to RMB1,000,000	—	1	—	4	4
RMB1,000,001 to RMB1,500,000	1	1	3	—	—
RMB1,500,001 to RMB2,000,000	—	—	1	—	—
	<u>1</u>	<u>2</u>	<u>4</u>	<u>4</u>	<u>4</u>

29 Income tax expenses

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current income tax					
- PRC corporate income tax ...	179,927	100,066	259,627	84,355	102,162
- PRC land appreciation tax ...	358	114,551	363,102	124,785	9,522
	<u>180,285</u>	<u>214,617</u>	<u>622,729</u>	<u>209,140</u>	<u>111,684</u>
Deferred income tax (note 20)					
- Origination and reversal of temporary differences	(17,804)	(9,159)	205,077	(15,093)	173,794
- Impact of change in tax rate .	—	15,936	—	—	—
	<u>(17,804)</u>	<u>6,777</u>	<u>205,077</u>	<u>(15,093)</u>	<u>173,794</u>
	<u>162,481</u>	<u>221,394</u>	<u>827,806</u>	<u>194,047</u>	<u>285,478</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 companies comprising the Group as follows:

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before income tax	421,665	329,488	2,082,797	368,773	1,059,016
Calculated at PRC corporate income tax rate of 33% (25% for year/period ended 31 December 2008 and 30 April 2008 and 2009)	139,149	108,731	520,699	92,193	264,754
Expenses not deductible for tax .	12,253	19,832	17,063	4,902	4,304
Tax losses not recognised as deferred income tax assets	460	1,401	5,074	2,181	2,474
Provision for land appreciation tax	358	114,551	363,102	124,785	9,522
Tax effect on land appreciation tax	(118)	(37,802)	(90,776)	(31,196)	(2,380)
Effect of change in tax rate (a) ..	—	15,936	—	—	—
Others	<u>10,379</u>	<u>(1,255)</u>	<u>12,644</u>	<u>1,182</u>	<u>6,804</u>
Income tax expenses	<u>162,481</u>	<u>221,394</u>	<u>827,806</u>	<u>194,047</u>	<u>285,478</u>

PRC corporate income tax is provided at the rate of 33% for each of the years ended 31 December 2006 and 2007 and 25% for the year ended 31 December 2008 and for the four months ended 30 April 2008 and 2009 of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC corporate income tax purpose.

No Hong Kong profits tax has been provided for the years ended 31 December 2007 and 2008 and for the four months ended 30 April 2008 and 30 April 2009 as there is no assessable profit for these periods. No Hong Kong profits tax was provided for the year ended 31 December 2006 as the Group did not have any companies having business in Hong Kong during the year.

PRC land appreciation tax ("LAT") is levied at progressive rates 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, which is included in the consolidated income statements as income tax. The Group has estimated the tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

- (a) On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate from 33% to 25% with effect from 1 January 2008. Accordingly, the deferred income tax assets/liabilities of the Group that are expected to be reversed on or after 1 January 2008 were adjusted by using tax rate of 25%. The effect on the change in corporate income tax rate was recognised in the consolidated income statement for the year ended 31 December 2007.

30 Earnings per share

No earnings per share information is presented for the years ended 31 December 2006 and 2007 as its inclusion, for the purpose of this report, is not considered as meaningful due to the Reorganisation and the basis of preparation of the Financial Information as disclosed in note 1 above.

Basic earnings per share for the year ended 31 December 2008 and for the four months ended 30 April 2008 and 2009 is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December 2008	Four months ended 30 April	
	RMB'000	2008 RMB'000	2009 RMB'000
		(unaudited)	
Profit attributable to equity holders of the Company.....	1,254,991	174,726	773,538
Weighted average number of shares in issue (thousand)	100,000	100,000	100,000

The earnings per share as presented above has not taken into account the proposed capitalisation issue as described in note 17(h).

31 Cash (used in)/generated from operations

	Note	Year ended 31 December			Four months ended 30 April	
		2006	2007	2008	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period		259,184	108,094	1,254,991	174,726	773,538
Adjustments for:						
Income tax expenses	29	162,481	221,394	827,806	194,047	285,478
Interest income	23	(3,529)	(6,702)	(7,900)	(4,028)	(248)
Interest expense	26	73,702	97,225	54,479	18,061	11,376
Investment (income)/loss ...	23	(1,800)	(4,127)	1,832	(178)	—
Fair value changes of the financial asset at fair value through profit or loss	24	—	(2,202)	—	1,808	—
Fair value changes of investment properties	24	—	—	(846,085)	—	(735,189)
Depreciation	6	3,582	5,854	7,039	2,096	2,574
Amortisation of intangible asset.....	9	—	—	—	—	59
Amortisation of land use rights	11	695	2,634	2,948	400	2,901
Bad debts written off	25	1,369	—	—	—	—
Losses on disposals of property and equipment .	25	5	6	329	—	73
Foreign exchange losses on operating activities	24	—	36,715	20,522	20,291	72
Changes in working capital:						
Properties under development and completed properties held for sale		(1,248,151)	(808,711)	(1,643,283)	(1,748,332)	91,494
Inventories		—	—	—	—	(5,719)
Restricted cash		(29,737)	30,940	(17,778)	(125,638)	(11,911)
Trade and other receivables and prepayments		(713,023)	(380,771)	(998,969)	(1,075,782)	168,050
Financial assets of fair value through profit or loss.....		—	(18,889)	19,259	16,809	—
Trade and other payables ..		222,089	(314,560)	198,564	40,087	(182,679)
Advanced proceeds received from customers		(643,872)	3,420,679	(738,134)	184,840	14,007
Cash (used in)/generated from operations		<u>(1,917,005)</u>	<u>2,387,579</u>	<u>(1,864,380)</u>	<u>(2,300,793)</u>	<u>413,876</u>

32 Commitments

(a) Commitments for capital and property development expenditures

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for				
Land use rights	532,522	1,237,070	2,911,901	2,286,901
Property development expenditures	5,906,903	5,669,911	5,092,779	5,153,218
	<u>6,439,425</u>	<u>6,906,981</u>	<u>8,004,680</u>	<u>7,440,119</u>
Authorised but not contracted for	<u>34,697</u>	<u>24,876</u>	<u>17,902</u>	<u>13,046</u>

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year	3,671	12,338	20,845	20,818
Later than one year and not later than five years	8,518	27,102	32,676	29,223
Later than five years	49,527	49,146	48,607	49,174
	<u>61,716</u>	<u>88,586</u>	<u>102,128</u>	<u>99,215</u>

33 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

The following transactions were carried out with related parties:

(a) **Purchase of services:**

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing Transactions:					
Purchase of construction services					
— Shanghai Ditong, a company controlled by close family member of the Founder	1,033,139	1,019,730	1,185,545	249,711	195,278
Non-continuing Transactions:					
Purchase of construction services:					
— Other companies controlled by close family member of the Founder	75,636	3,700	2,117	1,393	—
— Companies controlled by the Founder	1,100	—	—	—	—
	<u>76,736</u>	<u>3,700</u>	<u>2,117</u>	<u>1,393</u>	<u>—</u>
Purchase of gardening services:					
— A company controlled by the Founder	3,609	2,529	3,204	2,919	—
Purchase of property design services:					
— An associated company of the Founder/the Group (i) ..	12,631	17,524	10,656	3,395	2,598
Purchase of consultancy services:					
— A company controlled by the Founder	33,884	17,658	3,333	1,111	1,111
— An associated company of the Founder	6,000	—	—	—	—
— Other companies controlled by close family member of the Founder	—	—	—	—	—
	<u>39,884</u>	<u>17,658</u>	<u>3,333</u>	<u>1,111</u>	<u>1,111</u>
Commission fees paid/payable to:					
— Other companies controlled by close family member of the Founder	16,926	6,082	18,872	4,885	6,104

- (i) During the years ended 31 December 2006, 2007 and 2008 and the four months ended 30 April 2008 and 2009, the Group purchased the property design services from a related company, which was an associated company of the Founder prior to the acquisition of an associate in 2008 as set out in note 1(c). Subsequent to the acquisition, such related company became an associate of the Group.

(b) Interest income and expenses

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Non-continuing Transactions:					
Interest expenses:					
- Other companies controlled by close family member of the Founder	3,852	3,467	824	824	—
- Companies controlled by the Founder	12,266	975	458	458	—
- An associated company of the Founder	27	1,367	—	—	—
	<u>16,145</u>	<u>5,809</u>	<u>1,282</u>	<u>1,282</u>	<u>—</u>

(c) Balances with related parties

As at 31 December 2006, 2007, 2008 and 30 April 2009, the Group had the following significant balances with related parties:

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Balances included in current assets:				
Prepayments of construction costs or purchase of services to related companies - included in "Prepayments"				
- Shanghai Ditong.....	988,709	643,863	1,165,395	1,107,529
- Other companies controlled by close family members of the Founder	—	21	8	3,003
- Companies controlled by the Founder	24,850	9,702	5,000	3,889
- An associate of the Group	—	—	—	200
	<u>1,013,559</u>	<u>653,586</u>	<u>1,170,403</u>	<u>1,114,621</u>
Non-trading balances - included in "Other receivables" (i)				
- Shanghai Ditong.....	1,301,875	782,984	—	—
- Other companies controlled by close family member of the Founder	268,823	21,803	—	—
- Companies controlled by the Founder	346,081	346,130	—	—
- An associated company of a company controlled by the Founder	1,000	8,350	—	—
- An associated company of the Founder	202,797	9,828	—	—
- The Founder	887,850	74,461	—	—
	<u>3,008,426</u>	<u>1,243,556</u>	<u>—</u>	<u>—</u>

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Balances included in current liabilities:				
Trading balances - included in				
"Trade payables" (ii)				
- Shanghai Ditong.....	417,360	393,322	489,797	245,219
- Associated companies of the Founder	5,331	8,346	—	—
- An associate of the Group	—	—	8,777	5,667
- Other companies controlled by close family member of the Founder	14,637	16,295	14,302	12,502
- Companies controlled by the Founder	87,595	61,270	10,637	10,637
	<u>524,923</u>	<u>479,233</u>	<u>523,513</u>	<u>274,025</u>
Non-trading balances - included in				
"Other payables" (iii)				
- Shanghai Ditong.....	313,145	—	—	—
- Other companies controlled by close family member of the Founder	1,097,494	225,809	—	—
- Companies controlled by the Founder	318,446	75,086	4,500	—
- The Founder	—	87,340	—	—
- An associated company of a company controlled by the Founder	—	30	—	—
- An associated company of the Founder	100,672	1,628	—	—
	<u>1,829,757</u>	<u>389,893</u>	<u>4,500</u>	<u>—</u>
Non-trading balances - included in				
"Borrowings" (iv)				
- A company controlled by the Founder	—	680,000	—	—

- (i) Non-trading balances due from related parties included in other receivables are unsecured, interest-free and repayable on demand. None of the receivables from related parties is either past due or impaired.
- (ii) Trading balances due to related parties are unsecured, interest-free and repayable on demand.
- (iii) Non-trading balances due to related parties included in other payables are unsecured and repayable on demand. Of which approximately RMB66,190,000, RMB66,190,000 bear interest at rate of 8% per annum as at 31 December 2006 and 2007 respectively. Approximately RMB20,000,000 bears interest at 7.34% per annum as at 31 December 2006 whereas the rest of approximately RMB1,743,567,000, RMB323,703,000 and RMB4,500,000 are interest-free as at 31 December 2006, 2007 and 2008 respectively.
- (iv) The borrowing from a related party was interest-free, unsecured and repayable within one year from drawdown.

(d) Other transactions with related companies

As disclosed in note 11 above, as at 31 December 2007, the Group's completed properties held for sale of carrying value of approximately RMB118,232,000 were pledged as collateral for certain borrowings of three related companies. As at 31 December 2008, such pledge has been released.

(e) Key management compensation

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other short-term employee benefits	4,749	5,927	8,177	2,212	2,576

34 Financial guarantees

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 one to two 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. As at 31 December 2006, 2007 and 2008 and 30 April 2009, the amount of outstanding guarantees for mortgages were approximately RMB528,603,000, RMB1,860,806,000, RMB2,662,065,000 and RMB3,112,399,000 respectively. The maximum credit risk exposure at each balance sheet date is the amount of outstanding guarantees.

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.

35 Accounting adjustments under common control combination

The below information is included for the purpose of showing the adjustments arising from the common control combination on the consolidated balance sheets.

The consolidated balance sheets as at 30 April 2009:

	The Company	The Operating Group ⁽ⁱ⁾	Adjustments	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in the Operating Group	—	—	—	—
Other (liabilities)/assets - net	(1,404,770)	3,097,326	—	1,692,556
Net (liabilities)/assets	<u>(1,404,770)</u>	<u>3,097,326</u>		<u>1,692,556</u>
Share capital	962	377	(377)	962
Merger reserve (note 18b)	—	(770,854)	377	(770,477)
Statutory reserve	—	76,800	—	76,800
Other reserve	156,290	—	—	156,290
(Accumulated losses)/retained earnings	(1,562,022)	3,791,003	—	2,228,981
	<u>(1,404,770)</u>	<u>3,097,326</u>		<u>1,692,556</u>

The consolidated balance sheets as at 31 December 2008:

	The Company	The Operating Group ⁽ⁱ⁾	Adjustments	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in the Operating Group	—	—	—	—
Other (liabilities)/assets - net	(1,041,752)	1,960,770	—	919,018
Net (liabilities)/assets	<u>(1,041,752)</u>	<u>1,960,770</u>		<u>919,018</u>
Share capital	962	377	(377)	962
Merger reserve (note 18b)	—	(770,854)	377	(770,477)
Statutory reserve	—	91,871	—	91,871
Other reserve	156,290	—	—	156,290
(Accumulated losses)/retained earnings	(1,199,004)	2,639,376	—	1,440,372
	<u>(1,041,752)</u>	<u>1,960,770</u>		<u>919,018</u>

The consolidated balance sheets as at 31 December 2007:

	The Company	The Operating Group⁽ⁱ⁾	Adjustments	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in the Operating Group	—	—	—	—
Other liabilities - net	(43,568)	(292,405)	—	(335,973)
Net liabilities	<u>(43,568)</u>	<u>(292,405)</u>		<u>(335,973)</u>
Share capital	962	377	(377)	962
Merger reserve (note 18b)	—	(770,854)	377	(770,477)
Statutory reserve	—	46,816	—	46,816
Other reserve	156,290	—	—	156,290
(Accumulated losses)/retained earnings	(200,820)	431,256	—	230,436
	<u>(43,568)</u>	<u>(292,405)</u>		<u>(335,973)</u>

The consolidated balance sheets as at 31 December 2006:

	The Company	The Operating Group⁽ⁱ⁾	Adjustments	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in the Operating Group	—	—	—	—
Other assets - net	—	1,607,958	—	1,607,958
Net assets	<u>—</u>	<u>1,607,958</u>		<u>1,607,958</u>
Share capital	—	1,438,800	(1,438,800)	—
Merger reserve (note 18b)	—	—	1,438,800	1,438,800
Statutory reserve	—	24,086	—	24,086
Retained earnings	—	145,072	—	145,072
	<u>—</u>	<u>1,607,958</u>		<u>1,607,958</u>

⁽ⁱ⁾ Operating Group comprises all the subsidiaries of the Company.

36 Acquisitions

In 2008, the Group acquired 100% of the equity interests in Nantong Rongsheng at cash consideration of RMB31,803,000. Nantong Rongsheng has signed certain land acquisition agreements and had fully paid the land premium at the date of acquisition. Prior to the acquisition by the Group, Nantong Rongsheng had no business activities except for the holding of the land use right acquisition agreements.

In 2008, the Group acquired 100% of the equity interests in Tianjin Tianxingjian at cash consideration of RMB454,180,000. Tianjin Tianxingjian owned certain land use rights in Tianjin before the acquisition by the Group. Prior to the acquisition by the Group, Tianjin Tianxingjian had no business activities except for the holding of the land use rights.

The activities of Nantong Rongsheng and Tianjin Tianxingjian do not constitute a business and the Group's intention of such acquisition is to acquire the land use rights held by these two companies for future property developments. Accordingly, such acquisition is accounted for as if it is an acquisition of the underlying land use rights.

The allocation of acquisition considerations are as follows:

	At date of acquisition		
	Nantong Rongsheng	Tianjin Tianxingjian	Combined
	RMB'000	RMB'000	RMB'000
Property and equipment	48	—	48
Properties under development	157	53,408	53,565
Cash	4,693	4	4,697
Prepayment and other receivables	101,011	—	101,011
	<u>105,909</u>	<u>53,412</u>	<u>159,321</u>
Accruals and other payables	76,078	2	76,080
Net asset	29,831	53,410	83,241
Surplus on properties under development	1,972	400,770	402,742
Acquisition considerations	<u>31,803</u>	<u>454,180</u>	<u>485,983</u>
			RMB'000
Total acquisition consideration			485,983
Less: cash acquired			<u>(4,697)</u>
Cash outflow on acquisition (i)			<u>481,286</u>

(i) The cash outflow on the above acquisitions is presented within the operating activities in the consolidated statements of cash flows.

In 2009, the Group acquired 100% of the equity interest in Shanghai Mingbao at cash consideration of RMB2,500,000. Shanghai Mingbao owned business licence to conduct national interior and exterior decoration and renovation in the PRC. It's the Group intention of such acquisition to acquire the business licence held by Shanghai Mingbao. Other than business licence, no other material assets and liabilities were acquired. As at 30 April 2009, the unsettled consideration of RMB500,000 was included in the other payables in the consolidated balance sheet.

37 Share option schemes

On 17 June 2008, the board of directors approved the below share option schemes:

- (i) share options to be granted to selected participants as incentives or rewards for their contribution to the Group (the "Share Option Scheme"). The exercise price per share under the Share Option Scheme will be a price determined by the Company's directors, but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange Limited (the "Stock Exchange") on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's share. No option has been granted under the Share Option Scheme;
- (ii) share options to be granted to the directors, employees, officers, consultants, and business associates of the Group (the "Pre-IPO Share Option Scheme"). On 17 June 2008, options to subscribe for an aggregate of 56,625,000 shares have been conditionally granted to 14 grantees, subject to the condition that the Group completes the IPO within six months from the date of adopting this Pre-IPO Share Option Scheme.

The Share Option Scheme and Pre-IPO Share Option Scheme are both conditional to the successful listing of the Company's shares on the Stock Exchange by 17 December 2008. On 17 December 2008, as the Group has not completed the IPO, the Share Option Scheme and the Pre-IPO Share Option Scheme were cancelled and abandoned, and any options granted or agreed to be granted pursuant to the Pre-IPO Share Option Scheme were then forfeited.

On 9 September 2009, pursuant to the written resolution:

- (i) the directors approved a new pre-IPO share option scheme. Up to the date of the report, 84,000,000 options have been granted to certain directors and employees of the Group.
- (ii) the directors approved a new share option scheme. No options have been granted up to the date of the report.

38 Subsequent events

- (a) On 11 June 2009, the Group entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with S.I. Properties Holdings Limited (the "Purchaser"), a wholly-owned subsidiary of Shanghai Industrial Holdings Limited which is listed on The Stock Exchange of Hong Kong Limited, regarding the transfer of the entire equity interest in its subsidiary, Better Score Limited, to the Purchaser at a total consideration of RMB2 billion (the "Transaction").

Pursuant to the Transaction:

- (i) Block Nos. 2, 8, 9 and 10 of Shanghai Bay (the "Properties") will be transferred to the wholly-owned subsidiary of Better Score Limited. Other than the holding of the Properties, Better Score Limited and its subsidiaries are restricted in terms of their business scope;
- (ii) the Group retains the right to manage and control over the operational and financial matters of the Properties, including the development, construction and the sale of the Properties;

- (iii) the Purchaser will be entitled to a fixed return from the Properties;
- (iv) the Group and the Purchaser has a non-cancellable options to acquire and to dispose the legal and beneficial interests in the Properties from the Purchaser and to the Group, respectively on 1 December 2011 (or such other date the parties may mutually agree).

On the basis that the risks and rewards of the Properties have not been transferred from the Group to the Purchaser, the directors are of their opinion that the Transaction, in substance, is a loan arrangement in accordance with the HKFRSs. As a result, at the completion of the Transaction:

- (i) the Group continues to consolidate the Properties;
 - (ii) the consideration of RMB2 billion is regarded as a financial liability and measured at amortised cost using the effective interest method;
 - (iii) the fixed return payable to the Purchaser is regarded as finance costs.
- (b) As part of the Pre-IPO financing, the Company and the Investors entered into the Deed of Amendment setting out the principal terms and conditions of the restructuring of the Notes. On 17 August 2009, the following notes restructuring transactions occurred pursuant to the terms of the Deed of Amendment:
- (i) the denomination of the Notes shall be changed from RMB to USD;
 - (ii) the Company shall pay to each Investor the amount of outstanding cash interest in the aggregate amount of approximately USD27 million;
 - (iii) the Company shall partially redeem the Notes held by the Investors in the aggregate principal amount of approximately USD167 million and USD26 million of the Notes on 11 August 2009 and 17 August 2009, respectively; and
 - (iv) after the partial redemption of the Notes as mentioned in (iii) above, the remaining outstanding Notes in the aggregate amount of USD490 million shall be restructured into the following two tranches:
 - Promissory Notes with a tenure of 18 months in the aggregate principal amount of USD325 million, which bear interest rates at 6% per annum within the first six-month period; 10% per annum after expiry of the first six-month period; and 15% per annum after the first twelve-month period. Subject to the acceleration event as defined in the Deed of Amendment, the Promissory Notes will bear interest rate at 18% per annum.
 - Convertible Notes (mandatorily convertible at IPO at the offer price) with a tenure of two years in the aggregate principal amount of USD165 million, which bear interest rates at 0% if an IPO occurs within the first 6 months; 3% per annum if an IPO occurs within the first 12 months (but after expiry of the first 6 months); and 6% per annum in other cases. Subject to the acceleration event as defined in the Deed of Amendment, the Convertible Notes will bear interest rate at 12% per annum.
 - (v) the Founder agreed to cause Best Era to transfer to the Investors as of the date of the Listing for no additional consideration shares in an amount equal to 0.5% of the total shares outstanding immediately after the Listing.

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 April 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 April 2009.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following is the reproduction of the Company's audited consolidated financial statements together with the independent auditor's report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, included in the annual report of the Company dated April 12, 2010. References to page number refer to the original page number of the annual report.

INDEPENDENT AUDITOR'S REPORT OF THE COMPANY AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

To the shareholders of Glorious Property Holdings Limited *(incorporated in Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Glorious Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 71 to 144, which comprise the consolidated and the 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 judgment, 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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	497,653	392,313
Investment properties	7	2,485,200	1,103,500
Intangible asset	8	2,087	—
Investment in an associate	9	4,500	4,500
Deferred income tax assets	20	<u>202,970</u>	<u>26,820</u>
		<u>3,192,410</u>	<u>1,527,133</u>
Current assets			
Properties under development	11	11,130,003	7,345,976
Completed properties held for sale	12	1,390,132	1,201,268
Inventories	13	6,165	—
Trade and other receivables and prepayments	14	4,538,191	2,595,899
Prepaid taxes		58,430	106,257
Restricted cash	15	1,039,058	84,468
Cash and cash equivalents	16	<u>5,013,296</u>	<u>297,221</u>
		<u>23,175,275</u>	<u>11,631,089</u>
Total assets		<u><u>26,367,685</u></u>	<u><u>13,158,222</u></u>

The notes on pages 77 to 144 are an integral part of these consolidated financial statements.

	Note	2009	2008
		RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	68,745	962
Share premium	17	7,822,982	—
Reserves		3,462,125	918,056
		<u>11,353,852</u>	<u>919,018</u>
Minority interest		492,825	—
Total equity		<u><u>11,846,677</u></u>	<u><u>919,018</u></u>
LIABILITIES			
Non-current liabilities			
Borrowings	19	5,041,084	537,000
Deferred income tax liabilities	20	486,037	172,937
Obligation under finance lease	21	17,074	—
		<u>5,544,195</u>	<u>709,937</u>
Current liabilities			
Advanced proceeds received from customers		3,627,603	3,742,816
Trade and other payables	22	1,871,174	1,185,235
Income tax payable		1,670,365	664,091
Borrowings	19	1,806,860	5,937,125
Obligation under finance lease	21	811	—
		<u>8,976,813</u>	<u>11,529,267</u>
Total liabilities		<u><u>14,521,008</u></u>	<u><u>12,239,204</u></u>
Total equity and liabilities		<u><u>26,367,685</u></u>	<u><u>13,158,222</u></u>
Net current assets		<u><u>14,198,462</u></u>	<u><u>101,822</u></u>
Total assets less current liabilities		<u><u>17,390,872</u></u>	<u><u>1,628,955</u></u>

Approved by the Board of Directors on 12 April 2010 and signed on its behalf by

Zhang Zhi Rong
Director

Cheng Li Xiong
Director

The notes on pages 77 to 144 are an integral part of these consolidated financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2009

	Note	2009	2008
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	10	6,423,339	3,237,792
Current assets			
Prepayments	14	3,307	48,067
Restricted cash	15	128,212	—
Cash and cash equivalents	16	1,691,044	8,912
		<u>1,822,563</u>	<u>56,979</u>
Total assets		<u>8,245,902</u>	<u>3,294,771</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	68,745	962
Share premium	17	7,822,982	—
Reserves	18	(1,589,244)	(1,042,714)
Total equity/(deficit)		<u>6,302,483</u>	<u>(1,041,752)</u>
LIABILITIES			
Current liabilities			
Trade and other payables	22	69,374	358
Amounts due to subsidiaries	23	1,228,573	29,150
Borrowings	19	645,472	4,307,015
Total current liabilities		<u>1,943,419</u>	<u>4,336,523</u>
Total equity and liabilities		<u>8,245,902</u>	<u>3,294,771</u>
Net current liabilities		<u>(120,856)</u>	<u>(4,279,544)</u>
Total assets less current liabilities		<u>6,302,483</u>	<u>(1,041,752)</u>

Approved by the Board of Directors on 12 April 2010 and signed on its behalf by

Zhang Zhi Rong
Director

Cheng Li Xiong
Director

The notes on pages 77 to 144 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		RMB'000	RMB'000
Revenue	5	6,171,127	3,948,959
Cost of sales	26	<u>(3,201,760)</u>	<u>(2,293,339)</u>
Gross profit		2,969,367	1,655,620
Other income	24	27,366	21,405
Other gains, net.....	25	1,218,817	825,563
Selling and marketing expenses	26	(151,333)	(150,494)
Administrative expenses.....	26	(351,397)	(214,818)
Finance costs	27	<u>(27,068)</u>	<u>(54,479)</u>
Profit before income tax.....		3,685,752	2,082,797
Income tax expenses	30	<u>(1,319,608)</u>	<u>(827,806)</u>
Profit for the year		<u>2,366,144</u>	<u>1,254,991</u>
Profit for the year attributable to:			
— the Company's equity holders.....		2,366,144	1,254,991
— minority interest		<u>—</u>	<u>—</u>
		<u>2,366,144</u>	<u>1,254,991</u>
Other comprehensive income:			
Gain/loss recognised directly in equity		<u>—</u>	<u>—</u>
Total comprehensive income for the year attributable to the Company's equity holders.....		<u>2,366,144</u>	<u>1,254,991</u>
Earnings per share for profit attributable to the Company's equity holders (expressed in RMB per share)			
— Basic	31	<u>0.38</u>	<u>0.22</u>
— Diluted.....	31	<u>0.38</u>	<u>0.22</u>
Dividend	32	<u>233,779</u>	<u>—</u>
Dividend per share (expressed in RMB per share).....	32	<u>0.03</u>	<u>—</u>

The notes on pages 77 to 144 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2009

Year ended 31 December 2009
Attributable to the Company's equity holders

	Share capital	Share premium	Merger reserve	Statutory reserve	Other reserve	Employee share-based compensation reserve	Retained earnings	Total	Minority interest	Total equity
	(note 17)	(note 17)	(note 18(b))	(note 18(c))	(note 18(d))					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009	962	—	(770,477)	79,189	156,290	—	1,453,054	919,018	—	919,018
Total comprehensive income for the year	—	—	—	—	—	—	2,366,144	2,366,144	—	2,366,144
Shareholder's contribution in relation to the Promissory Notes (note 19(a))	—	—	—	—	108,027	—	—	108,027	—	108,027
Issue of shares in connection with the Global Offering (note 17(c))	16,521	7,252,884	—	—	—	—	—	7,269,405	—	7,269,405
Share issuance costs	—	(459,402)	—	—	—	—	—	(459,402)	—	(459,402)
Capitalisation of share premium (note 17(b))	48,683	(48,683)	—	—	—	—	—	—	—	—
Shares issued in relation to the conversion of the Convertible Notes (notes 17(d) and 19(a))	2,561	1,075,100	—	—	—	—	—	1,077,661	—	1,077,661
Employee share-based compensation (note 38)	—	—	—	—	—	69,898	—	69,898	—	69,898
Exercise of share options (note 38)	18	3,083	—	—	—	—	—	3,101	—	3,101
Acquisition of a subsidiary (note 37)	—	—	—	—	—	—	—	—	492,825	492,825
Transfer to statutory reserve	—	—	—	37,678	—	—	(37,678)	—	—	—
Balance at 31 December 2009	<u>68,745</u>	<u>7,822,982</u>	<u>(770,477)</u>	<u>116,867</u>	<u>264,317</u>	<u>69,898</u>	<u>3,781,520</u>	<u>11,353,852</u>	<u>492,825</u>	<u>11,846,677</u>

Year ended 31 December 2008
Attributable to the Company's equity holders

	Share capital	Share premium	Merger reserve	Statutory reserve	Other reserve	Employee share-based compensation reserve	Retained earnings	Total	Minority interest	Total equity
	(note 17)	(note 17)	(note 18(b))	(note 18(c))	(note 18(d))					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008	962	—	(770,477)	46,816	156,290	—	230,436	(335,973)	—	(335,973)
Total comprehensive income for the year	—	—	—	—	—	—	1,254,991	1,254,991	—	1,254,991
Transfer to statutory reserve	—	—	—	32,373	—	—	(32,373)	—	—	—
Balance at 31 December 2008	<u>962</u>	<u>—</u>	<u>(770,477)</u>	<u>79,189</u>	<u>156,290</u>	<u>—</u>	<u>1,453,054</u>	<u>919,018</u>	<u>—</u>	<u>919,018</u>

The notes on pages 77 to 144 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2009

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		RMB'000	RMB'000
Cash flows from operating activities			
Cash used in operations	33(a)	(2,431,193)	(1,864,380)
Income tax paid.....		(128,557)	(271,300)
Interest paid.....		<u>(476,063)</u>	<u>(590,730)</u>
Net cash used in operating activities		<u>(3,035,813)</u>	<u>(2,726,410)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment.....		(99,161)	(16,871)
Payments for the construction of investment properties.....		(52,511)	—
Proceeds from disposals of property, plant and equipment ..		696	963
Acquisition of a subsidiary	37	(2,300)	—
Advances to and receipt of advances to related parties and third parties, net.....		(1,485)	791,445
Interest received.....		<u>5,704</u>	<u>7,900</u>
Net cash (used in)/generated from investing activities.....		<u>(149,057)</u>	<u>783,437</u>
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares.....		6,893,282	—
Advances from and repayment of advances from related parties and third parties, net		114,501	(362,052)
Proceeds from borrowings		5,866,104	489,000
Repayment of borrowings		<u>(4,971,304)</u>	<u>(1,062,620)</u>
Net cash generated from/(used in) financing activities		7,902,583	(935,672)
Net increase/(decrease) in cash and cash equivalents		4,717,713	(2,878,645)
Cash and cash equivalents at beginning of the year.....		297,221	3,199,105
Exchange losses on cash and bank balances.....		<u>(1,638)</u>	<u>(23,239)</u>
Cash and cash equivalents at end of the year	16	<u>5,013,296</u>	<u>297,221</u>

The notes on pages 77 to 144 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

1 General information

(a) Company information

Glorious Property Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in the development of real estate projects in the People’s Republic of China (the “PRC”).

The Company was incorporated in the Cayman Islands on 27 July 2007 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

On 2 October 2009, the shares of the Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), pursuant to which 1,875,000,000 new shares of HK\$0.01 each were issued by the Company (the “Global Offering”).

These consolidated financial statements are presented in thousands of units of Renminbi (RMB’000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 12 April 2010.

(b) Material acquisitions

On 12 October 2009, the Group entered into a share purchase agreement with two third party individuals to acquire the entire equity interest in Tianjin Gangtian Real Estate Investment Co. Ltd. (“Tianjin Gangtian”) at cash consideration of approximately RMB848.8 million. Tianjin Gangtian owned certain land use rights in Binhai New District, Tianjin. The acquisition was completed in December 2009 with the cash consideration fully paid. Please refer to note 37 for the accounting of this acquisition in the 2009 consolidated financial statements.

On 15 October 2009, the Group signed an agreement with Nanjing Jiaotong Investment Development Limited (“Nanjing Jiaotong”), an independent third party, for the formation of a project company in which the Group will own a 60% equity interest upon completion of the transaction. The Group’s total initial investment in relation to this transaction is RMB1,915.1 million. As at 31 December 2009, the Group has not paid any portion of the consideration as the necessary conditions for such payment are yet to be met.

On 20 November 2009, the Group entered into a purchase agreement with Jiangsu Rongsheng Shipbuilding Co. Ltd. (“Jiangsu Rongsheng”), a company in which Mr. Zhang Zhi Rong, the Company’s director and ultimate majority shareholder, holds a controlling stake, to acquire 100% of the equity interests in one or more subsidiaries of Jiangsu Rongsheng that are expected to acquire the land use rights for two parcels of land located in Xuhui District, Shanghai, for a total consideration of RMB2.0 billion. As at 31 December 2009, the Group has not paid any portion of the consideration as the necessary conditions for such payment are yet to be met.

On 18 December 2009, the Group entered into a share purchase agreement with a third party company to acquire the entire equity interest in Highest Reach Limited (“Highest Reach”) and an outstanding shareholder loan in the amount of approximately HK\$386.8 million, owed by Fast Right Limited (“Fast Right”), the sole wholly-owned subsidiary of Highest Reach, to the seller for a total consideration equal to the US\$ equivalent of RMB1,149.4 million. The Group has paid acquisition consideration of approximately RMB399.6 million up to 31 December 2009. Through Fast Right, Highest Reach indirectly owns a 70% equity interest in Tianjin Dong’an Construction Co. Ltd. (“Tianjin Dong’an”), which owns a parcel of land in the southern part of Tianjin. The acquisition was completed in December 2009. The Group has paid a further amount of RMB469.8 million in January 2010, with the remainder of the consideration of RMB280.0 million being payable in installments after certain conditions are met, with the last payment to be paid on or before 5 January 2011. Please refer to note 37 for the accounting of this acquisition in the 2009 consolidated financial statements.

On 30 and 31 December 2009, the Group won auctions and entered into land grant contracts for two parcels of land in Nantong, Jiangsu at a total consideration of RMB4,141.6 million. Apart from the deposits of RMB340.0 million that the Group paid for participating in the auctions, the Group has not yet paid any of the consideration as at 31 December 2009.

In March 2009, the Group acquired 100% of the equity interest in Shanghai Mingbao Construction Co. Ltd. (“Shanghai Mingbao”) at cash consideration of RMB2.5 million. Shanghai Mingbao owns a business licence to conduct national interior and exterior decoration and renovation in the PRC. The acquisition was completed in 2009. Please refer to note 37 for the accounting of this acquisition in the 2009 consolidated financial statements.

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 to all the years presented, unless otherwise stated.

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared in accordance with the HKFRSs under the historical cost convention, as modified by the revaluation of investment properties and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with the 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 consolidated financial statements, are disclosed in note 4 below.

(i) ***New and amended standards adopted by the Group***

HKICPA has issued certain new standards and amendments which are effective for accounting periods beginning on or after 1 January 2009, which are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown separately in the consolidated statement of comprehensive income since the change in accounting policy only impacts presentation aspects, there is no impact on the Group's profit for the years ended 31 December 2008 and 2009 and the total equity as at 31 December 2008 and 2009.
- HKFRS 2 (amendment), 'Share-based payment'. The amendment deals with vesting conditions and cancellations and 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. The Group has adopted HKFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the consolidated financial statements.
- Amendment to HKFRS 7, 'Financial instruments: disclosures'. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment does not result in substantial changes to the Group's accounting policy.
- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who makes strategic decisions. The adoption of this standard does not have any impact on the profit for the years ended 31 December 2008 and 2009 and the total equity as at 31 December 2008 and 2009.

(ii) ***Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group***

The following standards, amendments and interpretations have been published and are mandatory for the accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted:

HKFRS 1 (Revised)	First-time Adoption of HKFRS
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Share-based Payment - Transactions
HKFRS 3 (Revised)	Business Combinations
HKFRS 9	Financial Instruments
HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 Amendment	Financial Instruments: Presentation in Classification of Rights Issues
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement
HK (IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK (IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries.

(i) Subsidiaries

Subsidiaries are all entities (including special purpose vehicles) 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 the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. 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 group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 investment in subsidiaries are stated at cost less provision for impairment losses (note 2(g)). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) **Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the companies comprising the Group are measured using the currency of the primary economic environment in which the company operates (the “functional currency”). The consolidated financial statements is presented in Renminbi (“RMB”), which is the Company’s functional and presentation currency.

(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 statements.

(iii) Group companies

The results and financial positions of all the companies comprising the Group (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 companies comprising the Group are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement of the companies comprising the Group 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, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders’ equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated 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 the closing rate.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. 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.

Repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

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

Land and building	40 years
Computer and office equipment	5 years
Motor vehicles	5 years
Furniture, fitting and equipment	5 years
Plant and machinery	10 years
Leasehold improvements	Over the lease terms of 1 to 5 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 proceeds with carrying amount. These are included in the consolidated income statements.

Construction in progress are stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the properties which comprises land costs, construction costs, borrowing costs and professional fees incurred during the development period. On completion, the properties are transferred to land and buildings within property, plant and equipment.

No depreciation is provided for construction in progress. The carrying amount of properties under construction is written down immediately to its recoverable amount if the assets carrying amount are greater than their estimated recoverable amount (note 2(g)).

(e) Investment properties

Property that is held for long-term rental yields and is not occupied by the Group is classified as investment property. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such case, the operating leases are accounted for as if they were finance leases. Investment property is carried at fair value, representing open market value determined annually by external valuers. 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 the 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 reviewed annually by an independent and professionally qualified valuer, changes in fair values are recorded in the consolidated income statement as part of "other gains/losses, net".

Property that is currently being constructed or developed for future use as investment property is classified as investment properties and stated 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 of construction is completed or the date at which fair value becomes reliably measurable.

If an item of completed properties held for sale becomes an investment property as a result of change in its use, any difference between the carrying amount and the fair value of this property at the date of transfer is recognised in the consolidated income statement.

(f) Intangible asset

Intangible asset represents the licence which was recorded at cost of acquisition on initial recognition. The licence has a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licence over their estimated useful lives of 5 years.

(g) Impairment of non-financial assets

Assets 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.

(h) Financial assets

The Group classifies its financial assets in the loans and receivables category. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as “trade and other receivables” in the consolidated balance sheet (note 2(m)).

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.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. Impairment testing of trade and other receivables is described in note 2(m).

(i) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion based on prevailing marketing conditions.

Development cost of property primarily comprises land costs, construction costs, 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 the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(j) Completed properties held for sale

Completed properties remaining unsold at the balance sheet date 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 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.

(k) Land use rights

Land use rights are up-front payments to acquire long-term interest in leasehold properties, which are stated at cost and are amortised on a straight-line basis over the lease period to the consolidated income statement. The amortisation during the period of construction of the properties is capitalised as cost of properties under development or investment properties.

(l) Inventories

Inventories consist of construction materials and are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(m) 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 plus transaction costs that are directly attributable to the acquisition, 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 entity will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. 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 original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within "administrative expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the 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 with original maturities of three months or less. Bank deposits which are restricted to use are not included in the cash and cash equivalents.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Trade and other payables

Trade payable are obligation to pay the goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer), If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within one year or less.

(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 consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the respective balance sheet date.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

(s) Current and deferred income tax

The income tax expenses for the period comprise current and deferred tax. Tax is recognised in the consolidated income statement.

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 Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates position taken in tax return 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 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 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 the tax rates 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 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.

(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 administrated funds managed by the PRC governments.

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 the lower of 5% of eligible employees' relevant aggregate income and HK\$1,000. The assets of this pension scheme are held separately from those of the Group in independently administrated funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(u) Share-based payments

(i) Share option schemes

The group operates two equity-settled, share-based compensation plans, under which the Group 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:

- including any market performance conditions;
- 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
- 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 revises 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 consolidated 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.

(ii) Other share-based payments

In relation to the provision of certain loans by the Investors (as defined in note 19(a)) in November 2007 and August 2009 respectively, Best Era International Limited (“Best Era”), which is the Company’s immediate holding company and is wholly owned by Mr. Zhang Zhi Rong, has transferred 0.7% and 0.5% equity interest in the Company to the Investors as arrangement fees for the loans. The fair value of these equity interest is recognised as part of the transaction costs for obtaining the loans. It is offset against the loans and forms part of the borrowing costs as determined by using the effective interest method (note 2(q)).

(v) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and that the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sales of properties

Revenue and profits from sale of properties is recognised when the risk and rewards of the properties are transferred to the purchasers, which occurs when legally binding unconditional sales contracts were entered, the construction of the relevant properties has been completed and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as advance proceeds received from customers under current liabilities.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the consolidated income statement in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable.

Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis using the effective interest method.

(w) Operating 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), including up-front prepayment made for the land use rights, are charged to the consolidated income statement or capitalised in the properties under development (note 2(i)) on a straight-line basis over the period of the lease.

(ii) The Group is the lessor

Properties leased out under operating leases, that management intends to sell in the ordinary course of business, are included in completed properties held for sale. Properties leased out under operating leases, that management intends to held for long-term rental yields, are included in investment properties.

(x) Finance leases

The Group leases certain properties. Leases of properties where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The properties acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

(y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

(z) Financial guarantee

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group for property purchasers.

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 contracts 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.

(aa) 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 consolidated 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.

(ab) 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.

3 Financial risk management

(a) Financial risk factors

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. The Group has not used any kind of derivative financial instruments to hedge its risk exposures as the Group's exposure to market risks (including currency risk, interest rate risk and price risk) is regarded to be insignificant.

(i) Foreign currency exchange risk

The Group's property development projects are all located in the PRC and all the related transactions are settled in RMB. The Company and certain of the investment holding companies within the Group operate in Hong Kong which have recognised assets and liabilities in currencies other than RMB. The directors consider the exposures to foreign currency exchange risk in relation to those assets and liabilities to be insignificant. As at 31 December 2009, the Group has cash and bank balances, borrowings and trade and other payables that are denominated in foreign currencies as follows:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Cash and bank balances:		
US\$	2,240,573	23,341
HK\$	<u>148,668</u>	<u>3,244</u>
	<u>2,389,241</u>	<u>26,585</u>
	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Borrowings:		
US\$	<u>645,472</u>	—
	<u>645,472</u>	<u>—</u>
	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Trade and other payables:		
US\$	17,003	371
HK\$	<u>55,202</u>	<u>1,413</u>
	<u>72,205</u>	<u>1,784</u>

The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2009, if RMB had strengthened/weakened by 5% against US\$, with all other variables held constant, post-tax profit for the year ended 31 December 2009 would have been approximately RMB81.3 million lower/higher (2008: RMB 1.4 million lower). Profit is more sensitive to movement in RMB/US\$ exchange rates in 2009 than 2008 because of the increased amount of US\$ denominated net asset.

(ii) Interest rate risk

As the Group has no significant assets that bear floating interest rates, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's receivables that carry at fixed interest rates may expose the Group to fair value interest rate risk.

The Group's exposures to changes in interest rates are mainly attributable to its borrowings (note 19). Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis and will consider the interest rate exposure when entering into any refinancing, renewal of existing positions and alternative financing transactions.

(iii) Price risk

The Group is not exposed to material equity securities price risk and commodity price risk as the Group has no investments in securities that are exposed to price risk.

(iv) Credit risk

Credit risk is managed on a group basis. The Group's credit risk arises from cash deposits, trade and other receivables. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

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 only granted to customers for very 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 the Group's properties and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in note 36.

(v) Liquidity risk

Management of the Group aims to maintain sufficient cash from operating activities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors the Group's liquidity by preparing and reviewing rolling cashflow forecast that covers (i) monthly cash flow forecast for the coming month and (ii) quarterly cash flow forecast for the next six-month period.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the consolidated balance sheets for borrowings and trade and other payables.

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2009					
Borrowings	2,899,939	3,777,156	1,135,637	704,359	8,517,091
Obligation under finance lease....	860	920	2,760	46,768	51,308
Trade and other payables	1,871,174	—	—	—	1,871,174
Financial guarantee	2,749,849	—	—	—	2,749,849
Total.....	<u>7,521,822</u>	<u>3,778,076</u>	<u>1,138,397</u>	<u>751,127</u>	<u>13,189,422</u>
At 31 December 2008					
Borrowings	6,983,177	565,479	—	—	7,548,656
Trade and other payables	1,193,093	—	—	—	1,193,093
Financial guarantee	2,662,065	—	—	—	2,662,065
Total.....	<u>10,838,335</u>	<u>565,479</u>	<u>—</u>	<u>—</u>	<u>11,403,814</u>
Company					
Company	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2009					
Borrowings	727,234	—	—	—	727,234
Trade and other payables	69,374	—	—	—	69,374
Total.....	<u>796,608</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>796,608</u>
At 31 December 2008					
Borrowings	5,266,137	—	—	—	5,266,137
Trade and other payables	358	—	—	—	358
Total.....	<u>5,266,495</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,266,495</u>

(b) Capital risk management

The Group regards its shareholders' equity as capital. 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 shareholders 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 shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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 shareholders 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 shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances (including cash and cash equivalents and restricted cash). The Group's strategy is to maintain stable gearing ratio within 40% to 60%. The gearing ratios at 31 December 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Total borrowings (note 19).....	6,847,944	6,474,125
Less: cash and bank balances.....	<u>(6,052,354)</u>	<u>(381,689)</u>
Net debt.....	795,590	6,092,436
Total equity.....	<u>11,846,677</u>	<u>919,018</u>
Gearing ratio.....	<u>6.7%</u>	<u>662.9%</u>

The decrease in gearing ratio for 2009 was resulted from the increase in cash and bank balances and equity as a result of the completion of the Global Offering on 2 October 2009. As at 31 December 2009, a portion of the proceeds received from the Global Offering were temporarily kept in the Group's bank accounts for investing into property development projects.

(c) Fair value estimation

The Group does not have any financial instruments that are measured in the balance sheet at fair value.

The carrying amounts of the Group's financial assets and liabilities (including cash and cash equivalents, trade and other receivables, trade and other payables) approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cashflows 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 consolidated 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) Income tax and deferred income tax

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 income 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) Land appreciation tax

The Group is subject to land appreciation tax 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 expense and deferred income tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(c) Estimated valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent and professionally qualified valuer.

In determining the fair value, the valuer has based on property valuation techniques which involve, inter alia, certain estimates including comparable sales in the relevant market, current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market condition.

(d) Sales recognition on properties sold

When the inflow of economic benefits associated with the property sales transaction is assessed to be probable and significant risks and rewards of ownership of properties are transferred to purchasers, the Group recognised revenue in respect of the properties sold.

Management made judgement on whether the economic benefits associated with the property sales transaction will flow to the Group. Likelihood of inflow of economic benefits to the Group is demonstrated by the purchaser's commitment to pay, which in turn is supported by substantial investment that gives the purchaser a stake in the property sufficient that the risk of loss through default motivates the purchaser to honour the obligation to the Group. Inflow of economic benefits associated with the property sales transaction is also assessed by considering location of the property and the prevailing market price of similar properties.

Management has also made judgement on when significant risks and rewards of ownership of properties are transferred to purchasers. Risk and rewards of ownership of properties are transferred to purchasers upon which the construction of relevant properties has been completed and upon which the beneficial interest in the properties passes to the purchasers.

The judgement on the likelihood of inflow of economic benefits associated with the property sales transaction and the transfer of risks and rewards of ownership of properties would affect the Group's profits for the year and the carrying value of completed properties held for sale.

(e) Fair value of share options at grant date

Determining the fair value of share options at grant date requires actuarial assumptions made in respect of the volatility of the stock, risk-free interest rates, forfeiture rate and sub-optimal exercise factors. Changes to these assumptions could have a significant impact to the amounts to be charged to the statement of comprehensive income in each of the subsequent financial periods. Details of these assumptions are set out in Note 38.

5 Segment information

The Board of Directors has been identified as the chief operating decision-maker. Management determines the operating segments based on the Group's internal reports, which are submitted to the Board of Directors for performance assessment and resources allocation.

The Board of Directors considers the business from geographical perspective and assesses the performance of property development in four reportable operating segments, namely Shanghai, Eastern China, Pan Bohai Rim and Northeast China.

The Board of Directors assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Other information provided, except as noted below, to the Board of Directors is measured in a manner consistent with that in the consolidated financial statements.

Total segment assets excluded deferred income tax assets and other unallocated corporate assets. Total segment liabilities excluded deferred income tax liabilities and borrowings (excluding the bank borrowings being managed in the subsidiary segments).

Sales between segments are carried out in terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	Shanghai	Eastern China	Pan Bohai Rim	Northeast China	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2009						
Total revenue.....	4,361,811	730,777	983,959	101,559	—	6,178,106
Inter-segment revenue ...	(6,979)	—	—	—	—	(6,979)
Revenue (from external customers).....	<u>4,354,832</u>	<u>730,777</u>	<u>983,959</u>	<u>101,559</u>	<u>—</u>	<u>6,171,127</u>
Segment results.....	3,373,462	67,952	220,653	(23,378)	(115,713)	3,522,976
Depreciation and amortisation.....	(9,622)	(1,488)	(2,302)	(968)	(209)	(14,589)
Interest income.....	1,364	862	826	243	2,409	5,704
Finance costs.....	(23,882)	(2,154)	(818)	(200)	(14)	(27,068)
Income tax expenses.....	<u>(1,205,580)</u>	<u>(17,643)</u>	<u>(103,058)</u>	<u>6,673</u>	<u>—</u>	<u>(1,319,608)</u>
Year ended 31 December 2008						
Total revenue.....	2,340,361	245,522	979,235	383,841	—	3,948,959
Inter-segment revenue ...	—	—	—	—	—	—
Revenue (from external customers).....	<u>2,340,361</u>	<u>245,522</u>	<u>979,235</u>	<u>383,841</u>	<u>—</u>	<u>3,948,959</u>
Segment results.....	2,009,624	(35,636)	175,230	11,293	(21,616)	2,138,895
Depreciation and amortisation.....	(6,605)	(793)	(1,260)	(706)	(155)	(9,519)
Interest income.....	3,122	1,962	828	1,358	630	7,900
Finance costs.....	(51,950)	(1,117)	(660)	(746)	(6)	(54,479)
Income tax expenses.....	<u>(764,374)</u>	<u>(6,327)</u>	<u>(52,704)</u>	<u>(4,401)</u>	<u>—</u>	<u>(827,806)</u>

	Shanghai	Eastern China	Pan Bohai Rim	Northeast China	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2009							
Total segment assets	13,202,524	10,239,052	6,173,669	2,317,958	8,867,847	(16,792,627)	24,008,423
Total segment assets include:							
Investment in an associate	4,500	—	—	—	—	—	4,500
Addition to non-current assets (other than deferred income tax assets)	141,623	546	29,358	292	340	—	172,159
Deferred income tax assets							202,970
Other unallocated corporate assets							2,156,292
Total assets							<u>26,367,685</u>
Total segment liabilities..	8,716,207	5,305,621	3,492,974	1,016,498	8,885,272	(16,098,008)	11,318,564
Deferred income tax liabilities.....							486,037
Borrowings							<u>2,716,407</u>
Total liabilities							<u>14,521,008</u>
As at 31 December 2008							
Total segment assets	8,353,866	5,196,772	2,868,279	1,904,337	3,797,048	(10,120,612)	11,999,690
Total segment assets include:							
Investment in an associate	4,500	—	—	—	—	—	4,500
Addition to non-current assets (other than deferred income tax assets)	8,725	2,461	1,910	2,807	1,016	—	16,919
Deferred income tax assets							26,820
Other unallocated corporate assets							<u>1,131,712</u>
Total assets							<u>13,158,222</u>
Total segment liabilities..	6,347,961	1,868,265	1,305,011	753,002	712,525	(3,227,512)	7,759,252
Deferred income tax liabilities.....							172,937
Borrowings							<u>4,307,015</u>
Total liabilities.....							<u>12,239,204</u>
						2009	2008
						RMB'000	RMB'000
Segment results						3,522,976	2,138,895
Depreciation and amortisation						(14,589)	(9,519)
Gain on extinguishment of financial liability (notes 19(a) and 25)						198,729	—
Operating profit						3,707,116	2,129,376
Interest income						5,704	7,900
Finance costs.....						(27,068)	(54,479)
Profit before income tax						<u>3,685,752</u>	<u>2,082,797</u>

Analysis of revenue by category

	2009	2008
	RMB'000	RMB'000
Sales of properties	6,163,793	3,948,959
Others	7,334	—
Total	<u>6,171,127</u>	<u>3,948,959</u>

6 Property, plant and equipment

	Land and building	Computer and office equipment	Motor vehicles	Furniture, fitting and equipment	Leasehold improvements	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008								
Cost	—	4,953	22,479	1,725	—	—	—	29,157
Accumulated depreciation	—	(2,313)	(9,640)	(804)	—	—	—	(12,757)
Net book amount.....	<u>—</u>	<u>2,640</u>	<u>12,839</u>	<u>921</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,400</u>
Year ended 31 December 2008								
Opening net book amount	—	2,640	12,839	921	—	—	—	16,400
Acquisition of subsidiaries.....	—	48	—	—	—	—	—	48
Additions	—	2,658	8,160	1,499	4,554	—	—	16,871
Transfer from properties under development	—	—	—	—	—	—	367,325	367,325
Disposals.....	—	(39)	(776)	(477)	—	—	—	(1,292)
Depreciation	—	(967)	(5,048)	(269)	(755)	—	—	(7,039)
Closing net book amount.....	<u>—</u>	<u>4,340</u>	<u>15,175</u>	<u>1,674</u>	<u>3,799</u>	<u>—</u>	<u>367,325</u>	<u>392,313</u>
At 31 December 2008								
Cost	—	7,446	29,141	2,714	4,554	—	367,325	411,180
Accumulated depreciation	—	(3,106)	(13,966)	(1,040)	(755)	—	—	(18,867)
Net book amount.....	<u>—</u>	<u>4,340</u>	<u>15,175</u>	<u>1,674</u>	<u>3,799</u>	<u>—</u>	<u>367,325</u>	<u>392,313</u>
Year ended 31 December 2009								
Opening net book amount	—	4,340	15,175	1,674	3,799	—	367,325	392,313
Acquisition of subsidiaries (note 37).....	—	47	1,100	—	—	—	—	1,147
Additions	24,524	6,262	10,027	87	—	6,350	68,752	116,002
Disposals.....	—	(48)	(838)	—	—	—	—	(886)
Depreciation	(2,758)	(1,797)	(4,830)	(392)	(944)	(202)	—	(10,923)
Closing net book amount.....	<u>21,766</u>	<u>8,804</u>	<u>20,634</u>	<u>1,369</u>	<u>2,855</u>	<u>6,148</u>	<u>436,077</u>	<u>497,653</u>
At 31 December 2009								
Cost	24,524	13,595	38,780	2,801	4,554	6,350	436,077	526,681
Accumulated depreciation	(2,758)	(4,791)	(18,146)	(1,432)	(1,699)	(202)	—	(29,028)
Net book amount.....	<u>21,766</u>	<u>8,804</u>	<u>20,634</u>	<u>1,369</u>	<u>2,855</u>	<u>6,148</u>	<u>436,077</u>	<u>497,653</u>

Construction in progress comprises the land costs, construction costs, borrowing costs and professional fees incurred during the development period. The movement of land use rights are as follows:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Opening net book amount	39,440	—
Transfer from properties under development	—	39,440
Amortisation		
— Capitalised in construction in progress	<u>(864)</u>	<u>—</u>
Closing net book amount	<u>38,576</u>	<u>39,440</u>

As at 31 December 2009, all construction in progress (2008: nil) were pledged as collateral for the Group's borrowings (note 19).

Depreciation charge was capitalised or expensed in the following categories in the consolidated balance sheet and the consolidated statement of comprehensive income:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Properties under development	3,040	468
Cost of sales	206	—
Selling and marketing expenses	470	260
Administrative expenses	<u>7,207</u>	<u>6,311</u>
	<u>10,923</u>	<u>7,039</u>

Land and building includes the following amounts where the Group is a lessee under a finance lease:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Cost - capitalised finance leases (note 33 (b)(ii))	24,524	—
Accumulated depreciation	<u>(2,758)</u>	<u>—</u>
	<u>21,766</u>	<u>—</u>

The Group leases land and building under non-cancellable finance lease agreement. The lease term is 40 years.

7 Investment properties

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
At beginning of the year	1,103,500	—
Additions	52,511	—
Transfer from properties under development	134,212	257,415
Transfer from completed properties held for sale	167,992	—
Fair value gain (included in “other gains, net”)	1,026,985	846,085
At end of the year	<u>2,485,200</u>	<u>1,103,500</u>

The investment properties were valued on 31 December 2008 and 2009 at fair value by Jones Lang LaSalle Sallmanns Limited, an independent and professionally qualified valuer.

As at 31 December 2009, investment properties of carrying value of RMB1,393,710,000 (2008: nil) were pledged as collateral for the Group's borrowings (note 19).

The Group's interests in investment properties at their carrying amounts are analysed as follows:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
In the PRC, held on:		
Leases of 10-50 years	1,346,800	1,103,500
Leases of over 50 years	1,138,400	—
	<u>2,485,200</u>	<u>1,103,500</u>

8 Intangible asset

	2009	2008
	RMB'000	RMB'000
At beginning of the year	—	—
Acquisition of a subsidiary (note 37)	2,500	—
Amortisation charge	(413)	—
At end of the year	<u>2,087</u>	<u>—</u>
At end of the year		
Cost	2,500	—
Accumulated amortisation	(413)	—
Net book amount	<u>2,087</u>	<u>—</u>

9 Investment in an associate

	2009	2008
	RMB'000	RMB'000
Investment in an associate	<u>4,500</u>	<u>4,500</u>

The Group's investment in an associate represents the 45% equity interest in Shanghai Chuangmeng International Architectural Design Co., Ltd. (上海創盟國際建築設計有限公司) ("Shanghai Chuangmeng") that the Group acquired such 45% interest in April 2008. Shanghai Chuangmeng was established in the PRC on 15 September 1993 with registered share capital of RMB10,000,000.

10 Interests in subsidiaries - Company

	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	—	—
Advances to subsidiaries (a)	<u>6,423,339</u>	<u>3,237,792</u>
	<u>6,423,339</u>	<u>3,237,792</u>

- (a) The advances to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

Particulars of the subsidiaries of the Company as at 31 December 2009 are set out below:

Name	Date of incorporation/ establishment	Country/ place of incorporation/ establishment/ and operation	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest		Principal activities
					2008	2009	
Directly held:							
Bright New Investments Limited (明新投資有限公司)	2 May 2007	The British Virgin Islands (The "BVI")	Limited company	US\$50,000	100%	100%	Investment holding
Indirectly held:							
Allied Honest Holdings Limited	30 March 2006	The BVI	Limited company	US\$1,000	100%	100%	Investment holding
East Harbour Development Limited	9 March 2006	The BVI	Limited company	US\$1,000	100%	100%	Investment holding
Grand Target Group Limited (君達集團有限公司)	23 January 2006	The BVI	Limited company	US\$1,000	100%	100%	Investment holding
Regal World Development Limited	21 February 2006	The BVI	Limited company	US\$1,000	100%	100%	Investment holding
Vieward Group Limited (景向集團有限公司)	15 February 2006	The BVI	Limited company	US\$1,000	100%	100%	Investment holding
Highest Reach Limited	9 March 2007	The BVI	Limited company	US\$50,000	—	100%	Investment holding
Rich Tech International Enterprise Limited (富達國際企業有限公司)	2 June 2006	Hong Kong	Limited company	HK\$1	100%	100%	Investment holding
Extreme (Asia) Limited (永和(亞洲)有限公司)	15 May 2006	Hong Kong	Limited company	HK\$1	100%	100%	Investment holding
Cheston Holdings Limited (卓怡集團有限公司)	14 June 2006	Hong Kong	Limited company	HK\$1	100%	100%	Investment holding
Worldex Investment Development Limited (恒匯投資發展有限公司)	14 June 2006	Hong Kong	Limited company	HK\$1	100%	100%	Investment holding
Venture Hong Kong Group Limited (富昇香港集團有限公司)	26 June 2006	Hong Kong	Limited company	HK\$1	100%	100%	Investment holding
Fast Right Limited	15 December 2006	Hong Kong	Limited company	HK\$10,000	—	100%	Investment holding
Fusheng Real Estate Development (Nantong) Co., Ltd. (富昇房地產開發(南通)有限公司)	27 June 2005	The PRC	Limited company	US\$99,960,000	100%	100%	Property development and investment holding
Fuda Real Estate Development (Nantong) Co., Ltd. (富達房地產開發(南通)有限公司)	1 August 2006	The PRC	Limited company	US\$111,880,000	100%	100%	Property development and investment holding
Yonghe Real Estate Development (Nantong) Co., Ltd. (永和房地產開發(南通)有限公司)	10 April 2006	The PRC	Limited company	US\$66,800,000	100%	100%	Property development and investment holding

Name	Date of incorporation/ establishment	Country/ place of incorporation/ establishment and operation	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest		Principal activities
					2008	2009	
Henghui Real Estate Development (Nantong) Co., Ltd. (恒匯房地產開發(南通)有限公司)	22 July 2005	The PRC	Limited company	US\$112,990,000	100%	100%	Property development and investment holding
Nantong Jigui Road Estate Development Co., Ltd. (南通傑匯置業發展有限公司)	14 April 2006	The PRC	Limited company	US\$29,990,000	100%	100%	Property development and investment holding
Nantong Jiangle Real Estate Development Co., Ltd. (南通江樂房地產開發有限公司)	27 June 2006	The PRC	Limited company	US\$99,800,000	100%	100%	Property development and investment holding
Nantong Lehua Real Estate Development Co., Ltd. (南通樂華房地產開發有限公司)	29 June 2006	The PRC	Limited company	US\$29,800,000	100%	100%	Property development and investment holding
Nantong Huangshi Hui Real Estate Development Co., Ltd. (南通皇室會房地產開發有限公司)	25 July 2005	The PRC	Limited company	US\$29,990,000	100%	100%	Property development and investment holding
Zhuo Yi Real Estate Development (Nantong) Co., Ltd. (卓怡房地產開發(南通)有限公司)	2 August 2006	The PRC	Limited company	US\$99,800,000	100%	100%	Property development and investment holding
Glorious Yijing (Shanghai) Property Development Co., Ltd. (note (a)) (恒盛意景(上海)房地產開發有限公司)	22 January 2001	The PRC	Limited company	RMB563,587,214	100%	100%	Property development and investment holding
Glorious Yangguang Xindi (Tianjin) Investment Co., Ltd. (note (a)) (恒盛陽光鑫地(天津)投資有限公司)	19 May 2003	The PRC	Limited company	RMB806,039,565	100%	100%	Property development and investment holding
Glorious Wangjiarui (Wuxi) Co., Ltd. (note (a)) (恒盛旺佳瑞(無錫)有限公司)	7 September 2004	The PRC	Limited company	RMB1,197,911,767	100%	100%	Property development and investment holding

Name	Date of incorporation/ establishment	Country/ place of incorporation/ establishment and operation	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest		Principal activities
					2008	2009	
Glorious Yangguang Xindi (Liaoning) Property Development Co., Ltd. (note (a)) (恒盛陽光鑫地(遼寧)置業有限公司)	6 June 2005	The PRC	Limited company	RMB1,333,502,483	100%	100%	Property development and investment holding
Shanghai Xintai Property Development Co., Ltd. (上海鑫泰房地產發展有限公司)	22 April 1999	The PRC	Limited company	RMB800,000,000	100%	100%	Property development
Glorious Shengtong (Shanghai) Property Development Co., Ltd. (note (a)) (恒盛勝通(上海)房地產開發有限公司)	19 June 2001	The PRC	Limited company	RMB8,000,000	100%	100%	Property development
Glorious Anshun (Shanghai) Property Development Co., Ltd. (note (a)) (恒盛安順(上海)房地產發展有限公司)	18 January 1996	The PRC	Limited company	RMB30,000,000	100%	100%	Property development
Glorious Haosen (Shanghai) Property Co., Ltd. (note (a)) (恒盛豪森(上海)房地產有限公司)	6 October 1998	The PRC	Limited company	RMB80,000,000	100%	100%	Property development
Glorious Hongsheng (Suzhou) Property Development Co., Ltd. (note (a)) (恒盛弘晟(蘇州)置業有限公司)	17 March 2005	The PRC	Limited company	RMB170,000,000	100%	100%	Property development
Glorious Zhuowei (Nantong) Trade Development Co., Ltd. (note (a)) (恒盛焯焯(南通)貿易發展有限公司)	5 June 2003	The PRC	Limited company	RMB155,000,000	100%	100%	Property development
Glorious Yangguang Xindi (Beijing) Property Development Co., Ltd. (note (a)) (恒盛陽光鑫地(北京)置業有限公司)	25 February 2003	The PRC	Limited company	RMB129,000,000	100%	100%	Property development
Glorious Hetian Hexin (Beijing) Property Development Co., Ltd. (note (a)) (恒盛合天和信(北京)房地產開發有限公司)	25 December 2001	The PRC	Limited company	RMB130,000,000	100%	100%	Property development
Glorious Hongyun (Tianjin) Investment Co., Ltd. (note (a)) (恒盛弘耘(天津)投資有限公司)	13 September 2004	The PRC	Limited company	RMB88,000,000	100%	100%	Property development

Name	Date of incorporation/ establishment	Country/ place of incorporation/ establishment and operation	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest		Principal activities
					2008	2009	
Glorious Hengmao (Hefei) Property Development Co., Ltd. (note (a)) (恒盛恒茂(合肥)房地產開發有限公司)	24 October 2007	The PRC	Limited company	RMB509,830,227	100%	100%	Property development
Glorious Yangguang Binhai (Harbin) Property Development Co., Ltd. (note (a)) (恒盛陽光濱海(哈爾濱)置業有限公司)	19 December 2007	The PRC	Limited company	RMB260,000,000	100%	100%	Property development
Glorious Rongsheng Building (Nantong) Property Development Co., Ltd. (note (a)) (恒盛榕盛大廈(南通)房地產開發有限公司)	12 December 2007	The PRC	Limited company	RMB30,000,000	100%	100%	Property development
Glorious Tianxingjian (Tianjin) Real Estate Investment Co., Ltd. (note (a)) (恒盛天行健(天津)房地產投資有限公司)	20 March 2006	The PRC	Limited company	RMB53,480,000	100%	100%	Property development
Tianjin Dong'an Construction Co. Ltd. (天津東岸建設有限公司)	11 March 2005	The PRC	Limited company	RMB510,000,000	—	70%	Property development
Tianjin Gangtian Real Estate Investment Co. Ltd. (天津港天房地產投資有限公司)	21 March 2006	The PRC	Limited company	RMB136,265,000	—	100%	Property development
Shanghai Hongye Property Development Co., Ltd. (上海弘擘房地產發展有限公司)	7 April 2008	The PRC	Limited company	RMB150,000,000	100%	100%	Property development
Wuxi Wangjiarui Decoration and Renovation Co., Ltd. (note (b)) (無錫旺佳瑞裝飾裝修有限公司)	13 May 2008	The PRC	Limited company	RMB5,000,000	100%	100%	Interior and exterior decoration and renovation
Glorious Shuntianlong (Shanghai) Concrete Co., Ltd. (note (a)) (恒盛順添隆(上海)混凝土有限公司)	14 November 2008	The PRC	Limited company	RMB30,000,000	100%	100%	Trading of concrete
Glorious Qiwei (Shanghai) Industry Co., Ltd. (note (a)) (恒盛祺偉(上海)實業有限公司)	24 September 2008	The PRC	Limited company	RMB100,000,000	100%	100%	Wholesale of construction materials

Name	Date of incorporation/ establishment	Country/ place of establishment and operation	Type of legal entity	Issued/ paid-in/ registered capital	Percentage of attributable equity interest		Principal activities
					2008	2009	
Shanghai Mingbao Construction Co., Ltd. (上海明寶建設工程有限公司)	17 January 2004	The PRC	Limited company	RMB100,000,000	—	100%	Interior and exterior decoration and renovation

(a) These represent the revised names of the subsidiaries subsequent to 28 December 2009. Below is a comparison of the company names before and after such change:

Name before change	Name after change
Shanghai Yijing Property Development Co., Ltd. (上海意景房地產開發有限公司)	Glorious Yijing (Shanghai) Property Development Co., Ltd. (恒盛意景(上海)房地產開發有限公司)
Tianjin Yangguang Xindi Investment Co., Ltd. (天津陽光鑫地投資有限公司)	Glorious Yangguang Xindi (Tianjin) Investment Co., Ltd. (恒盛陽光鑫地(天津)投資有限公司)
Wuxi Wangjiarui Co., Ltd. (無錫旺佳瑞有限公司)	Glorious Wangjiarui (Wuxi) Co., Ltd. (恒盛旺佳瑞(無錫)有限公司)
Liaoning Yangguang Xindi Property Development Co., Ltd. (遼寧陽光鑫地置業有限公司)	Glorious Yangguang Xindi (Liaoning) Property Development Co., Ltd. (恒盛陽光鑫地(遼寧)置業有限公司)
Shanghai Shengtong Property Development Co., Ltd. (上海勝通房地產發展有限公司)	Glorious Shengtong (Shanghai) Property Development Co., Ltd. (恒盛勝通(上海)房地產開發有限公司)
Shanghai Anshun Property Development Co., Ltd. (上海安順房地產發展有限公司)	Glorious Anshun (Shanghai) Property Development Co., Ltd. (恒盛安順(上海)房地產發展有限公司)
Shanghai Haosen Property Co., Ltd. (上海豪森房地產有限公司)	Glorious Haosen (Shanghai) Property Co., Ltd. (恒盛豪森(上海)房地產有限公司)
Suzhou Hongsheng Property Co., Ltd. (蘇州弘晟房地產有限公司)	Glorious Hongsheng (Suzhou) Property Development Co., Ltd. (恒盛弘晟(蘇州)置業有限公司)
Nantong Zhuowei Trade Development Co., Ltd. (南通焯焯貿易發展有限公司)	Glorious Zhuowei (Nantong) Trade Development Co., Ltd. (恒盛焯焯(南通)貿易發展有限公司)
Beijing Yangguang Xindi Property Development Co., Ltd. (北京陽光鑫地置業有限公司)	Glorious Yangguang Xindi (Beijing) Property Development Co., Ltd. (恒盛陽光鑫地(北京)置業有限公司)
Beijing Hetian Hexin Property Development Co., Ltd. (北京合天和信房地產開發有限公司)	Glorious Hetian Hexin (Beijing) Property Development Co., Ltd. (恒盛合天和信(北京)房地產開發有限公司)
Tianjin Hongyun Investment Co., Ltd. (天津弘耘投資有限公司)	Glorious Hongyun (Tianjin) Investment Co., Ltd. (恒盛弘耘(天津)投資有限公司)
Anhui Hengmao Property Development Co., Ltd. (安徽恒茂房地產開發有限公司)	Glorious Hengmao (Hefei) Property Development Co., Ltd. (恒盛恒茂(合肥)房地產開發有限公司)
Harbin Yangguang Binhai Property Co., Ltd. (哈爾濱陽光濱海置業有限公司)	Glorious Yangguang Binhai (Harbin) Property Development Co., Ltd. (恒盛陽光濱海(哈爾濱)置業有限公司)
Nantong Rongsheng Building Real Estate Development Co., Ltd. (南通熔盛大廈房地產開發有限公司)	Glorious Rongsheng Building (Nantong) Property Development Co., Ltd. (恒盛熔盛大廈(南通)房地產開發有限公司)
Tianjin Tianxingjian Real Estate Investment Co., Ltd. (天津天行健房地產投資有限公司)	Glorious Tianxingjian (Tianjin) Real Estate Investment Co., Ltd. (恒盛天行建(天津)房地產投資有限公司)
Shanghai Shuntianlong Concrete Co., Ltd. (上海順添隆混凝土有限公司)	Glorious Shuntianlong (Shanghai) Concrete Co., Ltd. (恒盛順添隆(上海)混凝土有限公司)
Shanghai Qiwei Industry Co., Ltd. (上海祺偉實業有限公司)	Glorious Qiwei (Shanghai) Industry Co., Ltd. (恒盛祺偉(上海)實業有限公司)

(b) Wuxi Wangjiarui Decoration and Renovation Co., Ltd. has been deregistered on 27 January 2010.

11 Properties under development

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Within normal operating cycle included under current assets.....	11,130,003	7,345,976
Amount comprised:		
Land use rights (a)	5,746,245	3,182,450
Construction costs and capitalised expenditures	2,863,419	2,674,982
Interest capitalised	2,520,339	1,488,544
	<u>11,130,003</u>	<u>7,345,976</u>

The properties under development are all located in the PRC.

As at 31 December 2009, properties under development of carrying value of RMB4,454,593,000 (2008: RMB2,541,852,000) were pledged as collateral for the Group's borrowings (note 19), and RMB193,357,000 (2008: nil) were pledged as collateral for borrowings of third party companies of RMB280,000,000.

Properties under development with carrying amount of RMB7,188,422,000 is expected to be recovered more than twelve months after 31 December 2009.

(a) The movements of land use rights are as follows:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
At beginning of the year	3,182,450	2,072,702
Additions	3,212,085	2,004,377
Amortisation:		
- capitalised in properties under development	(64,804)	(48,444)
Transfer to completed properties held for sale	(552,411)	(770,195)
Transfer to investment properties	(31,075)	(36,550)
Transfer to property, plant and equipment.....	—	(39,440)
At end of the year	<u>5,746,245</u>	<u>3,182,450</u>

12 Completed properties held for sale

	<u>2009</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Completed properties held for sale comprised:		
Land use rights (a)	346,087	359,539
Construction costs and capitalised expenditures	949,095	784,436
Interest capitalised	94,950	57,293
	<u>1,390,132</u>	<u>1,201,268</u>

The completed properties held for sale are all located in the PRC.

As at 31 December 2009, completed properties held for sale of carrying value of RMB466,275,000 (2008: RMB315,590,000) were pledged as collateral for the Group's borrowings (note 19).

(a) The movements of land use rights are as follows:

	<u>2009</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>
At beginning of the year	359,539	77,331
Transfer from properties under development	552,411	770,195
Amortisation included in administrative expenses	(6,499)	(2,948)
Transfer to cost of sales	(534,564)	(485,039)
Transfer to investment properties	(24,800)	—
At end of the year	<u>346,087</u>	<u>359,539</u>

13 Inventories

	<u>2009</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Construction materials, at cost	<u>6,165</u>	<u>—</u>

The cost of inventories recognised as expense in "cost of sale" amounted to RMB6,904,000 (2008: nil).

14 Trade and other receivables and prepayments

Group	2009	2008
	RMB'000	RMB'000
Trade receivables due from third parties (a).....	215,991	4,419
Other receivables due from third parties (b).....	383,393	43,647
Prepayments:	3,938,807	2,547,833
Related parties (note 35(c)).....	1,495,659	1,170,403
Third parties.....	2,443,148	1,377,430
	<u>4,538,191</u>	<u>2,595,899</u>
Company	2009	2008
	RMB'000	RMB'000
Prepayments to third parties.....	<u>3,307</u>	<u>48,067</u>

- (a) Trade receivables are mainly arisen 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 and customers are generally required to settle the receivables within 30 days after the date of signing the sales and purchase agreements. The ageing analysis of trade receivables at the balance sheet dates by due date is as follows:

	2009	2008
	RMB'000	RMB'000
Not yet due.....	10,594	300
Within 6 months.....	201,292	250
Between 7 and 12 months.....	2,438	—
Between 13 months and 3 years.....	1,667	3,869
	<u>215,991</u>	<u>4,419</u>

As at 31 December 2009, trade receivables of RMB205,397,000 (2008: RMB4,119,000) were overdue but not impaired. Trade receivables that are past due but not impaired relate to certain customers that have a good track record with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully receivable. All trade receivables were denominated in RMB. Subsequent to 31 December 2009 and up to the date of this report, trade receivables of RMB196,719,000 have been settled.

- (b) Other receivables due from third parties are unsecured, interest-free and repayable on demand.

As at 31 December 2008 and 2009, the fair values of the Group's and the Company's trade and other receivables approximate their carrying amounts. The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security. None of the receivables from third parties is either past due or impaired.

15 Restricted cash

Restricted cash comprises (i) funds borrowed under project loans that are subject to restriction of use until certain prescribed stages of construction works are achieved, (ii) guaranteed deposits for the mortgage loan facilities granted by banks to purchasers of the Group's properties, (iii) bank deposits of Shanghai Penghui for which the usage of funds is subject to approval from the Purchaser under the Shanghai Bay Arrangement (as defined in note 19(b)), (iv) funds borrowed under the Shanghai Bay Arrangement that is pledged as collateral for the Promissory Notes and may only be used for operating expenses and permitted uses until such financing is repaid, and (v) bank deposits under irrevocable payment instructions in relation to the acquisition of Tianjin Dong'an Group. The components of restricted cash as at 31 December 2009 are as follows:

Group	2009	2008
	RMB'000	RMB'000
Restricted funds under project loans and guarantee deposits for mortgage facilities	320,265	84,468
Restricted funds of Shanghai Penghui	190,882	—
Restricted funds under Shanghai Bay Arrangement.....	128,212	—
Deposits under irrevocable payment instructions in relation to an acquisition ...	399,699	—
Total	<u>1,039,058</u>	<u>84,468</u>

The Company's restricted cash as at 31 December 2009 represents the restricted funds under Shanghai Bay Arrangement of RMB128,212,000 (2008: nil).

16 Cash and cash equivalents

Group	2009	2008
	RMB'000	RMB'000
Cash at bank and in hand:		
Denominated in RMB	3,663,113	355,104
Denominated in US\$	2,240,573	23,341
Denominated in HK\$	148,668	3,244
	<u>6,052,354</u>	<u>381,689</u>
Less: Restricted cash	(1,039,058)	(84,468)
	<u>5,013,296</u>	<u>297,221</u>
Maximum exposure to credit risk	<u>6,043,706</u>	<u>380,871</u>

As at 31 December 2009, the Group's five highest bank balances amounted to RMB4,942,238,000 (2008: RMB298,816,000), representing 81.7 % (2008: 78.3%) of the Group's total cash and bank balances at the balance sheet date.

Company	2009	2008
	RMB'000	RMB'000
Cash at bank and in hand:		
Denominated in US\$	1,671,229	8,760
Denominated in HK\$	148,027	152
	<u>1,819,256</u>	<u>8,912</u>
Less: Restricted cash	(128,212)	—
	<u>1,691,044</u>	<u>8,912</u>

The conversion of Renminbi denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

17 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		HK\$	RMB'000	RMB'000	RMB'000
Authorised:					
Ordinary shares of HK\$0.01 each at 1 January 2008	380,000,000	3,800,000			
Creation of additional authorised shares (a)	<u>37,620,000,000</u>	<u>376,200,000</u>			
Ordinary shares of HK\$0.01 each at 31 December 2008 and 31 December 2009	<u>38,000,000,000</u>	<u>380,000,000</u>			
Issued:					
Ordinary shares of HK\$0.01 each at 1 January 2008 and 1 January 2009	100,000,000	1,000,000	962	—	962
Capitalisation of share premium (b) ...	5,525,000,000	55,250,000	48,683	(48,683)	—
Shares issued in connection with the Global Offering (c)	1,875,000,000	18,750,000	16,521	7,252,884	7,269,405
Share issuance costs	—	—	—	(459,402)	(459,402)
Shares issued in connection to the conversion of Convertible Notes (d) (note 19(a))	290,645,623	2,906,456	2,561	1,075,100	1,077,661
Exercise of share options (note 38)	<u>2,000,000</u>	<u>20,000</u>	<u>18</u>	<u>3,083</u>	<u>3,101</u>
Ordinary shares of HK\$0.01 each at 31 December 2009	<u>7,792,645,623</u>	<u>77,926,456</u>	<u>68,745</u>	<u>7,822,982</u>	<u>7,891,727</u>

- (a) Pursuant to a shareholder's resolution on 17 June 2008, the Company's authorised share capital was increased from HK\$3,800,000 to HK\$380,000,000 by the creation of an additional 37,620,000,000 shares of HK\$0.01 each.
- (b) Pursuant to a resolution of the Board of Directors on 9 September 2009, the Company allotted and issued pro rata to its existing shareholders 5,525,000,000 shares, at par of HK\$0.01 each for the total amount of HK\$55,250,000 (approximately RMB48,683,000). The capitalisation of shares was recorded against the share premium account.
- (c) On 2 October 2009, the Company issued 1,875,000,000 new shares of HK\$0.01 each in relation to the Global Offering.
- (d) Pursuant to the terms under the Notes Restructuring as set out in note 19(a), on 2 October 2009, the Convertible Notes with principal amount of US\$165.0 million were converted mandatorily at the initial public offering price of HK\$4.4 per each, resulting in the issue of 290,645,623 ordinary shares of HK\$0.01 each.

All the new shares issued during the year ended 31 December 2009 ranked pari-passu with the then existing shares in all respects.

18 Reserves

(a) Company reserves

	Other reserve	Employee share-based compensation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(note (d))			
Balance at 1 January 2008	156,290	—	(200,820)	(44,530)
Total comprehensive loss for the year	—	—	(998,184)	(998,184)
Balance at 31 December 2008	156,290	—	(1,199,004)	(1,042,714)
Total comprehensive loss for the year	—	—	(724,455)	(724,455)
Shareholder's contribution in relation to the Promissory Notes (note 19(a))	108,027	—	—	108,027
Employee share-based compensation (note 38) .	—	69,898	—	69,898
Balance at 31 December 2009	<u>264,317</u>	<u>69,898</u>	<u>(1,923,459)</u>	<u>(1,589,244)</u>

(b) Merger reserve

Merger reserve arises from merger accounting for reorganisation of the Group completed in 2007.

(c) Statutory reserve

In accordance with the relevant regulations and their articles of association, the Company's subsidiaries incorporated in the PRC are required to allocate at least 10% of their after-tax profit according to PRC accounting standards and regulations to the general statutory reserve until such reserve has reached 50% of registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the respective Board of Directors of the subsidiaries. These reserves can only be used for specific purposes and are not distributable or transferable in the form of loans, advances, or cash dividends. During the year ended 31 December 2009, appropriation to the general statutory reserve amounted to RMB37,678,000 (2008: RMB32,373,000).

(d) Other reserve

It represents the 0.7% and 0.5% equity interests in the Company contributed by Best Era in connection with the Group's financing activities in 2007 and 2009 respectively. Please refer to note 19(a) for details of the 0.5% equity interest granted in relation to the Promissory Notes.

19 Borrowings

Group	2009	2008
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings - secured	2,970,149	537,000
Shanghai Bay Arrangement - secured (b)	2,070,935	—
	<u>5,041,084</u>	<u>537,000</u>
Borrowings included in current liabilities:		
Bank borrowings - secured	1,161,388	1,630,110
Original Notes - secured (a)	—	4,307,015
Promissory Notes - secured (a)	447,034	—
Other borrowings - unsecured	198,438	—
	<u>1,806,860</u>	<u>5,937,125</u>
Total borrowings	<u>6,847,944</u>	<u>6,474,125</u>

An analysis of the Group's borrowings into principal amounts is as follows:

	2009	2008
	RMB'000	RMB'000
Bank borrowings	4,247,830	2,167,110
Shanghai Bay Arrangement	2,000,000	—
Original Notes	—	3,717,350
Promissory Notes	501,443	—
Other borrowings	191,162	—
	<u>6,940,435</u>	<u>5,884,460</u>
Adjusted by: unamortised loan arrangement fees and accrued interests	(92,491)	589,665
Total borrowings	<u>6,847,944</u>	<u>6,474,125</u>

Company	2009	2008
	RMB'000	RMB'000
Borrowings included in current liabilities:		
Original Notes - secured (a)	—	4,307,015
Promissory Notes - secured (a)	447,034	—
Other borrowings - unsecured	198,438	—
	<u>645,472</u>	<u>4,307,015</u>

- (a) On 2 November 2007, the Company and certain investors (the “Investors”) entered into a subscription agreement (as amended by a supplemental agreement dated 17 December 2007) pursuant to which the Company agreed to issue and the Investors agreed to subscribe for the RMB denominated, interest bearing, registered notes with an aggregate principal amount of the RMB equivalent of US\$500.0 million (the “Original Notes”) to the Investors or their respective nominees. The Original Notes shall be redeemed by the Company at the earlier of (i) at second anniversary of the date of drawdown and (ii) the date of a qualified initial public offering.

On 31 July 2009, the Company and the Investors entered in the Deed of Amendment setting out the principal terms and conditions of the restructuring of the Original Notes. On 17 August 2009, the following notes restructuring transactions occurred (the “Notes Restructuring”) pursuant to the terms of the Deed of Amendment:

- (i) the denomination of the Original Notes was changed from RMB to US\$;
- (ii) the Company paid to each of the Investors the amount of outstanding cash interest in the aggregate amount of approximately US\$27.2 million;
- (iii) the Company partially redeemed the Original Notes in the aggregate principal amount of approximately US\$167.1 million and US\$25.7 million of the Original Notes on 11 August 2009 and 17 August 2009, respectively; and
- (iv) after the partial redemption of the Original Notes as aforementioned, the remaining outstanding Original Notes in the aggregate amount of US\$490.0 million was restructured in the following manner:

- Promissory notes with a tenure of 18 months in the aggregate principal amount of US\$325.0 million (the “Promissory Notes”) were issued which bear interest rates at 6% per annum within the first six-month period; 10% per annum after expiry of the first six-month period; and 15% per annum after the first twelve-month period. In relation to the issue of the Promissory Notes, Best Era transferred shares of the Company that represented 0.5% of the total shares outstanding immediately after the Global Offering to the Investors and the value of such shareholding of RMB108,027,000, which was determined based on a business valuation of the Group as at 17 August 2009 performed by an independent valuer, was regarded as shareholder’s contribution and forms part of the borrowing cost of the Promissory Notes.

The Company partially redeemed the Promissory Notes of principal amount of approximately US\$201.6 million and US\$50.0 million in October and December 2009, respectively. The remaining Promissory Notes shall be fully redeemed by the Company on or prior to 30 June 2010. On 1 March 2010, the Promissory Notes have been fully redeemed (note 39(b)).

- Convertible notes with a tenure of two years in the aggregate principal amount of US\$165.0 million (the “Convertible Notes”) were issued which bear interest rates at 0% if the Global Offering occurs within the first six months; 3% per annum if the Global Offering occurs within the first 12 months (but after expiry of the first 6 months); and 6% per annum in other cases. The Convertible Notes would be mandatorily converted into the Company’s shares at the initial public offering price on the date of Global Offering.

On 2 October 2009 when the Company’s shares became listed on the Main Board of the Hong Kong Stock Exchange, the Convertible Notes were converted mandatorily at the initial public offering price of HK\$4.4 per share, resulting in the issue of 290,645,623 ordinary shares of HK\$0.01 each.

(v) The Promissory Notes and Convertible Notes are secured by the following securities:

- issued shares of the Company and certain of its subsidiaries; and
- the paid up capital of certain subsidiaries of the Company.

The Notes Restructuring modified the terms of the Original Notes. Taking into account the substantial modification of the terms of the Original Notes, the Notes Restructuring was accounted for as an extinguishment of the original financial liability and the recognition of new financial liabilities. The difference between the carrying amount of the Original Notes and the fair values of the consideration paid or liabilities assumed, which amounted to approximately RMB198.7 million, was recognised as gain on extinguishment of a financial liability in the statement of comprehensive income (note 25).

(b) On 11 June 2009, the Group entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) with S.I. Properties Holdings Limited (the “Purchaser”), a wholly-owned subsidiary of Shanghai Industrial Holdings Limited which is listed on the Hong Kong Stock Exchange, regarding the transfer of the entire equity interest in its wholly-owned subsidiary, Better Score Limited (“Better Score”), to the Purchaser at a total consideration of RMB2.0 billion (the “Shanghai Bay Arrangement”).

Pursuant to the Shanghai Bay Arrangement:

(i) Block Nos. 2, 8, 9 and 10 of Shanghai Bay (the “Properties”) would be transferred to Shanghai Penghui Property Development Co. Ltd. (“Shanghai Penghui”), the indirect wholly-owned subsidiary of Better Score in two tranches:

— First tranche

Subject to the completion of first condition, including the completion of transfer of residential blocks Nos. 2 and 8, the Purchaser shall pay to the Group the US\$ equivalent of RMB1.3 billion and upon which the Shanghai Bay Arrangement is considered completed.

— Second tranche

Subject to the completion of second condition, including the completion of transfer of residential blocks Nos. 9 and 10, the Purchaser shall pay to the Group the US\$ equivalent of RMB0.7 billion.

Other than the holding of the Properties, Better Score and its subsidiaries are restricted in terms of their business scope;

(ii) the Group retains the right to manage and control over the operational and financial matters of the Properties, including the development, construction and the sale of the Properties;

(iii) the Purchaser will be entitled to a fixed return from the arrangement;

(iv) the Group and the Purchaser have non-cancellable options to acquire and to dispose the legal interest in the Properties from the Purchaser and to the Group, respectively on 1 December 2011 (or such other date the parties may mutually agree).

In view of the above that the risks and rewards of the Properties have not been transferred from the Group to the Purchaser, the directors are of their opinion that the Shanghai Bay Arrangement, in substance, is a loan arrangement in accordance with the HKFRSs. As a result, at the completion of the Shanghai Bay Arrangement:

- (i) the Group continues to consolidate the Properties;
- (ii) the consideration is regarded as a financial liability and measured at amortised cost using the effective interest method;
- (iii) the fixed return payable to the Purchaser is regarded as finance costs.

The Shanghai Bay Arrangement was completed on 11 August 2009 on which the Group received the first tranche consideration of the US\$ equivalent of RMB1.3 billion. By a set of supplemental agreements signed on 16 December 2009, pursuant to which a share pledge of 30% equity interest in Shanghai Xintai Property Development Co. Ltd. (an indirect wholly owned subsidiary of the Company) was provided by the Group in favour of the Purchaser (the "Shanghai Xintai Share Pledge"), the second tranche of the Shanghai Bay Arrangement was completed with the US\$ equivalent of RMB0.7 billion duly received by the Group in December 2009. The second condition of the transfer of residential blocks Nos. 9 and 10 of Shanghai Bay was not executed for the completion of the second tranche in exchange for the Shanghai Xintai Share Pledge and such condition will be fulfilled on or before 31 December 2011. The amounts received under the Shanghai Bay Arrangement are included in non-current liabilities as at 31 December 2009 and are secured by the guarantee provided by the Company.

- (c) The maturities of the Group's and the Company's total borrowings at the balance sheet date are as follows:

Group	2009	2008
	RMB'000	RMB'000
Within 1 year	1,806,860	5,937,125
After 1 and within 2 years	3,555,529	537,000
After 2 and within 5 years	939,606	—
After 5 years	545,949	—
	<u>6,847,944</u>	<u>6,474,125</u>
 Company	 2009	 2008
	RMB'000	RMB'000
Within 1 year	645,472	4,307,015
	<u>645,472</u>	<u>4,307,015</u>

- (d) The fair values of the Group's current and non-current borrowings approximate their carrying amounts at each balance sheet dates.
- (e) As at 31 December 2009, the Group's and the Company's weighted average effective interest rates (excluding bank borrowings) are 21.4% and 25.8% respectively (2008: 24.3% for the Group and the Company).

- (f) 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:

Group	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Within 6 months.....	4,585,577	6,474,125
Between 7 and 12 months.....	191,432	—
Between 13 months and 5 years	2,070,935	—
	<u>6,847,944</u>	<u>6,474,125</u>
 Company	 <u>2009</u>	 <u>2008</u>
	RMB'000	RMB'000
Within 6 months.....	<u>645,472</u>	<u>4,307,015</u>

20 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority.

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Deferred income tax assets		
- to be realised after more than 12 months	8,296	11,571
- to be realised within 12 months.....	<u>194,674</u>	<u>15,249</u>
	<u>202,970</u>	<u>26,820</u>
Deferred income tax liabilities		
- to be realised after more than 12 months	486,037	172,937
- to be realised within 12 months.....	—	—
	<u>486,037</u>	<u>172,937</u>
Deferred income tax liabilities, net.....	<u>(283,067)</u>	<u>(146,117)</u>

The movements of the deferred income tax assets/(liabilities) are as follows:

	<u>2009</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Beginning of the year	(146,117)	58,960
Recognised in the consolidated statement of comprehensive income (note 30).	<u>(136,950)</u>	<u>(205,077)</u>
End of the year	<u>(283,067)</u>	<u>(146,117)</u>

Movement in deferred income tax assets/(liabilities) during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets/(liabilities)

	<u>Tax losses</u>	<u>Shanghai Bay Arrangement</u>	<u>Other expenses</u>	<u>Fair value gains</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At 1 January 2008	51,672	—	7,288	—	58,960
Credited/(charged) to the consolidated statement of comprehensive income (note 30)	<u>2,216</u>	<u>—</u>	<u>4,228</u>	<u>(211,521)</u>	<u>(205,077)</u>
At 31 December 2008	53,888	—	11,516	(211,521)	(146,117)
(Charged)/credited to the consolidated statement of comprehensive income (note 30)	<u>(36,778)</u>	<u>156,574</u>	<u>—</u>	<u>(256,746)</u>	<u>(136,950)</u>
At 31 December 2009	<u>17,110</u>	<u>156,574</u>	<u>11,516</u>	<u>(468,267)</u>	<u>(283,067)</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. As at 31 December 2009, there were unrecognised tax losses of approximately RMB24,839,000 (2008: RMB28,111,000) to be carried forward for deduction against future taxable profits.

21 Obligation under finance lease

Group	2009	2008
	RMB'000	RMB'000
Gross finance lease liabilities - minimum lease payments		
No later than 1 year	860	—
Later than 1 year and no later than 5 years	3,680	—
Later than 5 years	46,768	—
	51,308	—
Future finance charges on finance leases	(33,423)	—
Present value of finance lease liabilities	17,885	—
The present value of finance lease liabilities is as follows:		
No later than 1 year	811	—
Later than 1 year and no later than 5 years	3,008	—
Later than 5 years	14,066	—
	<u>17,885</u>	<u>—</u>

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

22 Trade and other payables

Group	2009	2008
	RMB'000	RMB'000
Trade payables (a):	707,339	742,094
Related parties (note 35(c))	44,057	523,513
Third parties	663,282	218,581
Other payables:	1,076,845	379,040
Related parties (note 35(c))	—	4,500
Third parties (b)	1,076,845	374,540
Other taxes payable	86,990	64,101
	<u>1,871,174</u>	<u>1,185,235</u>
Company	2009	2008
	RMB'000	RMB'000
Other payables due to third parties	<u>69,374</u>	<u>358</u>

(a) The ageing analysis of trade payables at the balance sheet date is as follows:

Group	2009	2008
	RMB'000	RMB'000
Within 6 months	611,388	586,932
Between 7 and 12 months	36,734	87,499
Between 13 months and 5 years	59,217	67,663
	<u>707,339</u>	<u>742,094</u>

(b) Other payables due to third parties are unsecured and repayable on demand. As at 31 December 2009, all the other payables due to third parties are interest free. As at 31 December 2008, amount of approximately RMB110,000,000 borne interest at rates of 15%-18% per annum.

- (c) The carrying amounts of the Group's and the Company's trade and other payables are denominated in the following currencies:

Group	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
HK\$	55,202	1,413
RMB	1,798,969	1,183,451
US\$	<u>17,003</u>	<u>371</u>
	<u>1,871,174</u>	<u>1,185,235</u>
 Company	 <u>2009</u>	 <u>2008</u>
	RMB'000	RMB'000
HK\$	52,371	—
US\$	<u>17,003</u>	<u>358</u>
	<u>69,374</u>	<u>358</u>

23 Amounts due to subsidiaries - Company

The amounts are unsecured, interest-free and repayable on demand. The carrying value approximate their fair value.

24 Other income

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Interest income	5,704	7,900
Investment loss	—	(1,832)
Others	<u>21,662</u>	<u>15,337</u>
	<u>27,366</u>	<u>21,405</u>

25 Other gains, net

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Fair value changes of investment properties	1,026,985	846,085
Gain on extinguishment of a financial liability (note 19(a))	198,729	—
Exchange losses, net	<u>(6,897)</u>	<u>(20,522)</u>
	<u>1,218,817</u>	<u>825,563</u>

26 Expenses by nature

Profit before income tax is stated after charging the following:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Auditors' remuneration	3,957	484
Advertising costs	75,799	83,769
Business taxes and other levies	350,791	220,693
Costs of properties sold	2,850,969	2,072,646
Depreciation (note 6)	7,677	6,571
Amortisation of intangible asset (note 8)	413	—
Amortisation of land use rights (note 12(a))	6,499	2,948
Staff costs - excluding directors' emoluments (note 28)	114,621	69,397
Donations	250	5,170
Rental expenses	28,416	21,039
Losses on disposals of property, plant and equipment	<u>190</u>	<u>329</u>

27 Finance costs

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Interest expenses:		
— bank borrowings	223,557	213,472
— Original Notes	705,305	995,706
— Convertible Notes	26,771	—
— Promissory Notes	112,573	—
— Shanghai Bay Arrangement	101,142	—
— other payables due to related parties (note 35(b))	—	1,282
— others	<u>24,413</u>	<u>16,769</u>
Total interest expenses	1,193,761	1,227,229
Less: interest capitalised on qualifying assets	<u>(1,166,693)</u>	<u>(1,172,750)</u>
	<u>27,068</u>	<u>54,479</u>

Borrowing costs of the loans used to finance the property development projects of the Group have been capitalised at a capitalisation rate of 16.2% during the year (2008: 18.4%).

28 Staff costs - excluding directors' emoluments

	2009	2008
	RMB'000	RMB'000
Wages and salaries.....	82,194	56,296
Retirement scheme contribution.....	1,104	2,040
Staff welfare	3,748	8,610
Medical benefits.....	387	422
Other allowances and benefits.....	11,380	2,029
Share-based compensation expenses.....	15,808	—
	<u>114,621</u>	<u>69,397</u>

29 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 2009 is set out below:

	Fee	Salaries, allowance and benefits in kind	Bonus	Employer's contribution to retirement scheme	Other benefits	Subtotal	Share-based compensation expenses (c)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director:								
Mr. Zhang Zhi Rong (a) ...	—	2,024	—	26	13	2,063	12,482	14,545
Mr. Ding Xiang Yang	—	1,520	—	33	17	1,570	12,482	14,052
Mr. Cheng Li Xiong	—	1,417	10,255	26	30	11,728	12,482	24,210
Mr. Xia Jing Hua	—	680	—	33	17	730	4,161	4,891
Mr. Liu Ning	—	680	—	33	17	730	4,161	4,891
Mr. Li Xiao Bin	—	1,625	—	41	16	1,682	4,161	5,843
Mr. Yan Zhi Rong	—	680	—	33	17	730	4,161	4,891
Independent non-executive director:								
Mr. Yim Ping Kuen (b).....	53	—	—	—	—	53	—	53
Mr. Liu Shun Fai (b).....	53	—	—	—	—	53	—	53
Mr. Wo Rui Fang (b)	53	—	—	—	—	53	—	53
Mr. Han Ping (b)	53	—	—	—	—	53	—	53

The remuneration of each director of the Company for the year ended 31 December 2008 is set out below:

	Fee	Salaries, allowance and benefits in kind	Bonus	Employer's contribution to retirement scheme	Other benefits	Subtotal	Share-based compensation expenses (c)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director:								
Mr. Zhang Zhi Rong (a).....	—	720	—	29	15	764	—	764
Mr. Ding Xiang Yang	—	360	—	29	15	404	—	404
Mr. Cheng Li Xiong	—	240	—	29	15	284	—	284
Mr. Xia Jing Hua	—	240	—	29	15	284	—	284
Mr. Liu Ning	—	240	—	29	15	284	—	284
Mr. Li Xiao Bin	—	1,495	—	35	14	1,544	—	1,544
Mr. Yan Zhi Rong	—	240	—	29	15	284	—	284
Independent non-executive director:								
Mr. Yim Ping Kuen (b).....	—	—	—	—	—	—	—	—
Mr. Liu Shun Fai (b).....	—	—	—	—	—	—	—	—
Mr. Wo Rui Fang (b)	—	—	—	—	—	—	—	—
Mr. Han Ping (b)	—	—	—	—	—	—	—	—

- (a) Mr. Zhang Zhi Rong was re-designated as executive director on 9 September 2009.
- (b) Appointed on 17 June 2008, resigned on 16 March 2009 and reappointed on 9 September 2009.
- (c) Amounts represent amortisation of the fair value of share options measured at the grant date charged to the income statement, regardless of whether or not the share options have been vested or exercised.

During the year, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office, no director waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2009 include 3 directors (2008: 1 director). Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals (2008: 4 individuals) for the year ended 31 December 2009, are as follows:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Salaries and other short-term benefits	3,366	5,967
Retirement scheme contribution.....	21	64
Bonuses.....	6,321	—
Share-based compensation expenses	8,321	—
	<u>18,029</u>	<u>6,031</u>

The emoluments fell within the following bands:

	<u>2009</u>	<u>2008</u>
RMB1,000,001 to RMB1,500,000	—	3
RMB1,500,001 to RMB2,000,000	—	1
RMB8,500,001 to RMB9,000,000	1	—
RMB9,000,001 to RMB9,500,000	1	—
	<u>2</u>	<u>4</u>

30 Income tax expenses

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Current income tax		
- PRC corporate income tax	460,619	259,627
- PRC land appreciation tax.....	<u>722,039</u>	<u>363,102</u>
	<u>1,182,658</u>	<u>622,729</u>
Deferred income tax (note 20)		
- Origination and reversal of temporary differences	<u>136,950</u>	<u>205,077</u>
	<u>136,950</u>	<u>205,077</u>
	<u>1,319,608</u>	<u>827,806</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 companies comprising the Group as follows:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Profit before income tax	<u>3,685,752</u>	<u>2,082,797</u>
Calculated at PRC corporate income tax rate of 25%.....	921,438	520,699
Expenses not deductible for tax purposes.....	26,971	17,063
Income not taxable for tax purposes	(49,682)	—
Tax losses not recognised as deferred income tax assets	2,801	5,074
Recognition of previously unrecognised tax losses.....	(3,619)	—
Provision for land appreciation tax.....	722,039	363,102
Tax effect on land appreciation tax	(249,953)	(90,776)
Effect of different tax rates applicable to different companies within the Group.	(51,661)	—
Others	<u>1,274</u>	<u>12,644</u>
Income tax expenses	<u>1,319,608</u>	<u>827,806</u>

PRC corporate income tax is provided at the rate of 25% for each of the years ended 31 December 2008 and 2009 of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC corporate income tax purpose.

No Hong Kong profits tax has been provided for the years ended 31 December 2008 and 2009 as there is no assessable profit for these years.

PRC land appreciation tax ("LAT") is levied at progressive rates 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, which is included in the consolidated statement of comprehensive income as income tax. The Group has estimated the tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

31 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Profit attributable to the equity holders of the Company	2,366,144	1,254,991
Weighted average number of ordinary shares in issue (thousands) (i)	<u>6,201,711</u>	<u>5,625,000</u>

- (i) The newly issued shares of 5,525,000,000 under the capitalisation (note 17(b)) are adjusted in the weighted average number of ordinary shares in issue as if the issue had occurred at the beginning of the earliest period reported.

(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. For the year ended 31 December 2009, the Company's share options issued under the Pre-IPO Share Option Scheme was the sole category of dilutive potential ordinary shares (note 38).

	<u>2009</u>	<u>2008</u>
Earnings (RMB'000)		
Profit attributable to the equity holders of the Company	2,366,144	1,254,991
Number of Shares		
Weighted average number of ordinary shares in issue (thousands)	6,201,711	5,625,000
Adjustment for share options (thousands)	10,626	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>6,212,337</u>	<u>5,625,000</u>

The Convertible Notes (as discussed in note 19(a)) were mandatorily converted into the Company's shares upon the Global Offering and thus have been included in the calculation of basic earnings per share from the date the Convertible Notes were issued (i.e. 17 August 2009).

32 Dividend

The directors recommend the payment of 2009 final dividend of RMB0.03 per ordinary share, totaling RMB233.8 million. Such dividend is to be approved by the shareholders at the annual general meeting on 31 May 2010.

Such final dividend payable has not been reflected in the consolidated financial statements for the year ended 31 December 2009. Nevertheless, the aggregate amount of the dividends proposed for 2009 has been disclosed in the consolidated statement of comprehensive income in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

(a) Reconciliation of profit for the year to cash used in operations

	Note	2009	2008
		RMB'000	RMB'000
Profit for the year.....		2,366,144	1,254,991
Adjustments for:			
Income tax expenses.....	30	1,319,608	827,806
Interest income.....	24	(5,704)	(7,900)
Interest expenses.....	27	27,068	54,479
Investment loss.....	24	—	1,832
Fair value changes of investment properties.....	25	(1,026,985)	(846,085)
Depreciation.....	6	10,923	7,039
Amortisation of intangible asset.....	8	413	—
Amortisation of land use rights.....	12	6,499	2,948
Losses on disposals of property, plant and equipment.....	26	190	329
Exchange losses, net.....	25	6,897	20,522
Gain on extinguishment of a financial liability.....	25	(198,729)	—
Share-based compensation expenses.....		69,898	—
Changes in working capital:			
Properties under development and completed properties held for sale.....		(2,544,906)	(1,643,283)
Inventories.....		(6,165)	—
Restricted cash.....		(954,590)	(17,778)
Trade and other receivables and prepayments.....		(1,970,095)	(998,969)
Financial assets of fair value through profit or loss.....		—	19,259
Trade and other payables.....		583,554	198,564
Advanced proceeds received from customers.....		(115,213)	(738,134)
Cash used in operations.....		<u>(2,431,193)</u>	<u>(1,864,380)</u>

(b) Major non-cash transactions

- (i) The Convertible Notes were converted mandatorily into 290,645,623 ordinary shares at the initial public offering price of HK\$4.40 each on 2 October 2009, at when the carrying value of the Convertible Notes was approximately RMB1,077,661,000 (note 17(d) and 19(a)).
- (ii) The Group entered into a finance lease agreement for a building in Beijing, for which the net present value of the finance lease obligation was approximately RMB16,841,000. Together with certain incremental costs incurred of approximately RMB7,683,000, the Group recorded such finance lease as an acquisition of building with initial cost of approximately RMB24,524,000 (note 6).

34 Commitments

(a) Commitments for capital and property development expenditures

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Contracted but not provided for		
Land use rights	9,917,704	2,911,901
Property development expenditures	5,387,032	5,092,779
Construction materials	76,580	—
	<u>15,381,316</u>	<u>8,004,680</u>
Authorised but not contracted for.....	<u>14,979</u>	<u>17,902</u>

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
No later than 1 year	14,316	20,845
Later than 1 year and no later than 5 years	19,808	32,676
Later than 5 years.....	—	48,607
	<u>34,124</u>	<u>102,128</u>

35 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

The following transactions were carried out with related parties:

(a) Purchase of services:

	<u>2009</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Purchase of construction services:		
— Shanghai Ditong, Construction (Group) Co. Ltd., (“Shanghai Ditong”) a company controlled by close family member of the Chairman of the Company	816,787	1,185,545
— Other related companies	<u>1,950</u>	<u>2,117</u>
	<u>818,737</u>	<u>1,187,662</u>
Purchase of gardening services from a related company.....	<u>—</u>	<u>3,204</u>
Purchase of property design services from an associated company (i)	<u>14,723</u>	<u>10,656</u>
Purchase of consultancy services from related companies	<u>3,333</u>	<u>3,333</u>
Commission fees paid/payable to related companies.....	<u>6,104</u>	<u>18,872</u>

(i) The Group acquired 45% equity interest in this associate company in April 2008. Prior to such acquisition, this company was an associated company of the Chairman of the Company.

(b) Interest income and expenses

	<u>2009</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Interest expenses paid/payable to related companies.....	<u>—</u>	<u>1,282</u>

(c) Balances with related parties

As at 31 December 2008 and 2009, the Group had the following significant balances with related parties:

	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Balances included in current assets:		
Prepayments to related companies for construction costs or purchase of services - included in "Prepayments"		
— Shanghai Ditong.....	1,493,992	1,165,395
— Other related companies	<u>1,667</u>	<u>5,008</u>
	<u>1,495,659</u>	<u>1,170,403</u>
	<u>2009</u>	<u>2008</u>
	RMB'000	RMB'000
Balances included in current liabilities:		
Trading balances - included in "Trade payables" (i)		
— Shanghai Ditong.....	18,839	489,797
— Other related companies	<u>25,218</u>	<u>33,716</u>
	<u>44,057</u>	<u>523,513</u>
Non-trading balance - included in "Other payables"		
— Other related companies (ii)	<u>—</u>	<u>4,500</u>

(i) Trading balances due to related parties are unsecured, interest-free and repayable on demand.

(ii) Non-trading balances due to related parties included in other payables are unsecured, interest-free and repayable on demand.

(d) Other related party transactions

As aforementioned in note 1(b), the Group entered into an acquisition agreement with Jiangsu Rongsheng on 20 November 2009 to acquire 100% of the equity interest in one or more subsidiaries of Jiangsu Rongsheng for a total consideration of RMB2.0 billion. As at 31 December 2009, the Group has not paid any portion of the consideration as the necessary conditions for such payment are yet to be met. The contracted consideration of RMB2.0 billion has been included in the Group's commitment to acquire land use rights as set out in note 34(a).

(e) Key management compensation

	<u>2009</u>	<u>2008</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Salaries and other short-term employee benefits	26,404	8,177
Share-based compensation expenses	<u>60,744</u>	<u>—</u>
	<u>87,148</u>	<u>8,177</u>

36 Financial guarantees

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 one to two 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. As at 31 December 2009, the amount of outstanding guarantees for mortgages were approximately RMB2,749,849,000 (2008: RMB2,662,065,000). The maximum credit risk exposure at balance sheet date is the amount of outstanding guarantees.

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.

37 Accounting of acquisitions

The acquisitions of Tianjin Gangtian, Tianjin Dong'an Group and Shanghai Mingbao as mentioned in note 1(b) were completed in 2009. Before the acquisition by the Group, Tianjin Gangtian and Tianjin Dong'an Group had no business activities except for the holding of the land use rights. Accordingly, the activities of Tianjin Gangtian and Tianjin Dong'an Group do not constitute a business and the Group's intention of such acquisition is to acquire the land use rights held by these companies for future property developments. Accordingly, such acquisitions were accounted for as if they were acquisitions of the underlying land use rights.

The allocation of acquisition considerations are as follows:

	At the date of acquisition			
	Tianjin Gangtian	Tianjin Dong'an Group	Shanghai Mingbao	Combined
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment (note 6)	1,147	—	—	1,147
Properties under development	844,478	1,920,302	—	2,764,780
Intangible asset (note 8).....	—	—	2,500	2,500
Prepayment and other receivables	5	—	—	5
Cash and cash equivalents	3,244	418	—	3,662
Accruals and other payables	(64)	(91,545)	—	(91,609)
Borrowings	—	(187,000)	—	(187,000)
Fair value of net assets	848,810	1,642,175	2,500	2,493,485
Minority interest.....	—	(492,825)	—	(492,825)
Total acquisition consideration	848,810	1,149,350	2,500	2,000,660
Add: Professional fees incurred	—	575	—	575
Total acquisition costs	848,810	1,149,925	2,500	2,001,235
Less: Acquisition consideration remained payable as at 31 December 2009	—	(749,710)	(200)	(749,910)
Professional fees payable	—	(575)	—	(575)
Total consideration paid by cash	848,810	399,640	2,300	1,250,750
Less: Cash and cash equivalents acquired.....	(3,244)	(418)	—	(3,662)
Cash outflow on acquisition (i)	845,566	399,222	2,300	1,247,088

- (i) The cash outflow on the above acquisitions of Tianjin Gangtian and Tianjin Dong'an Group are presented within the operating activities in the consolidated statement of cash flows.

(a) Pre-IPO Share Option Scheme

Pursuant to a resolution in writing passed by all the shareholders of the Company on 9 September 2009, the Company conditionally approved and adopted a Pre-IPO scheme (the “Pre-IPO Option Scheme”). By the same resolution, the Company granted 84,000,000 share options to its directors and employees which are exercisable for a ten-year period from the grant date, under the following terms:

- (i) the exercise price per share shall be equal to 60% discount to the initial public offering price;
- (ii) 20% of the total number of shares will become exercisable on the listing date. The remaining 80% of share options will become exercisable in four equal instalments, 20% of the total number of shares will become exercisable on the first anniversary of Global Offering date with a further 20% to become exercisable on each subsequent anniversary.

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense, with a corresponding adjustment to employee share-based compensation reserve, over the vesting period. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity. For the year ended 31 December 2009, the amount of share-based compensation expenses amounted to approximately RMB69.9 million.

Each share option gives the holder the right to subscribe for one ordinary share of the Company.

Movement of Pre-IPO Share Option Scheme during the year ended 31 December 2009 is as follows:

	Exercise Price (HK\$)	Number of options
At 1 January 2009.....	—	—
Granted on 9 September 2009.....	1.76	84,000,000
Exercised.....	<u>1.76</u>	<u>(2,000,000)</u>
At 31 December 2009	<u>1.76</u>	<u>82,000,000</u>

Out of the 82,000,000 outstanding options, 14,800,000 options were exercisable. Options exercised in 2009 resulted in 2,000,000 shares being issued at HK\$1.76 each. The related weighted average share price immediately before exercise was HK\$3.50 per share. All of the outstanding share options will expire by 8 September 2019.

The weighted average fair value granted during the year determined using the Binomial option pricing model was HK\$3.05 per option. The significant inputs to the model were as follows:

Assumptions	2009
Volatility.....	73.85%
Dividend yield	1.70%
Annual risk-free rate	2.356%
Expected option life	10 years

(b) Share Option Scheme

Pursuant to the aforementioned resolution in writing passed by all the shareholders of the Company on 9 September 2009, the Company adopted a share option scheme on September 9, 2009 (“Share Option Scheme”). The purpose of the share option scheme is to provide incentives to the Group’s employees including the executive directors and non-executive directors (each a “participant”). The Board of Directors may, at any time within 10 years after the date of adoption of the Share Option Scheme, make an offer to any participant. The subscription price for shares granted pursuant to the Share Option Scheme is the highest of:

- the closing price of the shares of the Company on the Hong Kong Stock Exchange on the business day on which an offer is made to a participant;
- the average of the closing prices of the shares on the Hong Kong Stock Exchange for the five business days immediately preceding the date on which such offer is made; and
- the nominal value of the shares of the Company.

The total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company at the date of approval of the share option scheme. The 10% limit may be refreshed with the approval by ordinary resolution of our shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme must not exceed 30% of our issued share capital.

The total number of shares issued and to be issued upon exercise of all options granted under the Share Option Scheme to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. If shares issued and to be issued upon exercise of all options granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to a participant who is a substantial shareholder or an independent non-executive director of the Company in any 12-month period, (i) represent in aggregate more than 0.1 % of the total number of shares in issue and (ii) have an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK\$5,000,000, the proposed grant of option must be approved by our shareholders by poll in a general meeting.

The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years from the date of grant of the relevant option. Our Board of Directors has the authority to determine the minimum period for which an option must be held before it can vest.

As at 31 December 2009, no share options have been granted under the Share Option Scheme.

39 Subsequent events

- (a) On 5 January, 2010, the Company entered into a strategic cooperation agreement with the Bank of China, Nantong Branch (“BOC Nantong”), pursuant to which BOC Nantong expressed its intent to extend to the Group a RMB8.0 billion line of credit.
- (b) On 1 March 2010, the Group has fully redeemed the outstanding principal amount of the Promissory Notes. Together with the accrued interest, the Group completed the redemption of such Promissory Note by using cash of approximately US\$74,681,000 (approximately RMB509,850,000), and all the related security and charges fully released on the same date.

The following is the reproduction of the Company's unaudited condensed consolidated interim financial information for the six months ended June 30, 2010.

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
GLORIOUS PROPERTY HOLDINGS LIMITED**
(incorporated in Cayman Islands with limited liability)



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

The Directors
Glorious Property Holdings Limited

Dear Sirs,

Introduction

We have reviewed the interim financial information set out on pages 2 to 21, which comprises the condensed consolidated balance sheet of Glorious Property Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2010

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2010

	30 June 2010 (unaudited)	31 December 2009 (audited)
Note	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment.....	524,494	497,653
Investment properties	2,518,830	2,485,200
Intangible assets.....	3,626	2,087
Investment in an associate.....	4,500	4,500
Deferred income tax assets.....	242,862	202,970
	<u>3,294,312</u>	<u>3,192,410</u>
Current assets		
Properties under development.....	14,734,251	11,130,003
Completed properties held for sale.....	984,577	1,390,132
Inventories.....	6,432	6,165
Trade and other receivables and prepayments.....	5 7,696,415	4,538,191
Prepaid taxes	133,708	58,430
Restricted cash.....	1,442,360	1,039,058
Cash and cash equivalents	3,555,751	5,013,296
	<u>28,553,494</u>	<u>23,175,275</u>
Total assets	<u>31,847,806</u>	<u>26,367,685</u>

The notes on pages 7 to 21 form an integral part of this condensed consolidated financial information.

	Note	30 June 2010 (unaudited) RMB'000	31 December 2009 (audited) RMB'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	6	68,745	68,745
Share premium	6	7,822,982	7,822,982
Reserves		<u>3,633,455</u>	<u>3,462,125</u>
		11,525,182	11,353,852
Minority interest		<u>492,502</u>	<u>492,825</u>
Total equity		<u>12,017,684</u>	<u>11,846,677</u>
LIABILITIES			
Non-current liabilities			
Borrowings	7	9,186,737	5,041,084
Deferred income tax liabilities		533,901	486,037
Obligation under finance lease		<u>17,153</u>	<u>17,074</u>
		<u>9,737,791</u>	<u>5,544,195</u>
Current liabilities			
Advanced proceeds received from customers		4,440,545	3,627,603
Trade and other payables	8	1,845,249	1,871,174
Income tax payable		2,230,987	1,670,365
Borrowings	7	1,574,682	1,806,860
Obligation under finance lease		868	811
		<u>10,092,331</u>	<u>8,976,813</u>
Total liabilities		<u>19,830,122</u>	<u>14,521,008</u>
Total equity and liabilities		<u>31,847,806</u>	<u>26,367,685</u>
Net current assets		<u>18,461,163</u>	<u>14,198,462</u>
Total assets less current liabilities		<u>21,755,475</u>	<u>17,390,872</u>

The notes on pages 7 to 21 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE

	Note	Six months ended 30 June	
		2010 (unaudited)	2009 (unaudited)
		RMB'000	
Revenue	4	2,497,946	1,471,781
Cost of sales		(1,156,588)	(747,816)
Gross profit		1,341,358	723,965
Other income		33,649	10,861
Fair value changes of investment properties		—	745,897
Other losses, net	9	(36,850)	(13)
Selling and marketing expenses		(71,097)	(53,929)
Administrative expenses		(216,752)	(142,876)
Finance costs	10	(7,640)	(16,966)
Profit before income tax		1,042,668	1,266,939
Income tax expenses	11	(676,571)	(417,053)
Profit for the period		<u>366,097</u>	<u>849,886</u>
Attributable to:			
— equity holders of the Company		366,420	849,886
— minority interest		(323)	—
		<u>366,097</u>	<u>849,886</u>
Other comprehensive income:			
Gain/loss recognised directly in equity		—	—
Total comprehensive income for the period attributable to the equity holders of the Company		<u>366,420</u>	<u>849,886</u>
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)			
— Basic	12	<u>0.05</u>	<u>0.15</u>
— Diluted	12	<u>0.05</u>	<u>N/A</u>

The notes on pages 7 to 21 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010

2010										
Attributable to the equity holders of the Company (unaudited)										
	Share capital	Share premium	Merger reserve	Statutory reserves	Other reserve	Employee share-based compensation reserve	Retained earnings	Total	Minority interest	Total equity
RMB'000										
Balance at										
1 January 2010	68,745	7,822,982	(770,477)	116,867	264,317	69,898	3,781,520	11,353,852	492,825	11,846,677
Total comprehensive income for the period.....	—	—	—	—	—	—	366,420	366,420	(323)	366,097
Employee share-based compensation	—	—	—	—	—	38,689	—	38,689	—	38,689
2009 final dividend	—	—	—	—	—	—	(233,779)	(233,779)	—	(233,779)
Balance at										
30 June 2010	<u>68,745</u>	<u>7,822,982</u>	<u>(770,477)</u>	<u>116,867</u>	<u>264,317</u>	<u>108,587</u>	<u>3,914,161</u>	<u>11,525,182</u>	<u>492,502</u>	<u>12,017,684</u>

2009										
Attributable to the equity holders of the Company (unaudited)										
	Share capital	Share premium	Merger reserve	Statutory reserves	Other reserve	Employee share-based compensation reserve	Retained earnings	Total	Minority interest	Total equity
RMB'000										
Balance at										
1 January 2009	962	—	(770,477)	79,189	156,290	—	1,453,054	919,018	—	919,018
Total comprehensive income for the period.....	—	—	—	—	—	—	849,886	849,886	—	849,886
Balance at										
30 June 2009	<u>962</u>	<u>—</u>	<u>(770,477)</u>	<u>79,189</u>	<u>156,290</u>	<u>—</u>	<u>2,302,940</u>	<u>1,768,904</u>	<u>—</u>	<u>1,768,904</u>

The notes on pages 7 to 21 form an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
	RMB'000	RMB'000
Net cash (used in)/generated from operating activities	(5,026,205)	19,457
Net cash used in investing activities	(46,422)	(320,209)
Net cash generated from financing activities	<u>3,616,828</u>	<u>456,261</u>
Net (decrease)/increase in cash and cash equivalents	(1,455,799)	155,509
Cash and cash equivalents, at 1 January.....	5,013,296	297,221
Exchange losses on cash and bank balances	<u>(1,746)</u>	<u>(13)</u>
Cash and cash equivalents, at 30 June	<u><u>3,555,751</u></u>	<u><u>452,717</u></u>

The notes on pages 7 to 21 form an integral part of this condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1 General information

Glorious Property Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) is principally engaged in the development of real estate projects in the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in the Cayman Islands on 27 July 2007 and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

This condensed consolidated financial information are presented in thousands of units of Renminbi (RMB’000), unless otherwise stated. This condensed consolidated financial information has been approved for issue by the Board of Directors on 30 August 2010.

This condensed consolidated financial information has not been audited. This condensed consolidated financial information has been reviewed by the Company’s audit committee.

2 Basis of preparation

This condensed consolidated financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated financial information should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA.

3 Accounting policies

Except as described below, the accounting policies adopted are consistent with those set out in the consolidated financial statements of the Company for the year ended 31 December 2009 as included in the Company’s annual report for the year ended 31 December 2009.

The Group adopts the proportionate consolidation method as set out in HKAS 31 “Interests in Joint Ventures” for the recognition of interest in a jointly controlled entity. The Board of Directors of the Company considers that the use of proportionate consolidation method better reflects the substance and economic reality of the Group’s interest in such jointly controlled entity and presents more reliable and relevant information of the Group.

Under the proportionate consolidation method, the Group combines its share of the jointly controlled entity’s individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group’s financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the jointly controlled entity that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the jointly controlled entity that result from the Group’s purchase of assets from the jointly controlled entity until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

3 Accounting policies (Continued)

HKICPA has published Exposure Draft (“ED”) 9 “Joint Arrangements”, which proposes to eliminate the choice of proportionate consolidation as a method to account for an entity’s investment in a jointly controlled entity. If ED 9 becomes effective, the Group will be required to change its accounting policy for the interest in jointly controlled entity from proportionate consolidation to equity method.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

HKAS 1	Current / Non-current Classification of Convertible Instruments
HKAS 7	Classification of Expenditure on Unrecognised Assets
HKAS 17	Classification of Leases of Land and Building and Consequential amendment to HK-Int 4 - Determining whether an Arrangement contains a Lease
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 36	Unit of Accounting for Goodwill Impairment Test
HKAS 38	Additional Consequential Amendments arising from HKFRS 3 (Revised) and Measuring Fair Value of an Intangible Asset acquired in Business Combination
HKAS 39	Treating Loan Prepayment Penalties as Closely Related Derivatives, Cash Flow Hedge Accounting, Scope Exemption for Business Combination Contracts
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets held for sale and Discontinued Operation
HKFRS 8	Disclosure of Information about Segment Assets
HK(IFRIC)-Int 9 and HKFRS 3 (Revised)	Reassessment of Embedded Derivatives and Business Combination
HK(IFRIC)-Int 16	Hedges of a Net Investment in Foreign Operation
HK(IFRIC)-Int 17	Distribution of non-cash assets to owners
HK(IFRIC)-Int 18	Transfer of Assets from Customers

The adoption of the above new standards and amendments to standards has no significant impact to the Group’s financial position for all periods presented in this report.

Taxes on income in the six months ended 30 June 2010 are accrued using the tax rate that would be applicable to expected total annual earnings.

4 Segment Information

The Board of Directors has been identified as the chief operating decision-maker. Management determines the operating segments based on the Group's internal reports, which are submitted to the Board of Directors for performance assessment and resources allocation.

The Board of Directors considers the Group's business from a geographical perspective and assesses the performance of property development in four reportable operating segments, namely Shanghai, Yangtze River Delta (excluding Shanghai), Pan Bohai Rim and Northeast China.

The Board of Directors assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments. Other information provided, except as noted below, to the Board of Directors is measured in a manner consistent with that in the condensed consolidated financial information.

Total segment assets excluded deferred income tax assets and other unallocated corporate assets. Total segment liabilities excluded deferred income tax liabilities and borrowings (excluding the bank borrowings being managed at the segment level).

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

4 Segment Information (Continued)

	Shanghai	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended						
30 June 2010						
(unaudited)						
Total revenue	1,613,551	194,928	685,651	9,509	—	2,503,639
Inter-segment revenue	(5,693)	—	—	—	—	(5,693)
Revenue (from external customers)	<u>1,607,858</u>	<u>194,928</u>	<u>685,651</u>	<u>9,509</u>	<u>—</u>	<u>2,497,946</u>
Segment result	1,034,603	(60,971)	189,563	(12,926)	(81,845)	1,068,424
Depreciation and amortisation	(2,938)	(514)	(1,298)	(317)	(199)	(5,266)
Interest income	13,861	1,843	1,770	986	2,458	20,918
Finance costs	(6,708)	(151)	(694)	(69)	(18)	(7,640)
Income tax expenses	<u>(600,112)</u>	<u>(12,212)</u>	<u>(66,889)</u>	<u>2,642</u>	<u>—</u>	<u>(676,571)</u>

	Shanghai	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended						
30 June 2009						
(unaudited)						
Total revenue	1,372,995	34,850	560	63,376	—	1,471,781
Inter-segment revenue	—	—	—	—	—	—
Revenue (from external customers)	<u>1,372,995</u>	<u>34,850</u>	<u>560</u>	<u>63,376</u>	<u>—</u>	<u>1,471,781</u>
Segment result	599,910	(2,839)	(22,782)	(20,970)	(8,360)	544,959
Fair value changes of investment properties	745,897	—	—	—	—	745,897
Depreciation and amortisation	(4,280)	(1,272)	(1,334)	(639)	(102)	(7,627)
Interest income	289	161	183	43	—	676
Finance costs	(15,705)	(720)	(438)	(97)	(6)	(16,966)
Income tax expenses	<u>(423,938)</u>	<u>(1,240)</u>	<u>3,843</u>	<u>4,282</u>	<u>—</u>	<u>(417,053)</u>

4 Segment Information (Continued)

	Shanghai	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2010 (unaudited)							
Total segment assets.....	19,422,672	16,391,005	6,263,569	3,372,709	7,181,724	(23,595,698)	29,035,981
Total segment assets include:							
Investment in an associate.....	4,500	—	—	—	—	—	4,500
Deferred income tax assets.....							242,862
Other unallocated corporate assets .							2,568,963
Total assets							<u>31,847,806</u>

	Shanghai	Yangtze River Delta (excluding Shanghai)	Pan Bohai Rim	Northeast China	All other segments	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2009 (audited)							
Total segment assets.....	13,202,524	10,239,052	6,173,669	2,317,958	8,867,847	(16,792,627)	24,008,423
Total segment assets include:							
Investment in an associate.....	4,500	—	—	—	—	—	4,500
Deferred income tax assets.....							202,970
Other unallocated corporate assets .							2,156,292
Total assets							<u>26,367,685</u>

4 Segment Information (Continued)

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Segment results	1,068,424	544,959
Fair value changes of investment properties	—	745,897
Depreciation and amortisation	(5,266)	(7,627)
Loss on redemption of the Promissory Notes	(33,768)	—
Operating profit	1,029,390	1,283,229
Interest income	20,918	676
Interest expense	(7,640)	(16,966)
Profit before income tax	<u>1,042,668</u>	<u>1,266,939</u>
Additions to:		
— Property, plant and equipment	31,481	56,265
— Investment properties	33,630	18,508
— Intangible assets	1,800	2,500
	<u>66,911</u>	<u>77,273</u>

5 Trade and other receivables and prepayments

	30 June	31 December
	2010	2009
	(unaudited)	(audited)
	RMB'000	RMB'000
Trade receivables from third parties (a)	14,012	215,991
Other receivables from third parties	110,375	383,393
Prepayments for land acquisition:	5,085,157	1,895,144
Related party (note 13 (b))	1,799,200	—
Third parties	3,285,957	1,895,144
Other prepayments:	2,486,871	2,043,663
Related parties (note 13 (b))	1,861,651	1,495,659
Third parties	625,220	548,004
	<u>7,696,415</u>	<u>4,538,191</u>

5 Trade and other receivables and prepayments (Continued)

(a) The ageing analysis of trade receivables at the balance sheet dates by due date is as follows:

	30 June 2010 (unaudited)	31 December 2009 (audited)
	RMB'000	RMB'000
Not yet due	—	10,594
Within 6 months	7,808	201,292
Between 7 — 12 months.....	4,237	2,438
Over 12 months.....	1,967	1,667
	<u>14,012</u>	<u>215,991</u>

6 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		HK\$	RMB'000	RMB'000	RMB'000
Authorised:					
Ordinary shares of HK\$0.01 each at 1 January 2009, 30 June 2009, 1 January 2010 and 30 June 2010.....	38,000,000,000	380,000,000			
	<u>38,000,000,000</u>	<u>380,000,000</u>			
Issued:					
Ordinary shares of HK\$0.01 each at 1 January 2009 and 30 June 2009.....	100,000,000	1,000,000	962	—	962
	<u>100,000,000</u>	<u>1,000,000</u>	<u>962</u>	<u>—</u>	<u>962</u>
Ordinary shares of HK\$0.01 each at 1 January 2010 and 30 June 2010.....	7,792,645,623	77,926,456	68,745	7,822,982	7,891,727
	<u>7,792,645,623</u>	<u>77,926,456</u>	<u>68,745</u>	<u>7,822,982</u>	<u>7,891,727</u>

7 Borrowings

	30 June 2010 (unaudited)	31 December 2009 (audited)
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings - secured	7,282,892	2,970,149
Shanghai Bay Arrangement - secured (a).....	<u>1,903,845</u>	<u>2,070,935</u>
	<u>9,186,737</u>	<u>5,041,084</u>
Borrowings included in current liabilities		
Bank borrowings - secured	1,574,682	1,161,388
Promissory Notes - secured (b)	—	447,034
Other borrowings - unsecured.....	<u>—</u>	<u>198,438</u>
	<u>1,574,682</u>	<u>1,806,860</u>
Total borrowings.....	<u><u>10,761,419</u></u>	<u><u>6,847,944</u></u>

- (a) The Group entered into a sale and purchase agreement and a set of supplemental agreements (collectively, the "Agreements") with S.I. Properties Holdings Limited (the "Purchaser"), a wholly-owned subsidiary of Shanghai Industrial Holdings Limited which is listed on the Hong Kong Stock Exchange, on 11 June 2009 and 16 December 2009 respectively, regarding the transfer of the entire equity interest in its wholly-owned subsidiary, Better Score Limited ("Better Score"), to the Purchaser at a total consideration of RMB2.0 billion (the "Shanghai Bay Arrangement"). The Shanghai Bay Arrangement had been completed in 2009 upon fulfillment of certain conditions as set out in the Agreements, mainly associated with the transfer to Blocks Nos. 2, 8, 9 and 10 of Shanghai Bay to Shanghai Penghui Property Development Co., Ltd., the indirect wholly-owned subsidiary of Better Score and the pledge of 30% equity interest in Shanghai Xintai Property Development Co., Ltd., an indirectly wholly-owned subsidiary of the Company, in favour of the Purchaser. Considering all the terms of the Agreements, the Shanghai Bay Arrangement, in substance, is a loan arrangement in accordance with the HKFRSs and therefore the consideration of RMB2.0 billion received is regarded as a financial liability and measured at amortised cost using the effective interest method. For more details of the Shanghai Bay Arrangement, please refer to note 19(b) of the Company's consolidated financial statements as included in its 2009 annual report.

7 **Borrowings** (Continued)

(b) In November 2007, the Company and certain investors (the “Investors”) entered into a subscription agreement (as amended by a supplemental agreement dated 17 December 2007) pursuant to which the Company agreed to issue and the Investors agreed to subscribe for the RMB denominated, interest bearing, registered notes with an aggregate principal amount of the RMB equivalent of US\$500.0 million (the “Original Notes”) to the Investors or their respective nominees. Pursuant to a Deed of Amendment dated 31 July 2009, the Original Notes were restructured on 17 August 2009, resulting in (i) the change of denomination of the Original Notes from RMB to US\$; (ii) the payment of outstanding cash interest and partial redemption in the aggregate amount of approximately US\$220.0 million, and (iii) the issuance of the following financial instruments:

- promissory notes with a tenure of 18 months in the aggregate principal amount of US\$325.0 million (the “Promissory Notes”). The Company partially redeemed the Promissory Notes of aggregate principal amount of approximately US\$251.6 million in October and December 2009.

On 1 March 2010, the Group has fully redeemed the outstanding principal amount of the Promissory Notes. Together with the accrued interest, the Group completed the redemption of the Promissory Note by using cash of approximately US\$74,681,000 (approximately RMB509,850,000), resulting in a loss on redemption of Promissory Notes of approximately RMB33,768,000 (note 9).

- convertible notes with a tenure of two years in the aggregate principal amount of US\$165.0 million (the “Convertible Notes”).

On 2 October 2009 when the Company’s shares became listed on the Main Board of the Hong Kong Stock Exchange, the Convertible Notes were converted mandatorily at the initial public offering price of HK\$4.4 per share, resulting in the issue of 290,645,623 ordinary shares of HK\$0.01 each.

The maturities of the Group’s total borrowings at respective balance sheet dates are as follows:

	30 June 2010 (unaudited)	31 December 2009 (audited)
	RMB’000	RMB’000
Within 1 year.....	1,574,682	1,806,860
After 1 and within 2 years.....	6,077,449	3,555,529
After 2 and within 5 years.....	2,539,653	939,606
After 5 years	569,635	545,949
	<u>10,761,419</u>	<u>6,847,944</u>

8 Trade and other payables

	30 June 2010 (unaudited)	31 December 2009 (audited)
	RMB'000	RMB'000
Trade payables (a):	502,822	707,339
Related parties (note 13(b))	—	44,057
Third parties	502,822	663,282
Other payables to third parties	1,278,439	1,076,845
Other taxes payable	63,988	86,990
	<u>1,845,249</u>	<u>1,871,174</u>

(a) The ageing analysis of trade payables at the balance sheet dates is as follows:

	30 June 2010 (unaudited)	31 December 2009 (audited)
	RMB'000	RMB'000
Within 6 months	215,404	611,388
Between 7 — 12 months	219,685	36,734
Over 12 months	67,733	59,217
	<u>502,822</u>	<u>707,339</u>

9 Other losses, net

	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
	RMB'000	RMB'000
Loss on redemption of the Promissory Notes	33,768	—
Exchange losses, net	3,082	13
	<u>36,850</u>	<u>13</u>

10 Finance costs

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Interest expenses:		
- Bank borrowings	291,233	101,964
- Original Notes	—	551,606
- Promissory Notes	24,335	—
- Shanghai Bay Arrangement (note 7(a))	192,910	—
- Others	25,242	—
Total interest expenses	533,720	653,570
Less: interest capitalised in properties under development	(526,080)	(636,604)
	<u>7,640</u>	<u>16,966</u>

11 Income tax expenses

	Six months ended 30 June	
	2010	2009
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current income tax:		
- PRC corporate income tax	193,323	143,867
- PRC land appreciation tax	475,308	105,920
	<u>668,631</u>	<u>249,787</u>
Deferred income tax:		
- Origination and reversal of temporary differences	7,940	167,266
	<u>7,940</u>	<u>167,266</u>
	<u>676,571</u>	<u>417,053</u>

12 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Profit attributable to the equity holders of the Company.....	366,420	849,886
Weighted average number of ordinary shares in issue (thousands) (i)	<u>7,792,646</u>	<u>5,625,000</u>

(i) The newly issued shares of 5,525,000,000 under the capitalisation issue pursuant to a resolution of the Board of Directors on 9 September 2009 are adjusted in the weighted average number of ordinary shares in issue as if the issue had occurred at the beginning of the earliest period reported.

(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. For the six months ended 30 June 2010, the Company only has share options that have dilutive potential ordinary shares. For the six months ended 30 June 2009, there was no potential dilutive share.

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
Earnings (RMB'000)		
Profit attributable to the equity holders of the Company.....	<u>366,420</u>	<u>849,996</u>
Number of shares		
Weighted number of ordinary shares in issue (thousands)	7,792,646	5,625,000
Adjustments for share options (thousands)	<u>30,461</u>	<u>N/A</u>
Weighted average number of ordinary shares for diluted earning per share (thousands)	<u>7,823,107</u>	<u>N/A</u>

13 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. In the opinion of the Board of Directors of the Company, the related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

The following transactions were carried out with related parties:

(a) Purchase of services

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Purchase of construction services:		
- Shanghai Ditong Construction (Group) Co., Ltd. ("Shanghai Ditong"), a company controlled by close family member of the director of the Company.....	<u>352,320</u>	<u>352,018</u>
Purchase of property design services from an associated company.....	<u>10,762</u>	<u>4,622</u>
Purchase of consultancy services from a related company.....	<u>1,667</u>	<u>1,667</u>
Commission fees paid/payable to related companies.....	<u>—</u>	<u>6,104</u>

13 Related party transactions (Continued)

(b) Balances with related parties

As at 30 June 2010 and 31 December 2009, the Group had the following significant balances with related parties:

	30 June 2010 (unaudited)	31 December 2009 (audited)
	RMB'000	RMB'000
Balances included in current assets:		
Prepayments of construction costs or purchase of services to related companies.....	1,861,651	1,495,659
— Shanghai Ditong.....	1,861,651	1,493,992
— Other related companies	—	1,667
Prepayment to Jiangsu Rongsheng for acquisition (d)	1,799,200	—
	<u>3,660,851</u>	<u>1,495,659</u>
Balances included in current liabilities:		
Trading balances included in "Trade payables"		
— Shanghai Ditong.....	—	18,839
— Other related companies	—	25,218
	<u>—</u>	<u>44,057</u>

As at 30 June 2010 and 31 December 2009, all balances with related parties are unsecured, interest-free and repayable on demand.

(c) Key management compensation

	Six months ended 30 June	
	2010 (unaudited)	2009 (unaudited)
	RMB'000	RMB'000
Salaries and other short-term employee benefits	14,891	3,880
Share-based compensation	35,750	—
	<u>50,641</u>	<u>3,880</u>

13 Related party transactions *(Continued)*

(d) Other related party transactions

On 20 November 2009, the Group entered into an acquisition agreement with Jiangsu Rongsheng Shipbuilding Co. Ltd. (“Jiangsu Rongsheng”), a company in which Mr. Zhang Zhi Rong, the chairman and the indirect controlling shareholder of the Company, holds a controlling stake, to acquire 100% of the equity interest in one or more subsidiaries of Jiangsu Rongsheng that are expected to acquire the land use rights for two parcels of land located in Xuhui District, Shanghai, for a total consideration of RMB2.0 billion. In accordance with the terms of the acquisition agreement, the Group has paid RMB1.8 billion as prepayment for the acquisition. On 20 May 2010, the Group and Jiangsu Rongsheng executed a consent letter whereby it was mutually agreed that the date by which the conditions precedent for the acquisition of the subsidiaries of Jiangsu Rongsheng must be fulfilled would be extended for a further three months from the date of such consent letter.

On 16 July 2010, the Group and Jiangsu Rongsheng further entered into a supplemental agreement (the “Supplemental Agreement”) to amend the terms of the acquisition agreement whereby the Group and Jiangsu Rongsheng would proceed to complete the necessary registrations and filings with the relevant government authorities for the transfer of the 100% equity interest of the two directly wholly-owned subsidiaries of Jiangsu Rongsheng to the Group before these two companies obtain the valid land use right certificates for the two parcels of land located in Xuhui District, Shanghai.

14 Financial guarantees

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 one to two years upon the completion of guarantee registration; or (ii) the full repayment 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. As at 30 June 2010, the amount of outstanding guarantees for mortgages were approximately RMB3,790,068,000 (31 December 2009: RMB2,749,849,000). The maximum credit risk exposure at the balance sheet date is the amount of outstanding guarantees.

The Board of Directors considers that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantees measured at fair value is immaterial.

15 Commitments for property development expenditures

As at 30 June 2010, the Group had a total commitment of RMB6,649.5 million (31 December 2009: RMB5,387.0 million) in respect of its property development expenditures.

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