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花样年
FANTASIA

Fantasia Holdings Group Co., Limited

花樣年控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01777)

PROPOSED ISSUE OF SENIOR NOTES

The Company proposes to conduct an international offering of guaranteed senior notes and will commence a series of roadshow presentations beginning on or around April 29, 2010 to institutional investors in Asia, Europe and the United States. In connection with the offering, the Company will provide certain institutional investors with recent corporate and financial information regarding the Group, including updated risk factors, a description of the Company's business and property projects, management's discussion and analysis, recent developments, related party transactions and indebtedness information, some of which information has not previously been made public since the initial public offering of the Company on November 25, 2009. An extract of such recent information is attached to this announcement, and can also be viewed at the Company's website *www.cnfantasia.com* at approximately the same time when such information is released to the institutional investors.

The completion of the Proposed Notes Issue is subject to market conditions and investor interest. Citigroup Global Markets Inc., Merrill Lynch International and UBS AG as the joint lead managers and joint bookrunners, are managing the Proposed Notes Issue. The Company intends to use the proceeds of the Notes to fund existing and new property projects (including construction costs and land premium) and for general corporate purposes. The Company may adjust its acquisition and development plans in response to changing market conditions and thus, reallocate the use of proceeds.

The Company intends to seek a listing and quotation of the Notes on the SGX-ST. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Company or the Notes. No listing of the Notes has been sought in Hong Kong.

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialise. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Notes Issue will be made by the Company should the Purchase Agreement be signed.

THE PROPOSED NOTES ISSUE

Introduction

The Company proposes to conduct an international offering of guaranteed senior notes and will commence a series of roadshow presentations beginning on April 29, 2010 to institutional investors in Asia, Europe and the United States. In connection with the offering, the Company will provide certain institutional investors with recent corporate and financial information regarding the Group, including updated risk factors, a description of the Company's business and property projects, management's discussion and analysis, recent developments, related party transactions and indebtedness information, some of which information has not previously been made public since the initial public offering of the Company on November 25, 2009. An extract of such recent information is attached to this announcement, and can also be viewed at the Company's website *www.cnfantasia.com* at approximately the same time when such information is released to the institutional investors.

The completion of the Proposed Notes Issue is subject to market conditions and investor interest. Citigroup Global Markets Inc., Merrill Lynch International and UBS AG as the joint lead managers and joint bookrunners, are managing the Proposed Notes Issue.

The Notes will only be offered (i) in the United States, to qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, and (ii) outside the United States, in compliance with Regulations S under the Securities Act. None of the Notes will be offered to the public in Hong Kong and none of the Notes will be placed with any connected persons of the Company.

Reasons for the Proposed Notes Issue

The Group is a leading property developer and property related service provider in China. The Group is the only property company in China with members of the Group being ranked among the 2009 China Top 100 Real Estate Developers (2009 中國房地產百強企業), the 2009 China Top 100 Real Estate Agencies (2009 中國房地產策劃代理百強企業), and the 2009 China Top 100 Property Management Companies (2009 中國物業服務百強企業) by the China Real Estate Top 10 Research Team. In 2010, the Group was also ranked among the 2010 China Top 100 Real Estate Developers (2010 中國房地產百強企業) and the 2010 China Top 100 Real Estate Agencies (2010 中國房地產策劃代理百強企業). The Group first commenced its property development business in Shenzhen in 1996. Leveraging on the broad experience and capabilities, the Group has successfully expanded into, and currently focuses its real estate activities on, four of the fastest-growing economic regions in China, including the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region. The Group plans to continue to concentrate on these regions and intends to acquire more low-cost land in each of these regions by adhering to the disciplined approach of the Group. The Group also intends to continue to capitalize on its extensive experience and market knowledge gained from the property agency services business to selectively identify and acquire land for development.

The Notes Issue is being undertaken to fund existing and new property projects (including construction costs and land premium) and for general corporate purposes. The Company may adjust its acquisition and development plans in response to changing market conditions and thus, reallocate the use of proceeds.

Listing

The Company intends to seek a listing of the Notes on the SGX-ST. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Company or the Notes. No listing of the Notes has been sought in Hong Kong.

GENERAL

As no binding agreement in relation to the Proposed Notes Issue has been entered into as at the date of this announcement, the Proposed Notes Issue may or may not materialise. Investors and shareholders of the Company are urged to exercise caution when dealing in the securities of the Company.

Further announcement in respect of the Proposed Notes Issue will be made by the Company should the Purchase Agreement be signed.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Board"	the board of Directors
"Company"	Fantasia Holdings Group Co., Limited, a company incorporated in the Cayman Islands, the securities of which are listed on the main board of the Stock Exchange
"connected person"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Notes"	the guaranteed senior notes to be issued by the Company
"PRC"	the People's Republic of China
"Proposed Notes Issue"	the proposed issue of the Notes by the Company
"Purchase Agreement"	the agreement proposed to be entered into between, among others, the Company, Citigroup Global Markets Inc., Merrill Lynch International and UBS AG in relation to the Proposed Notes Issue
"Securities Act"	the United States Securities Act of 1933, as amended
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By order of the Board
Fantasia Holdings Group Co., Limited
Pan Jun
Chairman

Hong Kong, April 28, 2010

As at the date of this announcement, the executive Directors are Mr. Pan Jun, Ms. Zeng Jie, Mr. Feng Hui Ming and Mr. Chan Sze Hon; the independent non-executive Directors are Mr. Ho Man, Mr. Liao Martin Cheung Kong, JP, Mr. Huang Ming and Mr. Xu Quan.

Extract of Operating and Financial Data of Fantasia Holdings Group Co., Limited (As of April 28, 2010)

Risks Relating to Our Business

We rely heavily on the strong performance of the property market in China, particularly in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region

Our growth in the past has benefited from the strong demand for properties in China, particularly in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region, where a majority of our past and current property development projects are located. As we intend to continue to focus our efforts in these four regions, we will continue to depend in the near future on the continuous growth and performance of the property market in such regions. Market demand for residential and commercial properties and office spaces could be affected by various factors, including the general economic environment and any macro-economic control measures implemented by the PRC government, many of which are beyond our control. We cannot assure you that such demand will continue to grow or remain at previous levels in the future, especially in light of the current global financial and economic crisis. See "— We may be adversely affected by the slowdown of China's economy caused by the recent global financial and economic crisis." Any adverse developments in the supply and demand of properties or in property prices in China, particularly in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region, could have a material adverse effect on our business, financial condition and results of operations.

Increasing competition in the PRC, particularly in the Chengdu-Chongqing and Pearl River Delta regions, may adversely affect our business and financial condition

Sales in the Chengdu-Chongqing and Pearl River Delta regions accounted for approximately 52.3% and 36.7% of our total contracted sales in 2009. In recent years, an increasing number of property developers have begun property development in Chengdu-Chongqing and Pearl River Delta regions and elsewhere in the PRC. These include overseas property developers (including a number of leading Hong Kong property developers), and developers from other parts of the PRC, some of which may have better track records and greater financial and other resources than us. The intensity of the competition between property developers for land, financing, raw materials and skilled management and labor resources, in regions or cities where we operate, in particular, in the Chengdu-Chongqing and Pearl River Delta regions, may result in increased costs for the acquisition of land for development, an oversupply of properties in certain parts of the PRC, including the Chengdu-Chongqing and Pearl River Delta regions, a decrease in property prices and a slowdown in the rate at which new property developments will be approved and/or reviewed by the relevant government authorities, any of which may adversely affect our business and financial position. In addition, the property market in the Chengdu-Chongqing and Pearl River Delta regions and elsewhere in the PRC is rapidly changing. If we cannot respond to changes in market conditions more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

We may not have adequate capital resources to fund our land acquisitions and property developments

Property development is capital intensive. We principally fund our property developments from a combination of internal funds, borrowings from banks, proceeds from sales and pre-sales of our properties, capital contributions from shareholders and proceeds from issuance of equity securities, such as our IPO in November 2009. Our ability to secure sufficient financing for land acquisition and property development depends on a number of factors that are beyond our control, including market conditions in debt and equity capital markets, investors'perception of our securities, lenders' perception of our creditworthiness, the PRC economy and the PRC regulations that affect the availability and finance costs for real estate companies.

Various PRC regulations restrict our ability to raise capital through external financing and other methods, including without limitation, the following:

- we cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;
- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the purchase of land use rights;
- we cannot borrow from a PRC bank for a particular project unless we fund at least 20% of the estimated total capital required for that project from our own capital;
- we cannot borrow from a PRC bank for a particular project unless we obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit for that project;
- PRC banks are restricted from granting loans for the development of luxury residential properties;
- property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located; and
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans.

In addition, the People's Bank of China (the "PBOC") increased the reserve requirement ratio for commercial banks several times prior to June 25, 2008, from 7.5% as of July 5, 2006 to 17.5%. From June 2008 to December 2008, the PBOC decreased the reserve requirement ratio for commercial banks four times, from 17.5% to 14.5%. As of February 25, 2010, the reserve requirement ratio was 16.5%. Changes in the reserve requirement ratio affect the amount of funds that banks must hold in reserve against deposits made by their customers. Any future increase in such reserve requirement ratio will reduce the amount of commercial bank credit available to businesses in China, including us. In November 2009, the PRC government raised the minimum down payment for land premiums to 50% and now requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. Such change of policy may constrain our cash otherwise available for additional land acquisition and construction.

The PRC government may introduce other measures that limit our access to additional capital. For example, in November 2007, China Banking Regulatory Commission (the "CBRC") provided policy guidelines to the PRC banks and Chinese subsidiaries of foreign banks that loans outstanding as of December 31, 2007 should not exceed the level of outstanding loans as of October 31, 2007. This lending freeze may limit our ability to access additional loans or to rollover existing loans as they mature, and may also prevent or delay potential customers' ability to secure mortgage loans to purchase residential properties. In addition, on July 10, 2007, the General Department of the State Administration of Foreign Exchange (the "SAFE") issued the Circular on Distribution of List of the First Group of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce (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) which restricts a foreign invested property developer's ability to raise capital through foreign debt, if such developer is established after June 1, 2007 or increases its registered capital after June 1, 2007.

We cannot assure you that we will be able to renew our current credit facilities or obtain sufficient funding to finance intended purchases of land use rights, develop future projects or meet other capital needs as and when required at a commercially reasonable cost or at all. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to commence new projects or to continue the development of existing projects. Such failure may also increase our finance costs.

We may be adversely affected by the slowdown of China's economy caused by the recent global financial and economic crisis

Since early 2008, there has been a significant deterioration in the U.S. and global economy, which may worsen or be prolonged. In addition, liquidity has contracted significantly. China's economy has experienced a similar economic slowdown. The slowdown in economic activities in China has affected and may continue to affect consumer and business spending generally, which may result in decreased demand for real estate properties or services. As a result of this slowdown in economic activities in China, certain of our projects that were scheduled to begin pre-sale in 2008 were delayed until 2009 or 2010, and the expected average selling price of our properties were also adjusted downward in response to the economic slowdown. The PRC government has announced in November 2008 an economic stimulus package in the amount of RMB4.0 trillion and adopted other macroeconomic measures and monetary policies. While the PRC government and governments around the world have taken remedial actions to address the economic slowdown and financial market crisis, there can be no assurance that these actions will be effective. It is difficult to determine the continued impact of the global economic slowdown and financial crisis on the property industry in China due to its unprecedented nature. Although global economic conditions have improved, there is no assurance that such improved conditions can be sustained. If the global economic slowdown and financial market crisis continue or become more severe than currently anticipated, our business prospects, revenues, cash flows and financial condition could be materially and adversely affected.

Our business may be adversely affected by changes in interest rates

We rely on borrowings to finance a substantial part of our project developments. Currently, our borrowings primarily consist of loans from commercial banks in China. Many of our customers also need to finance their purchase of our properties through mortgage loans. Interest rates in the PRC have decreased several times recently. In 2008, the PBOC lowered the benchmark one-year lending rate five times from 7.47% in January to 5.31% in December in response to the current global financial and economic crisis. We cannot assure you that the PBOC will further decrease the benchmark one-year lending rate or that the interest rates at which financing will be available to us or our customers will continue to decrease in the future. In addition, we cannot predict if and when interest rate in the PRC may begin to increase. Any increase in the interest rates will increase our finance costs and also increase the costs of our customers to purchase our properties with mortgages and therefore adversely affect our business, financial conditions and results of operation. See "— The terms on which mortgages are available, if at all, may affect our sales."

We may not always be able to obtain land sites that are suitable for property development within our budget

We derive a significant portion of our revenue from sales of properties that we have developed. This revenue stream depends on the completion of, and our ability to sell, our properties. To maintain or grow our business in the future we will need to replenish our land reserves with suitable development sites. Our ability to identify and acquire suitable land sites is subject to a number of factors, some of which are beyond our control. Our business, financial condition and results of operations may be materially and adversely affected if we are unable to obtain land sites for development at prices that allow us to achieve reasonable returns upon the sale of developed properties to our customers.

The PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. As a result, the policies of the PRC government towards land supply may adversely affect our ability to acquire land use rights for sites we seek to develop and could increase the costs of any acquisition. The PRC central and local governments may regulate the means by which property developers, including us, obtain land sites for property developments. In recent years, the PRC government has promulgated policies that restrict banks from granting loans to finance the construction of luxury residential properties and limit or prohibit the supply of land available for projects such as villa-style developments, low density housing developments and golf courses. Although we will continue to seek suitable development opportunities, the current or future regulatory climate may restrict our ability to engage in such developments in the future. See also "— Risks Relating to Our Industry — PRC government policies, regulations and measures intended to curtail the overheating of the property market may adversely affect our business."

We have entered into several preliminary framework agreements for potential new property development projects which are subject to significant risks and uncertainties

As of March 31, 2010, we had entered into preliminary framework agreements for four potential new projects with a total site area of approximately 2,054,400 square meters and an aggregate planned GFA of approximately 5,025,117 square meters with third parties or with local governments in which the projects are located. There are significant risks with respect to these potential new projects as further agreements are required to be entered into in order for us to obtain the respective land use rights for the land parcels specified in the preliminary framework agreements. In addition, in order to obtain the land use rights for two of these potential new projects (Pixian Project and Yunnan Project), we will be required to go through public tender, auction or listing-for-sale processes in accordance with the relevant PRC regulations. We may not be able to successfully obtain the land use rights for the lands specified in the preliminary framework agreements through such processes or obtain the land use rights that can be used for the same purpose as those indicated in the preliminary framework agreements. If we fail to obtain the land use rights certificates for these parcels of land or other parcels of land in which we may acquire an interest in the future, we will not be able to develop and sell properties on such land. We may not be able to acquire replacement parcels of land on terms acceptable to us, or at all, which could have a material adverse effect on our future prospects, business, financial condition and results of operations.

Further, we may not be able to enter into future agreements to obtain the land parcels due to reasons that are beyond our control. Changes in the PRC regulatory environment or policies or changes in the general economic environment or property market in China may result in the other parties' unwillingness or inability to implement the transactions contemplated under the preliminary framework agreements, or result in changes to the general understanding of the preliminary framework agreements that may be adverse to us, including changes in the price of the land use rights to the specified land parcels. The preliminary framework agreements may not be considered as enforceable by the relevant PRC courts for the purpose of entering into future agreements to obtain the relevant land parcels. If we cannot obtain the relevant land parcels contemplated under the preliminary framework agreements in accordance with the understanding of the preliminary framework agreements or at all, our business and future prospects could be materially and adversely affected.

We face uncertainties when obtaining land sites through the acquisition of project companies

As of the date of this document, in addition to increasing our land bank through public tender, auction and listing-for-sale, we have obtained land sites for nine of our projects through acquisition of project companies that held the land use rights. We may continue to obtain land sites through such acquisitions in the future. We cannot assure you that we have discovered, or will be able to discover, all existing or potential liabilities of the target project companies. In addition, the government may change the permitted use of the land sites to which such project companies own the land use rights after our acquisitions, rendering the land sites unsuitable for our property development purposes. If any of the undiscovered existing or potential liabilities of the acquired project companies are found to be material, or if we are unable to develop properties on the land sites to which the acquired project companies have the land use rights, our business, financial conditions and results of operations may be materially and adversely affected. In addition, we may acquire such project companies for an amount that is less than their fair market value, resulting in gains recognized on our consolidated statements of comprehensive income. However, such gains do not give rise to any change to our cash position and therefore we may experience constraints on our liquidity even though our profitability increased.

Our results of operations may be materially and adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for our property developments

The property industry in the PRC is heavily regulated by the PRC government. Property developers in China must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, at various stages of the property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities including a land use rights certificate, a construction land planning permit, a construction works planning permit, a construction works commencement permit and a pre-sale permit or confirmation of completion and acceptance. Each approval may depend on the satisfaction of certain conditions. See "Regulation — Development of a Property Project." We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the property industry in general or the particular processes with respect to regulatory approvals. There may also be delays on the part of the relevant regulatory bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the completion of our developments and sale of our properties could be substantially disrupted or delayed and any such disruption or delay would materially and adversely affect our business, results of operations and financial condition. Furthermore, the relevant regulatory bodies may not approve the development plans for our projects and we may need to amend such development plans to obtain the necessary permits. Amendment to our development plans may have a material and adverse effect on our business and results of operations.

We face intense competition with respect to our property development, property operation services, property agency services and hotel services businesses

The property industry in the PRC is highly competitive and we face competition as to our property development business from major domestic developers and, to a lesser extent, foreign developers primarily from other countries or regions in Asia, including several leading developers from Hong Kong. Competition among property developers may increase the costs for land acquisitions and raw materials and administrative costs for hiring or retaining qualified personnel, result in shortages of skilled contractors and oversupply of properties, decrease property prices in certain parts of the PRC, and slowdown the rate at which new property developments will be approved and/or reviewed by the relevant government authorities, any of which may adversely affect our business and financial condition. In addition, the PRC government's recent measures designed to reduce land supply further increased competition for land among property developers. Certain of our competitors are well capitalized and have greater financial, marketing and other resources than we have. Some also have larger land banks, greater economies of scale, better brand recognition, longer track record and more established relationships with contractors, suppliers and customers in certain markets. Such property developers may be able to respond to changes in market conditions more promptly and effectively than we can, or may be more competitive in acquiring land through auction or other processes. If we are unable to maintain a competitive position with respect to the acquisition of land, adapt to changing market conditions or otherwise compete successfully with our competitors, our prospects, business, financial condition and results of operations may be materially and adversely affected.

In addition, we face intense competition as to our property operation services business, property agency services business and hotel services business at the national, regional and local levels. Competition in such businesses is based on quality of services, brand name recognition, geographic coverage, commission rates and range of services. Unlike property development business, such businesses have a low entry barrier and do not require significant capital commitments. This low entry barrier allows new competitors to enter into the market with relative ease. New and existing competitors may offer competitive rates, greater convenience or superior services, which could attract our customers away from us. Competition among companies providing such services may cause a decrease in commission rates and higher costs to attract or retain talented employees. Furthermore, our relative competitive position varies significantly by service type and geographic area. Certain of our competitors may be smaller than us but may be more established and have greater market presence and brand name recognition on a local or regional basis, while certain competitors are large national and international firms that may have more financial or other resources than us. If we fail to compete effectively, our property operation services business, property agency services business and hotel services business may suffer and our results of operations may be materially and adversely affected. For our property agency services, in addition to competition from traditional property agency service providers, the advent of the internet has introduced new ways of providing property services, as well as new entrants and competitors in our industry. If our property agency business is not successful in developing strategies to address such challenges and to capture the business opportunities presented by technological changes and the emergence of e-business, our property agency business and our results of operations could be materially and adversely affected.

The terms on which mortgages are available, if at all, may affect our sales

Most of our purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unattractive or unavailable to potential property purchasers.

The CBRC issued a regulation on September 2, 2004 to limit mortgage loans on properties to no more than 80% of the sale price of the underlying properties. On March 17, 2005, the PBOC set forth the minimum interest rate for property mortgage loans to 0.9 times the corresponding benchmark lending rates, resulting in an increase in the minimum interest rate for mortgages. In May 2006, the PRC government increased the minimum amount of down payment to 30% of the purchase price for properties with a GFA of more than 90 square meters. In September 2007, the minimum down payment for any purchase of second or subsequent residential property was increased to 40% of the purchase price if the purchaser had obtained a bank loan to finance the purchase of his or her first property. Moreover, the interest rate for bank loans for such purchases shall not be less than 110% of the PBOC benchmark lending rate of the same term and category. For further purchases of properties, there would be upward adjustments on the minimum down payment and interest rate for any bank loan. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. In December 2007, the PBOC and CBRC issued another notice to clarify that, in determining the applicability of the relevant restrictions, the number of mortgage loans deemed to have been borrowed by a borrower shall include mortgage loans borrowed by any member of his or her family. In October 2008, in response to the global financial and economic crisis, the PBOC decreased the minimum amount of down payment for residential property purchases to 20% and reduced the minimum interest rate for mortgage loans for such purchases to 70% of the benchmark lending rate. However, despite such decrease in lending requirements, certain PRC banks have implemented their own internal restrictive conditions which limited the number of borrowers that can take advantage of the reduced requirements as announced by the PBOC. On April 17, 2010, the State Council issued a notice to raise 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, pursuant to such notice, interest rate for mortgage loans of second homes cannot be lower than 110% of PBOC benchmark lending rate. See "Regulation — Mortgages of Property." In the event that mortgage loans for property purchases becomes more difficult to obtain or that the costs of such financing increases, many of our prospective customers who rely on such financing may not be able to purchase our properties, which in turn will materially and adversely affect our business, financial condition and results of operations.

In line with industry practice, we provide guarantees to banks for mortgage loans they offer to purchasers of our properties. 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 other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales. Such difficulties in financing could result in a substantially lower rate of pre-sales of our properties, which could adversely affect our business, financial condition and results of operations. We are not aware of any impending changes in laws, regulations, policies or practices which will prohibit such practice in the PRC. However, we cannot assure you that such changes in laws, regulations, policies or practices will not occur in the future.

Changes in laws and regulations in relation to pre-sale of properties may adversely affect our business, financial condition and results of operations

Proceeds from the pre-sales of our properties are an important source of funds for the respective property developments and have an impact on our cash flow and liquidity position. On August 5, 2005, the PBOC proposed in a report entitled "2004 Real Estate Financing Report (2004中國房地產金融報告)" that the practice of pre-selling uncompleted properties be discontinued, on the grounds that such practice creates significant market risks and generates transactional irregularities. While such proposal has not been adopted by any PRC government authorities and has no mandatory effect, we cannot assure you that the PRC government will not ban or impose material limitations on presales of uncompleted properties in the future. Future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance the various stages of our property development. This, in turn, could have a material and adverse effect on our business, financial condition and results of operations.

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

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we pre-sell units in a property development and we fail to complete that development, we will be liable to the purchasers for their losses. If we fail to complete a pre-sold property on time, we may be liable to the relevant purchasers for such late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If our delay extends beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for damages. A purchaser may also terminate his or her contract with us if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. We cannot assure you that we will not experience delays in the completion and delivery of our properties, nor that the GFA for a delivered unit will not deviate more than 3% from the GFA set out in the relevant pre-sale contract.

We cannot assure you that services performed by independent contractors will always meet our quality standards and timing requirement or will be available within our budget

We engage independent contractors to provide various services, including but not limited to construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. We generally select independent contractors through an open tender process. We cannot assure you that we will be able to obtain services from independent contractors within our budget or at all, or the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet our quality and safety standards and our timing requirement. If the performance of any independent contractor is not satisfactory or is delayed, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of our projects. Moreover, the completion of our property developments may be delayed, and we may incur additional costs due to a contractor's financial or other difficulties. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

If we are not properly insulated from the rising cost of labor, construction materials or building equipment, our results of operations may be adversely affected

As the result of economic growth and the boom in the property industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have experienced substantial increases in recent years. In addition, the PRC Labor Contract Law (中華人民共和國勞動合同法) that came into effect on January 1, 2008 enhanced the protection for employees and increased employers' liability which may further increase our labor costs. Under the terms of most of our construction contracts, the construction contractors are responsible for the wages of construction workers and procuring construction materials for our property development and bear the risk of fluctuations in wages and construction material prices during the term of the relevant contract. However, we are exposed to the price volatility of labor and construction materials to the extent that we periodically enter into new or renew existing construction contracts at different terms during the life of a project, which may span over several years, or if we choose to hire the construction workers directly or purchase the construction materials directly from suppliers. We are also exposed to the price volatility of building equipment used in properties developed by us because we usually procure such equipment ourselves. Furthermore, we typically pre-sell our properties prior to their completion and we will be unable to pass the increased costs on to purchasers of our properties if the construction costs increase subsequent to the time of such pre-sale. If we are unable to pass on any increase in the cost of labor, construction materials and building equipment to either our construction contractors or to the purchasers of our properties, our results of operations may be negatively affected.

We may be subject to legal and business risks if we fail to obtain, renew or keep necessary qualification certificates for our property development, property operation services, hotel services, property investment and property agency services businesses

Property developers in the PRC must obtain a qualification certificate in order to engage in property development businesses in the PRC. Property developers in the PRC must also produce a valid qualification certificate when they apply for a pre-sale permit. According to the Provisions on Administration of Qualifications of Property Developers (房地產開發企業資質管理規定), newly established property developers must first apply for a provisional qualification certificate, which is valid for one year and can be renewed for a maximum of two additional years. A property developer is required to obtain a formal qualification certificate before its provisional qualification certificate expires. All formal qualification certificates are subject to verification on an annual basis. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates. See "Regulation -Qualifications of a Property Developer."

As of March 31, 2010, we had 21 project companies that were, or expected to be, engaged in the property development business, of which eight had obtained formal qualification certificates, eight had obtained provisional qualification certificates, and five were in the progress of applying for relevant qualification certificates. Of the 16 project companies that had obtained formal or provisional qualification certificates, four were in the process of applying for the renewal of the relevant qualification certificates. If any of our project companies that are, or expect to be, engaged in property development business is unable to meet the relevant requirements and therefore unable to obtain or renew its provisional qualification certificate, obtain its formal qualification certificate when its provisional qualification certificate expires, or pass the annual verification of its formal qualification certificate, such project company will be given a deadline within which it has to meet these requirements and it will also be subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the deadline could result in the revocation of the qualification certificate and the business license of the relevant project company. We cannot assure you that we will be able to pass the annual verification of the qualification certificates of each of our project companies or that we will be able to renew our provisional qualification certificates or obtain formal qualification certificates in a timely manner, or at all, as and when the provisional qualification certificates expire.

Our PRC subsidiaries engaged in the property operation services (including property management services, building equipment installation, maintenance and repair services and information network services), hotel services and property investment businesses are required to obtain relevant qualification certificates from competent PRC government agencies for the provision of their services and some such qualification certificates are subject to annual verifications. As of March 31, 2010, all of our PRC subsidiaries engaged in the property operation services, hotel services and property investment businesses had obtained or were in the process of obtaining the required qualification certificates. If we are to establish additional subsidiaries to expand our property operation services, hotel services and property investment businesses in the future, those subsidiaries will also need to obtain relevant qualification certificates. We cannot assure you that our PRC subsidiaries engaged in the property operation services, hotel services and property investment businesses will be able to pass the annual verification of their qualification certificates or that we will be able obtain new qualification certificates for our subsidiaries that may engage in the property operation services, hotel services and property investment businesses in the future.

We are also subject to numerous national, regional and local laws and regulations specific to the property agency services performed by our subsidiary, Shenzhen Xingyan Property Consultancy Co., Ltd. ("Xingyan Property Consultancy"). If we fail to properly file records or to obtain or maintain the licenses and permits for conducting property agency services, Xingyan Property Consultancy may be ordered to cease conducting the relevant real estate services and be subject to warning, fines and revocation of its licenses. As the size and scope of real estate transactions have increased significantly during the past several years, both the difficulty of ensuring compliance with the multiple levels of licensing regimes and the possible loss resulting from non-compliance have increased. In addition, the PRC government amended the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) in December 2007 and included property agency services into the category of businesses that are restricted for foreign investments. Although the current scope of our business operations is in full compliance with such catalogue, this revision would subject us to approvals of higher-level governmental authorities and heightened scrutiny if we want to expand our property agency business by acquiring other property agency companies, establishing new subsidiaries to provide property agency services or increasing our investment in Xingyan Property Consultancy. We cannot assure you that we will be able to obtain such approvals when we want to expand our property agency business. See the section entitled "Regulation."

If our PRC subsidiaries engaged in the property operation services, hotel services and property investment and property agency services businesses are unable to obtain, renew or keep their qualification certificates, they may not be permitted to continue their business, which could materially and adversely affect our business, financial condition, results of operations and reputation.

We may not be able to complete our property development projects on time or within our budget or at all

Property development projects require substantial capital expenditures prior to and during the construction period and the construction of a property project may take longer than a year before it generates positive cash flows through pre-sales, sales or leases. The progress and costs for a property development project can be adversely affected by many factors, including, without limitation:

- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation of existing residents and/or demolishment of existing structures;
- unforeseen engineering, design, environmental or geographic problems;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- natural catastrophes;

- adverse weather conditions;
- discovery of artifacts in the construction site; and
- changes in government policies.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule or budget as a result of the above factors may affect our financial condition and results of operations and may also cause damage to our reputation. In addition, if a pre-sold property development is not completed on time, the purchaser may be entitled to damages for late delivery. We cannot assure you that we will not experience any significant delays in completion or delivery or that we will not be subject to any liabilities for any such delays. If the delay extends beyond the contractually specified period, the purchaser would be entitled to terminate the purchase contract and claim damages. Therefore, any delay in completion of our property developments could have a material adverse impact on our business, financial condition and results of operations.

We may not be successful in expanding our business into new geographical regions or cities

Historically, our revenues were mainly derived from our property development projects and the provision of various property services in the Pearl River Delta region and Chengdu-Chongqing Economic Zone. Since 2008, we have significantly expanded our business into markets such as Tianjin in the Beijing-Tianjin metropolitan region and Yixing in the Yangtze River Delta region. We may expand into additional cities in these regions or expand into new regions in the future. Such new regions or cities may differ from our existing markets in terms of the level of economic development, demography, topography, property trends and regulatory practices. Therefore, we may not be able to replicate our successful business model in our existing markets to these other regions or cities. In addition, as we enter into new markets, we may not have the same level of familiarity with contractors, business practices and customs and customer tastes, behavior and preferences. Therefore, we may not be able to successfully leverage our existing experience to expand our property development, property operation services business, property agency services business and hotel services business into these other markets. We may also face intense competition from other developers, other companies that provide property operation services and other property agency companies with more established experience or presence in those markets.

We may expand our business into new segments of the property industry which may not be successful

We may expand our business into new segments of the property industry in the PRC as well as continue to expand the property services businesses that we currently operate. While we have accumulated experience in property development and in providing property operation services and property agency services, we cannot assure you that we will be able to leverage such experiences and replicate our historical success when entering into new businesses. For example, we entered into the hotel services business in December 2008, in which we have limited experience. Although we currently do not have any plans to enter into other new segments of the real estate industry, we may do so in the future. The expansion of our existing property services businesses and the expansion into new businesses may require a significant amount of capital investment and involve various risks and uncertainties including the risk of operating in a new environment, the difficulties of integrating new businesses into our existing businesses and the diversion of resources and attention of our management. Any failure to address these risks and uncertainties may adversely affect our business, financial condition and results of operations.

We may not be able to successfully manage our growth

We have been rapidly expanding our operations in recent years. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. We will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

The illiquid nature and the lack of alternative uses of investment properties could limit our ability to respond to adverse changes in the performance of our properties

Investment properties are relatively illiquid compared to other types of investments such as publicly traded equity securities. As a result, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by many factors that are beyond our control, including general economic conditions, the availability of mortgage financing and interest rates, and we cannot accurately determine the market price of our investment properties nor are we able to predict whether we will be able to sell any of our investment properties at the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. In addition, investment properties may not be readily convertible for alternative uses without substantial capital expenditure if the original function of such investment property became unprofitable due to competition, age, decreased demand or other factors. Similarly, for certain investment properties to be sold, substantial capital expenditure may be required to correct defects or make improvements to the property due to factors such as change in building regulations or as a result of age, compounding the effort and time required. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties could materially and adversely affect our business, financial condition and results of operations.

Property owners may terminate our engagement as the provider of property management services

We provide property management services through our subsidiary Shenzhen Xingyan Property Management Co., Ltd. ("Shenzhen Fantasia Management") to our own developed projects and the projects of other developers. We believe that property management is an integral part of our business and critical to the successful marketing and promotion of our property developments as well as an important source of revenue. Under the PRC laws and regulations, owners of the same residential community of certain scale have the right to change the property management service provider upon the consent from a certain percentage of the owners of such community. If owners of the properties that we manage choose to terminate our property management services, or property buyers dislike our property management services, our reputation and results of operations could be materially and adversely affected.

Any failure to protect our brand and trademarks could have a negative impact on our business

We believe our brands and trademarks are critical to our success. Any unauthorized use of our brands, trademarks and other intellectual property rights could harm our competitive advantages and business. Historically, China has not protected intellectual property rights to the same extent as certain other countries, and infringement of intellectual property rights continues to pose a serious risk of doingbusiness in China. Monitoring and preventing unauthorized use is difficult. The measures we take to protect our intellectual property rights may not be adequate. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving. If we are unable to adequately protect our brand, trademarks and other intellectual property rights, we may lose these rights and our business may suffer materially.

If the value of our brand or image diminishes, our business and results of operations may be materially and adversely affected

Our brands and images play an integral role in all of our business operations. Our continued success in maintaining and enhancing our brands and images depends to a large extent on our ability to satisfy customer needs by further maintaining and improving our product quality or quality of services across our operations, as well as our ability to respond to competitive pressures. If we are unable to satisfy customer needs or if our public image or reputation were otherwise diminished, our business transactions with our customers may decline which could in turn adversely affect our results of operations.

In addition, as we provide property operation services and property agency services to third party developers, our brand and images may be adversely affected as a result of significant quality defects in the properties developed by third party developers or negative publicity or other problems related to third party developers. The ability of our subsidiary to successfully sell or manage the properties of such third party developers may be materially and adversely affected, which may in turn adversely affect our long-term ability to attract purchasers for the properties we are contracted to sell, including those properties developed by us, or to attract management opportunities in respect of the properties developed by third party developers.

Our indebtedness could have an adverse effect on our financial condition, diminish our ability to raise additional capital to fund our operations and limit our ability to explore business opportunities

We maintain a certain level of indebtedness to finance our operations. As of March 31, 2010, the outstanding balance of our total debt (including aggregate outstanding borrowings and amounts due to related parties) amounted to RMB3,994.0 million (US$585.1 million). Our indebtedness described above could have an adverse effect on us, such as:

- requiring us to dedicate a large portion of our cash flow from operations to fund repayments on our debt, thereby reducing the availability of our cash flow to expand our business;
- increasing our vulnerability to adverse general economic or industry conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- limiting our ability to raise additional debt or equity capital in the future or increasing the cost of such funding;
- restricting us from making strategic acquisitions or exploring potential business opportunities; and
- making it more difficult for us to satisfy our obligations with respect to our debt.

We have incurred and will continue to incur a significant amount of finance costs in relation to our indebtedness. A significant portion of our finance costs are capitalized rather than being expensed at the time it is incurred to the extent such costs are directly attributable to the acquisition and construction of a project or a projected phase. The capitalized finance cost under completed properties for sale was approximately RMB29,000, RMB22.4 million and RMB6.5 million (US$1.0 million) as of December 31, 2007, 2008 and 2009, respectively. The capitalized finance cost for properties for sale — under development was approximately RMB8.3 million, RMB29.7 million and RMB151.6 million (US$22.2 million) as of December 31, 2007, 2008 and 2009, respectively. Our capitalized finance cost included in our cost of sales in 2007, 2008 and 2009 was RMB5.5 million, RMB13.5 million and RMB24.7 million (US$3.6 million), respectively.

In addition, as our indebtedness will require us to maintain an adequate level of cash flow from operations to satisfy our debt obligations as they become due, any decrease in our cash flow from operations in the future may have a material and adverse effect on our financial condition.

We guarantee mortgage loans provided to our purchasers and may be liable to the mortgagee banks if our purchasers default on their mortgage loans

We arrange for various domestic banks to provide mortgage loans to the purchasers of our properties. According to market practice, domestic banks require us to guarantee these mortgage loans until the relevant property ownership certificates are issued, which generally takes place within one to two years after we deliver possession of the relevant property to the purchasers, or until the loans are fully repaid, at which time such guarantees are released. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the mortgagee banks. As of December 31, 2007, 2008 and 2009, our outstanding guarantees on the mortgage loans of our purchasers amounted to RMB661.2 million, RMB719.3 million, RMB1,626.3 million (US$238.3 million), respectively, which were approximately 15.7%, 14.5%, and 14.2%, respectively, of our total assets, respectively. The default rate on the mortgage loans provided to the purchasers of our properties against the total guarantees we provided in connection with such mortgage loans was approximately 0.02% during the three year period ended December 31, 2009. In the same period, we incurred a total loss of approximately RMB0.5 million on our guarantees of mortgage loans due to default on the underlying mortgage loans by certain purchasers of our properties. If a purchaser defaults under the mortgage loan and the mortgagee bank calls on our relevant guarantee after it deals with the relevant property through a default auction, we are required to repay the outstanding amount owed by the purchaser to the mortgagee bank under the mortgage loan, the mortgagee bank will assign its rights under the loan and the mortgage to us and we have full recourse to the property. Our business, results of operations and financial condition could be materially and adversely affected to the extent that there is a material depreciation in the value of the mortgaged properties or if we are unable to re-sell such properties due to unfavorable market conditions or other reasons.

Our results of operations may fluctuate from period to period

Our results of operations tend to fluctuate from period to period. The number of properties that we can develop or complete during any particular period may be limited due to the substantial capital required for land acquisition and construction, as well as the lengthy development periods required before positive cash flows may be generated. In addition, several properties that we have developed or that are under development are large scale and are developed in multiple phases over the course of one to several years. The selling prices of the residential units in larger scale property developments tend to change over time, which may impact our sales proceeds and, accordingly, our revenues for any given period.

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

We carry out some of our business through joint ventures or in collaboration with other third parties. Such joint venture arrangements or collaboration involve a number of risks, including:

- disputes with our partners in connection with the performance of their obligations under the relevant project, joint venture or cooperative property development agreements;
- disputes as to the scope of each party's responsibilities under these arrangements;
- financial difficulties encountered by our partners affecting their ability to perform their obligations under the relevant project, joint venture or cooperative property development agreements with us; or
- conflicts between the policies or objectives adopted by our partners and those adopted by us.

Any of these and other factors may materially and adversely affect our business.

We may be required to forfeit land to the PRC government for failure to comply with the terms of the land grant contracts

Under the PRC laws and regulations, if a property developer fails to develop land according to the terms of the land grant contract, including those relating to payment of fees, designated use of land and schedule for commencing and completing the developments, the relevant government authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. Specifically, under current PRC laws and regulations, if property developers 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 to the property developers and impose an idle land fee on the land of up to 20% of the land premium. If a property developer fails to commence development for more than two years from the commencement date stipulated in the land grant contract, the land may be subject to forfeiture to the PRC government. Moreover, even if the property developer commences the land development in accordance with the land grant contract, the relevant land will nonetheless be treated as idle land if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract and (ii) the land development has been suspended for over one year without governmental approval. See "Regulation- Development of a Property Project."

During the three years ended December 31, 2009 and up to March 31, 2010, we were not subject to any penalty for late payment of land premiums and were not required to forfeit any land nor have we received any warning from the relevant governmental authorities or paid any penalties as a result of failing to commence development within two years of the relevant land grant contract. While we have complied with all development plans and payment obligations, there have been circumstances where the development of a portion of land for which our Group was granted land use rights was delayed beyond the date stipulated in the relevant land grant contract. As confirmed by relevant government authorities, in each case such delays were caused by force majeure, acts of government or preliminary work that was required to be undertaken prior to the commencement of development. According to relevant PRC laws and regulations, any delay in the commencement of development that can be attributed to any of the above factors will not result in the forfeiture of idle land and land grant deposits, or the imposition of any other penalty. Accordingly, Commerce & Finance Law Offices, our PRC legal counsel, are of the opinion that as of March 31, 2010, no such penalty had been imposed on us in respect of the abovementioned delays. However, we cannot assure you that circumstances leading to forfeiture of land or delays in the completion of a property development may not arise in the future. If we are required to forfeit land, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the forfeited land or recover development costs and other costs incurred up to the date of forfeiture.

We are required to deliver individual property ownership certificates in a timely manner and the failure to do so may result in claims against us

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within one to two years after delivery of the property or within a time frame set out in the relevant sale and purchase agreement. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval processes. Under current regulations, property developers are required to submit requisite governmental approvals in connection with their property developments, including a land use rights certificate, a certificate evidencing the construction has met the requirements of relevant planning permits, a certificate evidencing the construction has completed, a property survey report, to the local bureau of land resources and housing administration after the receipt of the completion and acceptance certificate for the relevant properties and to apply for the general property ownership certificate in respect of these properties. Property developers are then required to submit, within regulated periods after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof for payment of deed tax, and the general property ownership certificate, to the bureau for review prior to the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. Property developers, including us, may become liable for monetary penalties to purchasers for late delivery of the individual property ownership certificates due to delays in the administrative approval processes or for any other reason beyond our control. We cannot assure you that we will be able to timely deliver all property ownership certificates in the future or that we will not be subject to any liabilities as a result of any late deliveries of property ownership certificates.

The relevant PRC tax authorities may challenge the basis on which we have been paying our LAT obligations and our results of operations and cash flows may be materially and adversely affected

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to the land appreciation tax ("LAT") at progressive rates ranging from 30% to 60% of the "appreciated value of the property," as such term is defined in the relevant tax laws. See "Regulation — Our Operations in the PRC — Land Appreciation Tax." No LAT is payable for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the "total deductible items," as such term is defined in the relevant tax laws. Under relevant PRC regulations, property developers were also exempted from the payment of LAT on the first transfer of land and buildings made during the five years commencing on January 1, 1994, subject to certain conditions. The period of LAT exemption was subsequently extended to the end of 2000. In 2007, 2008 and 2009, we recorded a LAT expense in the amount of RMB2.6 million, RMB104.2 million, RMB263.2 million (US$38.6 million), respectively, and we paid LAT in the amount of RMB9.8 million, RMB17.6 million and RMB29.1 million (US$4.3 million), respectively.

On December 28, 2006, the State Administration of Taxation (the "SAT") issued the LAT Notice, which became effective on February 1, 2007. The LAT Notice sets forth, among other things, methods of calculating LAT and a time frame for settlement of LAT. On May 12, 2009, the SAT issued the Provisions on Administration of the Settlement of Land Appreciation Tax (土地增值稅清算管理規程), which became effective on June 1, 2009 and stipulates in detail the procedures for settlement of LAT and methods of calculating LAT. See "Regulation — Our Operations in the PRC — Land Appreciation Tax.". We believe we have accrued all LAT payable on our property sales and transfers in accordance with the progressive rates specified in relevant PRC tax laws, less amounts previously paid under the levy method applied by relevant PRC local tax authorities. However, provisioning for LAT requires our management to use a significant amount of judgment with respect to, among other things, the anticipated total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of land value and the various deductible items. As a result, the relevant PRC local tax authorities may not agree with our estimates or the basis on which we calculate our LAT liabilities. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the relevant PRC local tax authorities in the future, our results of operations and cash flows will be materially and adversely affected.

We are subject to multiple regulations of the PRC governmental authorities and any non-compliance or perceived non-compliance with these regulations may have a material and adverse effect on our business, financial condition and results of operations

Our business is regulated by various PRC governmental authorities and departments. If any PRC authority believes that we or any of our suppliers or contractors in the course of our operations are not in compliance with PRC regulations, it could delay or even shut down our construction or sales operations, refuse to grant or renew any necessary approvals or licenses, institute legal proceedings to seize our properties, enjoin future actions or impose civil and/or criminal penalties, pecuniary or otherwise, against us, our officers or our employees. Any such action by the PRC governmental authorities would have a material adverse effect on our business, causing delays to our development projects, or terminating them altogether. In recent years, the PRC Government has implemented many new laws and regulations or made amendments to existing regulations concerning property developers. We cannot guarantee that our development projects are fully compliant with the laws and regulations. If we are found to have breached, or are accused of having not complied with, or in the future do not comply with, any applicable PRC laws and regulations, we may be subject to the imposition of penalties or even suspension of business and confiscation of any acquired land. In such event, our business and reputation may be materially and adversely affected.

Our success depends on the continuing services of our senior management team and other key personnel

Our future success depends heavily upon the continuing services of our executive directors and members of our senior management team, in particular, our chairman, executive director and chief executive officer, Mr. Pan and our executive director, Ms. Zeng. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, as competition in the PRC for senior management and key personnel with experience in property development is intense, and the pool of qualified candidates is very limited, we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected.

We face competition for qualified employees in the property industry which may make it difficult for us to retain and recruit enough employees for the expansion of our business

Our long-term success depends on our ability to attract and retain qualified employees. We require a large number of qualified employees for each stage of our property development process and for our property operation services, property agency services and hotel services businesses. We expect to recruit more qualified employees as we continue to strengthen our existing business or expand our business into new geographical regions and into other segments of the real estate industry. The growth of the property industry in China has created an increasing demand for qualified employees in each segment of the property industry. While we have implemented certain measures aimed to promote effective recruitment and retention of our employees, we cannot assure you that these measures will be effective. If we are unable to recruit or retain a sufficient number of qualified employees for the continuation and expansion of our business, our business and prospects may be adversely affected.

We may suffer losses arising from uninsured risks

In line with industry practice, we do not maintain insurance for destruction of or damage to our property developments (whether they are under development or have been completed and are pending delivery) other than with respect to those properties over which our lending banks have security interests, for which we are required to maintain insurance coverage under the relevant loan agreements. Similarly, we do not carry insurance covering construction-related personal injuries. In addition, we do not carry insurance for any liability arising from allegedly tortious acts committed on work sites. We cannot assure you that we would not be sued or held liable for damages due to such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in the course of our operations and property development, we may not have sufficient funds to cover any such losses, damages or liabilities or to replace any property development that has been destroyed. In addition, any payment we make to cover any losses, damages or liabilities may have a material adverse effect on our business, financial condition and results of operations.

The total GFA of some of our property developments exceeds the original authorized area and the excess GFA is subject to governmental approval and payment of additional land premium

When the PRC government grants the land use rights for a piece of land, it will specify in the land grant contract the designated use of the land and the total GFA that the developer may develop on this land. The actual GFA constructed, however, might have exceeded the total GFA authorized in the land grant contract due to various factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorized amount is subject to approval when the relevant authorities inspect the properties after their completion and the developer may be required to pay additional land premium in respect of such excess GFA. If we fail to obtain the completion certificate due to such excess GFA, we will not be allowed to deliver the relevant properties to the purchasers or recognize the revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. We cannot assure you that the total constructed GFA of our existing projects under development or any future property developments will not exceed the relevant authorized GFA upon completion or that we will be able to pay the additional land premium and obtain the completion certificate on a timely basis.

The ancillary facilities in residential projects developed by us may not always be available to residents in the projects

Many of the residential projects developed by us have ancillary facilities such as schools that enhance the value of properties in such projects by providing convenience and a better living environment to residents. We do not, however, own or operate any of these ancillary facilities except for clubhouses and therefore cannot guarantee that these ancillary facilities will continue to operate and provide services to residents in the properties developed by us. In the event that any of these ancillary facilities cease to operate and we cannot arrange for replacement services, properties in the affected project will become less attractive to potential purchasers, which will adversely affect our business to the extent that we have properties unsold or held for investment purposes in such project. In addition, our reputation may also be adversely affected as a result of the unavailability of such ancillary facilities.

Our controlling shareholders may take actions that are not in, or may conflict with, our or our creditors' best interests.

As of December 31, 2009, our controlling shareholder, Fantasy Pearl International Limited ("Fantasy Pearl") held 65.14% of our outstanding shares. Fantasy Pearl, and our ultimate controlling shareholders, Ms. Zeng Jie and Graceful Star Overseas Ltd ("Graceful Star"), have and will continue to have the ability to exercise a controlling influence over our business, and may cause us to take actions that are not in, or may conflict with, our or our creditors' best interests, including matters relating to our management and policies and the election of our directors and senior management. Ms. Zeng Jie and Graceful Star will be able to influence our major policy decisions, including our overall strategic and investment decisions, by controlling the election of our directors and, in turn, indirectly controlling the selection of our senior management, determining the timing and amount of any dividend payments, approving our annual budgets, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our articles of association. For more information, see "Management," "Principal Shareholders," and "Related Party Transactions."

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

We may be involved in disputes with various parties involved in the development and sale of our properties, including business partners, contractors, suppliers, construction workers and purchasers. These disputes may lead to legal or other proceedings and may result in substantial costs, delays in our development schedule, and the diversion of resources and management's attention, regardless of the outcome. Furthermore, if we fail to resolve these disputes in our favor, we may incur substantial losses and face significant liabilities. For example, in June 2007 we filed a lawsuit in the People's Court of Futian District, Shenzhen in connection with the unlawful occupation of, and collection of fees from, the 177 car parking spaces in our Shenzhen Endless Blue (深圳碧雲天) Project by the property manager of such project. The court has ruled that we are entitled to 70% of the revenue generated by such car parking spaces and ordered the property manager to return such revenue to us. However, on the basis that (i) a single property development such as Shenzhen Endless Blue may only have one property manager at any one time, and (ii) the local government in Shenzhen has not issued rules and procedures for the registration of property rights in car parking spaces, the court declined to order the property manager toreturn management of the contested parking spaces to Shenzhen Xingyan Investment Development Co., Ltd. As a result, unless (i) an agreement for the distribution of revenue is reached between us and such property manager or (ii) the Shenzhen local government issues rules and procedures for the registration of property rights in car parking spaces, we have no option but to periodically sue Shengfu to recover our share of the revenue generated by such car parking spaces. See the section entitled "Business — Legal Proceedings." We may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that result in penalties and/or delay our property developments. In such cases, our results of operations and cash flow could be materially and adversely affected.

We are subject to potential environmental liability that could result in substantial costs

Property developers in the PRC 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 location, the environmental condition and the present and former uses of the site, as well as adjacent properties. The relevant property development project may be delayed due to our efforts to comply with environmental laws and regulations may result in delays in development. In some environmentally-sensitive regions or areas, the compliance costs could be prohibitively expensive. In addition, each property development project is required by the relevant PRC laws and regulations to undergo environmental assessments and to submit an environmental impact assessment report to the relevant government authorities for approval before commencement of construction. Failure to obtain such approval prior to construction may result in suspension of construction and a penalty amounting to RMB50,000 to RMB200,000 for each project.

The environmental investigations conducted relating to each of our property development projects to date have not revealed any material environmental liability. However, it is possible that these investigations did not reveal all environmental liabilities and there may be environmental liabilities of which we are unaware that may have a material adverse effect on our business, financial condition or results of operations. For additional information, see "Our Business — Environmental Matters."

The valuation attached to our property interests contains assumptions that may or may not materialize

Under HKFRS, we are required to reassess the fair value of our completed investment properties at the date of every statement of financial position. Our valuations are generally based on a direct comparison approach, under which our investment properties are directly compared with other comparable properties of similar size, character and location, in order to provide a fair comparison of capital values, and an income approach by taking into account the net rental income of properties. Gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of comprehensive income in the period in which they arise. Our investment properties were revalued as of December 31, 2007, 2008 and 2009, respectively, on an open market and existing use basis which reflected market conditions on those dates. The valuations are based on certain assumptions which, by their nature, are subjective and uncertain and may differ materially from actual results. For example, with respect to properties under development and planned for future development, the valuations are based on assumptions that (1) the properties will be developed and completed in accordance with the development proposals, (2) regulatory and governmental approvals for the proposals have been obtained, (3) all premiums in connection with the properties have been paid and the properties are free of encumbrances and other restrictions and (4) we are in possession of the proper legal titles and are entitled to transfer the properties at no extra land premium. For properties owned by the project companies in which we have an attributable interest of less than 100%, the valuation assumes that the interest of the relevant project companies in the aggregate value of the property or business is equal to our proportionate ownership interest in the relevant company or business. Accordingly, the valuations are not a prediction of the actual value we expect to realize from these properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values.

The construction business and the property development business are subject to claims under statutory quality warranties

Under Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), all property development companies in the PRC must provide certain quality warranties for the properties they develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income

The Enterprise Income Tax Law ("EIT Law") and the implementation regulations to the EIT Law issued by the PRC State Council became effective on January 1, 2008. Under the EIT 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 uniform 25% enterprise income tax rate on their global income. It is, however, currently unclear under what situations an enterprise's "de facto management body" would be considered to be located in China. The SAT promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) in April 2009 which defines the term "management body" in respect of enterprises that are established offshore by PRC enterprises. However, no definition of "management body" is provided for enterprises established offshore by private individuals or foreign enterprises like us. As such, Commerce & Finance Law Offices, our PRC legal counsel, has advised us that there is uncertainty whether we will be deemed to be a PRC "resident enterprise" for the purpose of the EIT Law. Substantially all of our management is currently based in China, and therefore, we may be treated as a PRC "resident enterprise" for enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and on how local tax authorities apply or enforce the EIT Law or the implementation regulations.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have; any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business and such dividends may be subject to PRC taxation

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we may incur. The ability of our direct and indirect subsidiaries to pay dividends to their shareholders (including us, the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any) is subject to applicable laws and restrictions contained in the debt instruments and obligations of such subsidiaries. As of the date of this document, all but US$100 million principal amount of our total indebtedness is in the form of PRC bank loans to our PRC subsidiaries. Furthermore, under applicable PRC laws, rules and regulations, payment of dividends by our PRC subsidiaries is permitted only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Under PRC laws, rules and regulations, all of our PRC subsidiaries are required to set aside at least 10% of their after-tax profit based on PRC accounting standards each year to their respective statutory capital reserve funds until the accumulative amount of such reserves reaches 50% of their respective registered capital. As a result, all of our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us whether in the form of dividends, loans or advances. As of December 31, 2009, our restricted reserves of the Group totaled RMB72.6 million (US$10.6 million). Our restricted reserves are not distributable as cash dividends. Any limitation on the ability of our subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, pay dividends or otherwise fund and conduct our business.

Under the EIT Law and implementation regulations issued by the State Council, a PRC income tax rate of 10% is applicable to dividends paid by Chinese enterprises to "non-resident enterprises," subject to the application of any relevant income tax treaty that the PRC has entered into. As advised by Commerce & Finance Law Offices, our PRC legal counsel, there is uncertainty whether we or any of our non-PRC subsidiaries will be considered "non-resident enterprises" for the purpose of the EIT Law. If we or our non-PRC subsidiaries are considered "non-resident enterprises," any dividend that we or any such subsidiary receive from our PRC subsidiaries may be subject to PRC taxation at the rate of 10% (or a lower treaty rate, if any), which would further impact the ability of our PRC subsidiaries to pay dividends to their shareholders (including us, the Subsidiary Guarantors and the JV Subsidiary Guarantors, if any).

Risks Relating to Our Industry

PRC government policies, regulations and measures intended to curtail the overheating of the property market may adversely affect our business

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the scale of the increase in property investments, the PRC government has introduced policies to curtail property development. On March 26, 2005, the General Office of the State Council promulgated the Circular on Duly Stabilizing the Prices of Residential Properties (關於切實穩定住房價格的通知) requiring measures to be taken to restrain the prices of residential properties from increasing too fast. On May 9, 2005, the General Office of the State Council approved the Opinion on Improving the Works on Stabilizing the Prices of Residential Properties (關於做好穩定住房價格工作的意見) issued by seven departments of the State Council, setting out guidelines for the relevant PRC authorities to control the rapid growth in the residential property market. On May 24, 2006, the General Office of the State Council approved the Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見) issued by nine departments of the State Council. On September 27, 2007, PBOC and CBRC issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知). These measures, among others, imposed various restrictions on lending funds to property developers and extending mortgage loans to property purchasers. These measures also provide that the total area of units with a GFA of less than 90 square meters must equal at least 70% of a residential housing project's total GFA. On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Price 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) (the "April 17 Notice"), 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. The notice also stipulates that interest rates for mortgage loans for second homes cannot be lower than 110% of PBOC benchmark lending rate. See "Regulation — Mortgaging of Property." We cannot assure you that the governmental authorities will not require us to modify our development plans or that these new measures will not adversely impact our business due to the uncertainties involved in implementing these new measures.

On July 11, 2006, the MOC, MOFCOM, the NDRC, the PBOC, SAIC and SAFE jointly issued the 171 Opinion which aims to regulate access by foreign investors to the domestic property market and to strengthen supervision over property purchases by foreign-invested enterprises. The 171 Opinion provides for, among other things, stricter standards for a foreign institution or an individual when purchasing real property in the PRC which is not intended for personal use. On May 23, 2007, MOFCOM and SAFE promulgated the Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment (關於進壹步加強、規範外商直接投資房地產業審批和監管的通知), or the "Notice 50," which imposed additional restrictions and requirements on foreign investment in the real estate industry. See "Regulation — Legal Supervision Relating to Property Sector in the PRC — Foreign-invested Property Enterprises."

In addition, though the PRC tax authorities and other governmental agencies have not officially promulgated any rules or regulations to levy property tax on residential properties, it is possible that such or other tax policies be adopted in the future to further discourage speculative property transaction in China. In particular, the State Council proposed in the April 17 Notice that the Ministry of Finance and tax authorities make new tax policies in order to induce rational housing consumption and adjust the profits gained from property investment. Such new tax policies, once enacted, may further curtail the market demand for residential properties and as a result, our business and future prospects may be materially and adversely affected.

Although the various control measures are intended to promote more balanced property development in the long-term, we cannot assure you that these measures will not adversely affect the development and sales of our properties. In addition, although the PRC government has, due to the recent global financial and economic crisis, introduced an offsetting stimulus package, which included the reduction of deed taxes for first-time purchasers of ordinary residential property of less than 90 square meters, the waiver of stamp duty fees for individuals who are purchasing or selling ordinary residential properties, and the exemption of land appreciation tax for individuals who are selling ordinary residential properties, among other benefits, there is no assurance that such policy would remain and that the various control measures would not be re-implemented once the economy stabilizes, which may adversely affect our business, results of operations and financial condition.

The PRC government has imposed restrictions on the ability of PRC property developers to receive offshore funds which may delay or prevent us from deploying the funds raised in any international capital market financing to our business in China and therefore materially and adversely affect our liquidity and our ability to fund and expand our business

On July 10, 2007, the General Affairs Department of SAFE issued the Circular on Distribution of List of the First Group of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知), or the "SAFE notice". The notice stipulates, among other things, (i) that SAFE will no longer process foreign debt registrations or applications for the purchase of foreign exchange submitted by real estate enterprises with foreign investment who obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007 and (ii) that SAFE will no longer process foreign exchange registrations (or alteration of such registrations) or applications for the sale and purchase of foreign exchange submitted by real estate enterprises with foreign investment which obtained approval certificates from local government commerce departments on or after June 1, 2007 but which did not register with MOFCOM. This new regulation restricts the ability of foreign-invested real estate companies to raise funds offshore for the purpose of injecting such funds into the companies by way of shareholder loans. Nonetheless the SAFE notice does not restrict property developers from receiving foreign capital by way of increasing the registered capital of existing foreign-invested companies or through the establishment of new foreign-invested real estate companies, provided that such registered capital increase or new company establishment has been duly approved by local branches of MOFCOM and registered with MOFCOM or duly approved by MOFCOM.

Like other foreign-invested PRC property developers we are subject to the notice. We intend to repatriate any offshore funds that we may raise in the future by increasing the registered capital of our existing subsidiaries or by establishing new subsidiaries. Following the implementation of the SAFE notice, we have successfully remitted foreign funds from our offshore holding entities into Fantasia Group (China) Co., Ltd., Fantasia Chengdu Ecological Tourism Development Co., Ltd. and Shenzhen Zhifu Real Estate Investment Development Co., Ltd. through increasing their respective registered capitals and registering each such increase with MOFCOM. However, we cannot assure you that we will be able to obtain in a timely manner, if at all, all necessary foreign-exchange approval certificates for the deployment of offshore funds, or that we will be able to obtain in a timely manner, if at all, any registration of new foreign-invested subsidiaries or additional registered capital increases in the future.

In addition, any capital contributions made to our operating subsidiaries in China are also subject to the foreign investment regulations and foreign exchange regulations in the PRC. For example, in accordance with a circular promulgated by the SAFE in August 2008 with respect to the administration of conversion of foreign exchange capital contribution of foreign invested enterprises into Renminbi (關於完善外商投資企業外匯資本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 contribution 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 document, we may encounter difficulties in increasing the capital contribution to our project companies 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 capital contributions to our project companies as their general working capital or to fund their operations may be negatively affected, which could materially and adversely affect our results of operations.

We are heavily dependent on the performance of the property market in China, which is at a relatively early stage of development

The property development industry and the ownership of private property in the PRC are still in a relatively early stage of development. Although demand for private property in the PRC has been growing rapidly in recent years, such growth is often coupled with volatility in market conditions and fluctuation in property prices. It is extremely difficult to predict how much and when demand will develop, as many social, political, economic, legal and other factors, all of which are beyond our control, may affect market development. The level of uncertainty is increased by the limited availability of accurate financial and market information as well as the overall low level of transparency in the PRC.

The lack of a liquid secondary market for private property may discourage the acquisition of new properties as resale is not only difficult, but can also be a long and costly process. The limited amount of property mortgage financing available to PRC individuals, compounded by the lack of security of legal title and enforceability of property rights may inhibit demand for property developments, property operation services and property agency services.

Increase in resettlement costs and the inability to reach resettlement agreements associated with certain property developments may materially and adversely affect our business, financial condition and results of operations

Land parcels acquired by property developers for future development may have existing buildings or other structures or be occupied by third parties. In accordance with the City Housing Resettlement Administration Regulations (城市房屋拆遷管理條例) and applicable local regulations, a property developer in the PRC is required to enter into a written agreement with the owners or residents of existing buildings subject to demolition for development, directly or indirectly through the local government, and to provide compensation for their relocation and resettlement. The compensation payable by the property developer is calculated in accordance with a pre-set formula determined by the relevant provincial authorities, which may be subject to change. If such compensation formula is changed and the levels of compensation increased, land acquisition costs for property developers may be subject to substantial increases. In addition, if property developers or the local government fail to reach an agreement over compensation with the owners or residents of the buildings subject to demolition, any party may apply to the relevant housing resettlement authorities for a ruling on the amount of compensation, which may delay a project's timetable. Such delays may lead to an increase in cost and a delay in the expected cash inflow resulting from pre-sales of the relevant projects. If we experience an increase in resettlement costs or experience delay due to our inability to reach a resettlement agreement, our business, financial condition and results of operations may be materially and adversely affected.

Risks Relating to the PRC

Changes in PRC economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition, results of operations and prospects

Substantially all of our business and operations are conducted in China. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to economic, political and social developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may, however, also have a negative effect on us. For example, our business, financial condition, results of operations and prospects may be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, change in interest rates and statutory reserve rates for banks or government control in bank lending activities.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us

Our business and operations are primarily conducted in China and governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protection to various forms of foreign investments in China. However, 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. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on your investment

The exchange rates between the Renminbi and the Hong Kong dollar, the U.S. dollar and other foreign currencies is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall by as much as 0.5% each day. As of December 31, 2009, this change in policy had resulted in the value of the Renminbi appreciating against U.S. dollar by approximately 21.3%.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currency. As we rely on dividends paid to us by our operating subsidiaries, any significant revaluation of the Renminbi may have a material adverse effect on the value of dividends payable in foreign currency terms. To the extent that we need to convert future financing into the Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our shares or for other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Governmental control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively

Substantially all of our revenue is denominated in Renminbi. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate 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 obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

Failure to comply with PRC regulations in respect of the registration of our PRC citizen employees' share options and restricted share units may subject such employees or us to fines and legal or administrative sanctions

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange (個人外滙管理辦法實施細則), or the Individual Foreign Exchange Rules, issued on January 5, 2007 by SAFE and relevant guidance issued by SAFE in March 2007, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to obtain the approval of SAFE and complete certain other procedures related to the share options or other share incentive scheme. However, no requirements or administrative rules have been issued by SAFE in connection with the registration process for employees of overseas non-listed companies that participate in employee stock holding plans or stock option plans. In addition, foreign exchange income from the sale of shares or dividends distributed by the overseas listed company must be remitted into a foreign currency account of such PRC citizen or exchanged into Renminbi. Our PRC citizen employees who may be granted share options or restricted share units in the future, or our future PRC option holders, will be subject to the Individual Foreign Exchange Rules. If we or our future PRC option holders fail to comply with these regulations, we or our future PRC option holders may be subject to fines and legal or administrative sanctions.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on foreign laws against us, our directors and our senior management

We conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, the substantial majority of our directors and senior management reside within China. As a result, it may not be possible for investors to effect service of process outside China upon the substantial majority of our directors and senior management. Moreover, China does not have treaties with the United States, the United Kingdom or many other countries providing for the reciprocal recognition and enforcement of judgment of courts. As a result, recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult.

The national and regional economies may be adversely affected by a recurrence of SARS or an outbreak of other epidemics, natural disasters or severe weather conditions, thereby affecting our business prospects

In May 2008, a major earthquake and aftershocks struck Sichuan province in southwestern China. The epicenter was approximately 80 kilometers from Chengdu, where we have 11 development projects comprised of five developed projects and six projects that are currently under development or held for future development. While none of these projects suffered any material physical damages from the earthquake, some completed properties in the projects suffered minor damages such as cracks on the walls. While we do not have any legal liability to our customers for such damages as they were caused by the earthquake, which constitutes force majeure, we decided to repair such cracks for our customers at our own costs in order to increase our customer satisfaction and enhance our reputation as a responsible property developer. Construction of our projects in Chengdu was also suspended for about two months in compliance with orders issued by the local government that were applicable to all construction projects in Chengdu after the earthquake. Sale of our properties in Chengdu also dropped significantly during the few months after the earthquake. Our business could be materially adversely affected if any other natural disasters occur in the regions that we have business. In addition, certain areas of China are susceptible to epidemics, such as Severe Acute Respiratory Syndrome ("SARS"), the H1N1 influenza, also known as swine flu, or avian influenza, natural disasters or severe weather conditions. A recurrence of SARS, an outbreak of H1N1 or avian influenza or any other epidemics, natural disasters or severe weather conditions in China could adversely affect the regional and national economies of Asia, including China, and could also result in material disruptions to our property developments and property related services and reduce the value of our investment properties, which in turn would adversely affect our financial condition and results of operations.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated cash and cash equivalents, short-term debt and capitalization as of December 31, 2009 on an actual basis. The following table should be read in conjunction with the selected consolidated financial information and the audited consolidated financial statements and related notes included in this document.

	As of December 31, 2009	
	Actual	
	RMB	US$
	(in thousands)	
Cash and cash equivalents[1]	3,696,488	541,539
Short-term borrowings		
Borrowings – due within one year	1,266,320	185,517
Amount due to related parties	1,519	223
Long-term borrowings		
Borrowings – due after one year	2,173,750	318,456
Amount due to related parties	99,340	14,553
Total long-term borrowings	2,273,090	333,009
Total equity	4,081,361	597,923
Total capitalization[2]	6,354,451	930,932

Notes:

(1) *Cash and cash equivalents exclude restricted bank deposits of RMB189.7 million.*

(2) *Total capitalization includes total long-term borrowings plus total equity.*

Except as otherwise disclosed in this document, there has been no material adverse change in our capitalization since December 31, 2009.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected consolidated statement of comprehensive income data for the years ended December 31, in 2007, 2008 and 2009 and the selected consolidated balance sheet data as of December 31, 2007, 2008 and 2009 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such years and as of such dates, as audited by Deloitte, independent certified public accountants, and included elsewhere in this document. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. The selected financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this document.

Selected Consolidated Statement of Comprehensive Income and Other Financial Data

	For the Year Ended December 31,			
	2007	2008	2009	2009
	(RMB)	(RMB)	(RMB)	(US$)
	(in thousands)			
Revenue	772,057	1,174,211	2,458,673	360,197
Costs of sales	(549,220)	(704,734)	(1,431,812)	(209,762)
Gross profit	222,837	469,477	1,026,861	150,435
Other income, gains and losses	2,726	59,034	26,566	3,892
Gain on fair value changes of investment properties	86,875	13,807	34,476	5,051
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	2,170	302	–	–
Selling and distribution expenses	(39,616)	(49,837)	(80,480)	(11,790)
Administrative expenses	(94,458)	(162,677)	(177,229)	(25,964)
Finance costs	(12,167)	(69,941)	(51,800)	(7,589)
Impairment loss recognised in respect of goodwill	–	(2,305)	–	–
Share of results of associates	(1,548)	(3,789)	(1,899)	(278)
Profit before taxation	166,819	254,071	776,495	113,757
Income tax expenses	(82,552)	(156,550)	(407,050)	(59,633)
Profit and total comprehensive income for the year	84,267	97,521	369,445	54,124
Profit and total comprehensive income for the year attributable to:				
Owners of the Company	68,797	84,259	373,469	54,714
Minority interests	15,470	13,262	(4,024)	(590)
	84,267	97,521	369,445	54,124
Earnings per share – Basic	0.62	0.02	0.10	0.02
Other Financial Data				
EBITDA(1)	96,600	313,346	788,536	115,521
EBITDA margin(2)	13%	27%	32%	32%

(1) EBITDA for any period consists of profit from operating activities before fair value gains on the investment properties and impairment loss recognised in respect of goodwill plus depreciation and amortization expenses. EBITDA is not a standard

measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses .

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

Selected Consolidated Balance Sheet Data

	As of December 31,			
	2007	2008	2009	2009
	(RMB)	(RMB)	(RMB)	(US$)
	(in thousands)			
Non-current Assets				
Property, plant and equipment	36,181	50,504	163,530	23,957
Investment properties	459,039	476,079	581,368	85,171
Interests in associates	6,650	11,248	12,941	1,896
Advance to an associate	65,377	58,240	72,396	10,606
Prepaid lease payments	9,052	1,561	164,457	24,093
Premium on prepaid lease payments	–	–	45,794	6,709
Prepayment	–	–	70,586	10,341
Deposits paid for acquisition of subsidiaries	–	–	423,000	61,970
Deposits paid for acquisition of a property project	–	–	352,056	51,576
Deferred tax assets	14,560	41,531	88,818	13,012
	590,859	639,163	1,974,946	289,331
Current Assets				
Properties for sales	2,027,853	3,769,841	4,576,936	670,525
Prepaid lease payments	256	112	4,704	689
Premium on prepaid lease payments	–	–	1,428	209
Trade and other receivables	213,575	145,739	987,961	144,737
Amount due from a shareholder	8	21	–	–
Amounts due from customers for contract works	6,141	1,349	3,808	558
Amounts due from related parties	10,340	26,856	–	–
Held-for-trading investments	–	3,000	–	–
Tax recoverable	21,331	30,346	17,503	2,564
Restricted bank deposits	18,032	37,849	189,712	27,793
Bank balances and cash	1,320,657	303,046	3,696,488	541,539
	3,618,193	4,318,159	9,478,540	1,388,614

	As of December 31,			
	2007	2008	2009	2009
	(RMB)	(RMB)	(RMB)	(US$)
	(in thousands)			
Current Liabilities				
Trade and other payables	337,257	566,116	873,797	128,012
Deposits received for sale of properties	1,126,332	1,092,459	2,380,242	348,707
Amounts due to directors	27,456	54,012	–	–
Amounts due to related parties	2,892	99,340	1,519	223
Loans from shareholders	–	683,460	–	–
Tax payable	158,441	229,787	544,877	79,825
Borrowings – due with one year	317,943	373,050	1,266,320	185,517
	1,970,321	3,098,224	5,066,755	742,284
Net Current Assets	1,647,872	1,219,935	4,411,785	646,330
Total Assets less Current Liabilities	2,238,731	1,859,098	6,386,731	935,661
Non-current Liabilities				
Deferred tax liabilities	56,538	58,991	32,280	4,729
Amounts due to related parties	–	–	99,340	14,553
Loans from shareholders	730,460	–	–	–
Borrowings – due after one year	49,930	353,750	2,173,750	318,456
	836,928	412,741	2,305,370	337,738
	1,401,803	1,446,357	4,081,361	597,923
Capital and Reserves				
Share capital	9	9	429,389	62,906
Reserves	1,058,985	1,145,955	3,340,870	489,440
Equity attributable to owners of the Company	1,058,994	1,145,964	3,770,259	552,346
Minority interests	342,809	300,393	311,102	45,577
	1,401,803	1,446,357	4,081,361	597,923

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

Overview

We are a leading property developer and property related service provider in China. Our target customers are affluent middle- to upper-class individuals and families and small- to medium-sized enterprises. Our regions of focus are currently the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region.

As of March 31, 2010, we had a total of 31 projects at various stages of development (i.e. completed projects, projects under development and projects held for future development), including 12 projects located in the Chengdu-Chongqing Economic Zone (including Dali Project), 14 projects located in the Pearl River Delta region, three projects located in the Yangtze River Delta region and two projects located in the Beijing-Tianjin metropolitan region. In addition, as of March 31, 2010, we had entered into preliminary framework agreements for four projects.

As of March 31, 2010, we had a total land bank of approximately 10,775,077 square meters, which consists of:

- an aggregate planned GFA of approximately 5,749,960 square meters of properties for which we had obtained land use rights (consisting of an aggregate planned GFA of approximately 1,373,146 square meters of properties under development and an aggregate planned GFA of approximately 4,376,814 square meters of properties held for future development for which we have obtained land use rights); and

- an aggregate planned GFA of approximately 5,025,117 square meters of properties for which we had entered into preliminary framework agreements but had not obtained the land use rights or property rights. The preliminary framework agreements are legally binding but, before we are able to obtain the relevant land use right certificates, we are still required by the relevant PRC laws and regulations: (i) in respect of our Pixian and Yunnan Projects, to successfully complete the public tender, auction or listing-for-sale process, enter into a land grant contract and pay relevant land grant premium; (ii) in respect of our Beijing Tongzhou Project, to enter into and perform our obligations under a formal share transfer agreement and duly complete registration procedures for such transfer of equity ownership with the relevant government authorities; and (iii) in respect of our Suzhou Taihu Hotel Project, to invest at least 25% of the total capital required for the project or fulfill such other conditions as may be determined by the relevant government authorities of Suzhou and, where necessary, complete the requisite listing-for-sale and public notice procedures on the basis that project is currently a state-owned asset.

In April 2010, we entered into a framework agreement to purchase 100% equity interests in Shenzhen Gaohua Investment Limited, which holds certain parcels of land in Guilin City, Completion of such acquisition is conditional upon fulfillment of a number of conditions, including, among others, completion of necessary procedures for Shenzhen Gaohua Investment Limited to have legal ownership in each of the project companies holding the relevant parcels of land in Guilin City and the underlying land use rights and obtaining corporate and other approval for such acquisition.

Of our total land bank as of March 31, 2010, approximately 8,469,267 square meters, or 78.6%, were located in the Chengdu-Chongqing Economic Zone (including Yunnan Project and Dali Project); approximately 1,097,717 square meters, or 10.2%, were located in the Pearl River Delta region; approximately 853,413 square meters, or 7.9%, were located in the Yangtze River Delta region; and approximately 354,680 square meters, or 3.3%, were located in the Beijing-Tianjin metropolitan region. We develop most of our properties, including properties that are currently under development, for sale but will hold certain of these developed properties for investment.

In addition to property development, we provide property operation services and property agency services to properties that are developed by us as well as those developed by others. We also hold certain properties as investments to provide us with recurring income. We have also, since 2008, begun providing hotel services and plan to increase such services in the future by operating the boutique hotels within several of our projects that are currently under development.

We finance our land acquisitions from internal funds, while our property development, including construction and other costs, is typically financed by internal funds and project loans from PRC banks. Our financing methods vary from project to project and are subject to limitations imposed by the PRC laws and regulations and monetary policies. The following summarize our main financing methods for our projects:

- ***Internal funds.*** Our internal funds primarily comprise shareholder contributions such as the HK$2,500.0 million (US$322.4 million) raised in our IPO in November 2009 and the amount raised in connection with the pre-IPO investment. As of March 31, 2010, approximately 44.8% and 68.5% of the proceeds from our IPO and the pre-IPO investment, respectively, had been applied to increase our land banks in China. Our internal funds also include proceeds from the pre-sale of properties, which are proceeds we receive when we enter into contracts to sell properties prior to their completion. We typically receive an initial payment of at least 30% of the purchase price at the execution of the presale contracts and the balance typically within 30 days of the execution of pre-sale contracts, by which time the customer is required to have obtained a bank mortgage. Proceeds from the pre-sale are typically used to repay borrowings as well as to fund the development of the project from that stage.

- ***Borrowings.*** As of December 31, 2009, we had total borrowings of RMB3,440.1 million (US$504.0 million), of which RMB3,044 million (US$445.9 million) was secured. We usually obtain project-specific borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds from the specific project.

In the future, we expect to fund our projects by using a combination of sources, including internally generated cash flow, borrowings, and funds raised from the capital markets from time to time.

Key Factors Affecting Our Results of Operations

Our business, results of operations and financial condition have been, and we expect will continue to be, affected by a number of factors and risks, many of which are beyond our control. Please refer to the section entitled "Risk Factors" in this document. The key factors and material risks include the following:

Economic Conditions and Regulatory Environment in the PRC

Our results of operations are subject to political, economic, fiscal, legal and social developments in the PRC in general and in cities and regions in which we operate, such as in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region, as well as economic, fiscal, legal and social developments specifically affecting the real estate sector in the PRC and in cities and regions in which we operate, including:

- continued growth in the economy, population and rate of urbanization in the PRC and in the cities and regions in which we operate as such factors drive the demand for purchase or rental of real estate properties;

- the regulatory and fiscal environment of the PRC, specifically, the regulatory and fiscal environment affecting the property development industry, including tax policies, land grant and land use rights policies, pre-sale policies, policies on bank financing and interest rates and the availability of mortgage financing and other macro-economic policies; and

- the performance of the PRC's property market, in particular, the supply and demand for real estate properties and pricing trends in the medium to high-end property sector in the cities and regions in which we operate.

China's economy has experienced a slowdown as a result of the recent global economic and financial crisis. Recently there have been signs showing that China's economy has rebounded from its worst growth in a decade since the second quarter of 2009 and in particular, we have seen signs of recovery in China's property market since the second quarter of 2009. In addition, global economic conditions have also improved as governments around the world have taken remedial actions to address the economic slowdown and financial crisis. However, there is no assurance that such improved conditions can be sustained. It is also difficult to determine the continued impact of the global economic slowdown and financial crisis on the property industry in China due to its unprecedented nature. If the global economic slowdown and financial market crisis continue or become more severe than currently estimated, our business prospects, revenues, cash flows and financial condition could be materially and adversely affected.

Our business and results of operations have also been, and will continue to be, affected by the regulatory environment in China, PRC governmental policies and measures taken by the PRC government on property development and related industries. In recent years, the PRC Government has implemented a series of measures with a view to controlling the growth of the economy, including the property markets. While the property industry is regarded as a pillar industry by the PRC government, the PRC government has taken various restrictive measures to discourage speculation in the property market and to increase the supply of affordable residential properties. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict development in the private property sector through regulating, among others, land grants, pre-sales of properties, bank financing and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business and results of operations. The PRC government may introduce initiatives which may affect our access to capital and the means in which we may finance our property development. See "Regulation."

Changes in the economic conditions and the regulatory environment in the PRC in general or in cities and regions in which we operate may affect the selling price of our properties as well as the time it will take us to pre-sell or sell the properties we have developed. Lower selling prices, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flow generated from the sale of our properties, which may increase our reliance on external financing and negatively impact our ability to finance the continuing growth of our business. A prolonged selling period will increase our selling and distribution costs as well as reduce the cash flow generated from the sale of our properties for a particular period. On the other hand, higher selling price and a shorter selling period may increase our gross profit, reduce our selling and distribution costs and increase our cash flow for a particular period to enable us to fund the continuing growth of our business.

Costs of Labor, Construction Materials and Building Equipment

Our results of operations are affected by the costs of labor, construction materials such as steel and cement, and building equipment. As a result of the economic growth and the boom in the property development industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have experienced substantial increase in recent years. Further, the PRC Labor Contract Law (中華人民共和國勞動合同法) that came into effect on January 1, 2008, enhanced the protection for employees and increased employers' liability in many circumstances which may further increase our labor cost. To the extent that we are not able to pass such increased costs on to our customers, our gross margin and our results of operations would be adversely affected.

To reduce our exposure to price volatility of construction materials, we typically enter into contracts with third party construction contractors pursuant to which the construction contractors are responsible for procuring most of the construction materials for our property development projects. Such construction contracts are typically fixed or capped unit price contracts where the unit price of the construction materials is fixed or capped and the total price payable depends on our quantity requirement. Similarly, under the terms of most of our construction contracts, labor wages are paid by the construction contractors and increasing costs of labor are born by the contractors during the term of such contracts. However, we are exposed to price volatility of labor and construction materials to the extent that we periodically enter into new or renew our construction contracts at different terms during the life of a project, which may span over several years, or if we hire construction workers directly or procure the construction materials directly from suppliers, any of which may result in increased cost of sales and decreased profit margin. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increased subsequent to the time of such pre-sale. In addition, as we typically procure building equipment ourselves, such as elevators, interior decoration materials and air conditioning systems, directly from suppliers, we are directly exposed to the price volatility of building equipment.

Availability and Cost of Land

To have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase land reserves suitable for the development of our projects at commercially acceptable prices. Land acquisition costs are one of the primary components of our cost of sales for property development, which is consisted of land premium and where necessary, the cost of demolition of existing buildings and relocation of residents. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. For example, although privately held land use rights are not prevented from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights is likely to increase competition for available land and to increase land acquisition costs. Furthermore, in November 2009, the PRC government raised the minimum down-payment of land premium to 50% and now requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. Such change of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

LAT

All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property. No LAT is payable for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the "total deductible items," as such term is defined in the relevant PRC tax laws. Whether a property qualifies for the ordinary standard residential property exemption is determined by the local government taking into consideration the property's plot ratio, aggregate GFA and selling price. However, sales of luxury residences and commercial properties are generally subject to higher LAT rates as they typically have higher appreciation values, and thus are not eligible for such an exemption. As a result, our LAT expenses would depend on the type of properties that we develop, which will in turn, impact our results of operations. We incurred LAT expenses of RMB2.6 million, RMB104.2 million and RMB263.2 million (US$38.6 million) in 2007, 2008 and 2009, respectively. We believe we have accrued all LAT payable on our property sales and transfers in accordance with the progressive rates specified in relevant PRC tax laws, less amounts previously paid under the levy method applied by relevant PRC local tax authorities. However, the provision for LAT requires our management to use a significant amount of judgment and estimates with respect to, among other things, the anticipated proceeds to be derived from the sale of the entire phase of the project or the entire project, the amount of land appreciation and the various deductible items. The relevant PRC local tax authorities may not agree with our estimates or the basis on which we calculate our LAT liabilities. If the LAT provisions we have made are substantially lower than the actual LAT amounts assessed by the relevant PRC local tax authorities in the future, our results of operations and cash flows will be materially and adversely affected.

Access to and Cost of Financing

Borrowing is an important source of funding for our property developments. As of December 31, 2007, 2008 and 2009, our outstanding borrowings amounted to RMB367.9 million, RMB726.8 million and RMB3,440.1 million (US$504.0 million), respectively. As commercial banks in China link the interest rates on their borrowings to the benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs for financing our developments. The effective weighted average interest rate for our fixed rate borrowings were 7.42%, 8.96% and 5.36% as of December 31, 2007, 2008 and 2009, respectively, and for our variable rate borrowings were 4.70%, 8.36% and 4.57% as of December 31, 2007, 2008 and 2009, respectively. Our access to capital and cost of financing are affected by restrictions imposed from time to time by the PRC government on bank lending for property development. A significant portion of our finance costs are capitalized rather than being expensed at the time they are incurred to the extent such costs are directly attributable to the acquisition and construction of a project or a projected phase. The amounts of capitalized finance costs under completed properties for sales were approximately RMB29,000, RMB22.4 million and RMB6.5 million (US$1.0 million) as of December 31, 2007, 2008 and 2009, respectively. The amounts of capitalized finance costs for properties for sales — under development were approximately RMB8.3 million, RMB29.7 million and RMB151.6 million (US$22.2 million) as of December 31, 2007, 2008 and 2009, respectively. Our capitalized finance costs included in our cost of sales in 2007, 2008 and 2009 was RMB5.5 million, RMB13.5 million and RMB24.7 million (US$3.6 million), respectively. An increase in our finance costs would negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will negatively affect our results of operations.

Timing of Property Development

The number of property developments that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction costs as well as limited land supply. In addition, significant time is required for property developments and it may take many months or possibly years before pre-sales of certain property developments occur. Moreover, while the pre-sale of a property generates positive cash flow for us in the period in which it is made, we must place a portion of such proceeds in restricted bank accounts and may only use such cash for specified purposes, and no sales revenue is recognized in respect of such property until the relevant property is delivered to the purchaser. In addition, as market demand is not stable, sales revenue an particular period can also depend on our ability to gauge the expected demand in the market at the expected launch time for completion of a particular project. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

Changes in Product Mix

The prices and gross profit margins of our products vary by the type of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our high gross margin products compared to sales revenue attributable to lower gross margin products. Commercial properties and office spaces in general command higher selling prices than residential properties, and the proportion of commercial/office and residential properties sold may affect our revenue and profitability during the relevant period. In 2007, 2008 and 2009, the gross margin for our commercial/office properties was 54.3%, 61.1% and 63.0%, respectively, and the gross margin for our residential properties was 26.6%, 27.2% and 32.0%, respectively. In addition, properties in larger scale projects will typically command a higher selling price as the overall development approaches completion due to the attractiveness of a more established development, thereby increasing our gross margin during the relevant period. Our product mix varies from period to period due to a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time and time our project launches according to our development plans.

Change in Fair Value of our Investment Properties

Under HKFRS, we are required to reassess the fair value of our completed investment properties as of the date of the consolidated statement of financial position, and gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statement of comprehensive income in the period in which they arise. As of December 31, 2007, 2008 and 2009, the fair value of our investment properties, which include investment properties that are under development, were RMB459.0 million, RMB476.1 million and RMB581.4 million (US$85.2 million), respectively. In 2007, 2008 and 2009, we experienced a gain on fair value changes of investment properties of RMB86.9 million, RMB13.8 million and RMB34.5 million, (US$5.1 million) respectively. The fair value of each of our investment properties is likely to continue to fluctuate from time to time in the future, and volatility of our results of operations may increase as a result of fair value gains or losses. Any decrease in the fair value of our investment properties would adversely affect our profitability. In addition, fair value gains or losses do not give rise to any change to our cash position unless the relevant investment property is sold. Therefore, we may experience constraints on our liquidity even though our profitability increases.

Pre-sales

Proceeds from pre-sales of properties under development constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain conditions and requires us to use the pre-sale proceeds to develop the projects that are pre-sold. The amount and timing of cash received from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the relevant PRC laws and regulations, market demand and the number for our properties that are available for pre-sale. A restriction on our ability to engage in the pre-sales of our properties could result in a reduced cash inflow, which would increase our reliance on external financing and increase our finance costs, which could have an adverse effect on our ability to finance our continuing property developments and our results of operations.

Certain Income Statement Items

Revenue

Our revenue comprises revenue derived from (i) sales of our developed properties, (ii) lease of investment properties, (iii) provision of property agency and related services, (iv) provision of property operation and related services, (v) provision of hotel management and related services, and (vi) other operations. The following table sets forth the revenue attributable to each of the components above:

	For the Year Ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Property development	619,168	80.2	1,064,604	90.7	2,322,037	340,180	94.4
Property investment	10,649	1.4	11,029	0.9	10,806	1,583	0.4
Property agency services	97,151	12.6	40,224	3.5	57,775	8,464	2.3
Property operation services	41,857	5.4	57,875	4.9	63,900	9,361	2.6
Hotel services	–	–	479	0.0	4,155	609	0.3
Others	3,232	0.4	–	–	–	–	–
Total	772,057	100.0	1,174,211	100.0	2,458,673	360,197	100.0

Property Development

We recognize revenue from the sale of a property when the significant risks and rewards of ownership have been transferred to the purchaser, which is when the relevant property has been completed and the possession of the property has been delivered to the purchaser. Revenue from property development represents proceeds from sales of our properties held for sales. As we derive a majority of our revenue from property development, our results of operations for a given period depend upon the GFA of our properties available for sale during that period, the market demand for those properties and the selling prices of such properties. Conditions of the property markets in which we operate change from period to period and are affected by the economic, political and regulatory developments in the PRC in general as well as in the cities and regions in which we operate. See "— Key Factors Affecting Our Results of Operations." The table below sets forth, for the periods so indicated, total revenue derived from each of our projects, the aggregate GFA of properties sold, the average selling prices per square meter for these properties, as measured by dividing the revenue by the aggregate GFA sold and the types of properties sold:

	For the Years Ended December 31,									
	2007			2008			2009			
	Total Revenue	GFA Sold	Avg. Selling Price/ Square Meter	Total Revenue	GFA Sold	Avg. Selling Price/ Square Meter	Total Revenue	GFA Sold	Avg. Selling Price/ Square Meter	Types of Properties Sold[(1)]
	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)	(in RMB thousands)	(square meters)	(in RMB)	
Shenzhen										
Shenzhen Pair Life (深圳錦上花)	1,136	168	6,762	–	–	–	–	–	–	R, C
Self Life (趣園)	1,280	53	24,151	–	–	–	–	–	–	R
Flower Harbor (花港家園)	–	–	–	64,402	7,640	8,430	135,792	12,540	10,829	R
Shenzhen Future Plaza (深圳香年廣場)	–	–	–	432,495	22,618	19,122	571,340	29,122	19,619	O
Chengdu										
Fantasia Special Town (別樣城)	316,489	127,646	2,479	–	–	–	–	–	–	R, C
Chengdu Love Forever (成都花郡)	300,263	73,207	4,102	281,628	56,396	4,994	1,054,296	161,879	6,513	R, C
Chengdu My Place (成都花好園)	–	–	–	179,924	42,601	4,223	–	–	–	R, C, O
Grand Valley (大溪谷)	–	–	–	106,155	27,881	3,807	298,837	67,987	4,396	R, C
Fantasia Town (花樣城)	–	–	–	–	–	–	261,772	81,468	3,213	R
	619,168	201,074		1,064,604	157,136		2,322,037	352,996		

Note:

(1) Types of properties include: (i) "R," which stands for "residential," (ii) "C," which stands for "commercial," (iii) "O," which stands for "office and others," including office and industrial.

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. See "Business — Property Development — Pre-sale, Sales and Marketing." In general, there is a time difference, typically ranging from several months to one year, between the time we commence pre-selling properties under development and the completion of the construction of such properties. We do not recognize any revenue from the pre-sales of our properties until such properties are completed and the properties have been delivered to the purchasers, even though we receive payments at various stages prior to delivery. Before the delivery of a pre-sold property, payments received from purchasers are recorded as "Deposits received on sale of properties" under "Current Liabilities" on our consolidated statements of financial position. As our revenue from sales of properties are recognized upon the delivery of properties, the timing of such delivery may affect not only the amount of our property development revenue but may also cause changes in other payables and accruals to fluctuate from period to period.

Property Investment

Revenue derived from our properties held for investment represents revenue received and receivable from our investment properties, which has historically been generated from the rental of offices, retail shops and car parking spaces, and recognized on a straight-line basis over the relevant lease period. Going forward, we expect that our revenue from investment properties will increase as we develop additional properties and as we expand the properties that are held for investment. We believe the increase of such revenue will help us reduce over-reliance on a particular sector of the property market, diversify our risk exposure and provide us with a stable recurring revenue.

Property Agency Services

Revenue derived from property agency services provided by our subsidiary Xingyan Property Consultancy is recognized when services are provided. This means that for primary property agency services, revenue is recognized when a successful sale of a property has occurred, which is defined in each contract and is usually achieved after the purchaser has executed the purchase contract, made the required down payment, and the purchase contract has been registered with the relevant government authorities. Each agency contract specifies commission rates expressed as a percentage of the project transaction value, defined as the aggregate sales proceeds of all property units we have sold for the project. Typically, agency contracts stipulate that the developer clients are responsible for the cost of promotion and advertising, either by paying the costs directly or reimbursing us for the promotion and advertising costs we have incurred. Commissions are typically settled at the end of a sales period typically lasting several months. During the time between sales are actually made and the time of collection, commissions are recorded as "trade and other receivables" on our consolidated statement of financial position. Additional revenue may also be earned if certain sales and other performance targets are achieved, and is recognized when the relevant required targets are accomplished. Services are considered provided and revenue is recognized for secondary property brokerage services upon execution of a transaction agreement between the buyer/lessee and the seller/lessor and for property consulting and advisory services when performance obligations under the relevant service contract are completed and the customer accepts the contracted deliverable.

Property Operation Services

Revenue derived from property operation services is recognized when the related services are provided. Our subsidiary Shenzhen Fantasia Colour Life Technology Co., Ltd. ("Shenzhen Fantasia Colour") and its subsidiaries provide property operation services, which include property management, building equipment for installations, maintenance and repair and other value-added services, for our properties as well as properties developed by other developers. The time lag between when the invoices are sent to clients and the time of collection is reflected in "trade and other receivables" on our consolidated statement of financial position.

Hotel Services

Revenue derived from hotel management and related services is recognized when such services are provided. Our subsidiaries Shenzhen Caiyue Hotel Management Co., Ltd. ("Shenzhen Caiyue Hotel Management") and Shenzhen Caiyue Hotel Co., Ltd. ("Shenzhen Caiyue Hotel Co., Ltd."), started providing hotel services in December 2008. We expect our revenue from hotel services to increase in the future as we intend to provide our hotel services to additional hotels, including our own boutique hotels that are currently under development.

Cost of Sales

Cost of sales for our property development business primarily represents the costs we incur directly for our property development activities. The principal component of cost of sales for our property development business is the cost of properties sold, which includes the direct cost of construction, costs of land and capitalized finance costs on related borrowings during the period of construction.

Construction costs include all of the costs for the design and construction of a project, including payments to third-party contractors and designers and costs of construction materials. Historically, construction material costs, which are generally included in the payments to the construction contractors, particularly the cost of steel and cement, have been a major cause of fluctuations in our construction costs. Price movements of other supplies in relation to property developments, including elevators, interior decoration materials and air conditioning systems, may also increase our construction costs. Costs associated with design and construction of the foundation are another major component of our construction costs and will vary according to the area and height of the buildings as well as the geological conditions of the site. Therefore, construction costs of a property development may be higher if the conditions of a site require more complex designs and processes or more expensive materials in order to provide the necessary foundation support. In addition, with the PRC government's recent policies aiming to enhance the protection for employees and increased employers' liability in many circumstances, our labor costs may increase in the future which in turn will increase our construction costs.

Costs of land include costs relating to the acquisition of rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with land grants from the PRC government or land obtained in the secondary market by transfer, cooperative arrangement, corporate acquisition or otherwise. Our costs of land are influenced by a number of factors, including the location of the property, the timing of the acquisition, the project's plot ratios, the method of acquisition and changes in PRC regulations. We may also be required to pay demolition and resettlement costs.

We capitalize a significant portion of our finance costs to the extent that such costs are directly attributable to the acquisition and construction of a project. In general, we capitalize finance costs incurred from the commencement of the planning and design of a project, which typically precedes the receipt of a construction works commencement permit, until the completion of construction. For any given project, the finance costs incurred after the end of the month in which construction on the project is completed are not capitalized, but are instead accounted for as finance costs in the period in which they are incurred.

Our cost of sales for our property investment, property agency services, property operation services and hotel services primarily consists of direct costs related to such business activities, which primarily include, depending on the type of businesses, salaries and commissions, costs of rental, utility and consumable products for our on-site sales offices for our primary property agency services, certain office expenses and advertising and marketing expenses.

The table below sets forth information relating to our cost of sales for each of our business segments and as a percentage of total cost of sales for the periods indicated:

	For the Year Ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Property development							
Construction costs	368,974	67.2	478,215	67.9	1,109,500	162,542	77.5
Land use rights	78,409	14.3	133,187	18.9	220,245	32,266	15.4
Capitalized finance costs	5,527	1.0	13,533	1.9	24,659	3,613	1.7
Total property development	452,910	82.5	624,935	88.7	1,354,404	198,421	94.6
Property investment	324	0.1	615	0.1	594	87	0.0
Property agency services	74,723	13.6	46,734	6.6	43,804	6,417	3.1
Property operation services	20,513	3.7	29,683	4.2	28,913	4,236	2.0
Hotel services	–	–	2,767	0.4	4,097	600	0.3
Others	750	0.1	–	–	–	–	–
Total	549,220	100.0	704,734	100.0	1,431,812	209,762	100.0

Changes in Fair Value of Investment Properties

Investment properties are properties held to earn rental income and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Property that is being constructed or developed for future use as an investment property is classified as an investment property. We have concluded the fair value of the investment properties under development cannot be measured reasonably, therefore, our investment properties under development continue to be measured at cost until such time as fair value can be determined or construction is completed. Our investment properties are currently comprised primarily of office units, retail spaces and car parking spaces. Once an investment property is sold or if the investment property is permanently withdrawn from use and no future economic benefits are expected, gains or losses on disposals of such investment property are recognized as "Gain/loss on disposal of investment properties."

Gains or losses arising from changes in the fair values of investment properties are included in our consolidated statements of comprehensive income in the period in which they arise. Investment properties are initially recognized at cost, subsequent to initial recognition, investment properties are stated on our consolidated statement of comprehensive income as non-current asset at fair value, which reflects market conditions as of the date of our consolidated statement of comprehensive income. The valuation is determined by independent and qualified professionals and involves the exercise of professional judgment on the part of the valuation professionals and the use of certain assumptions, such as making reference to comparable sales evidence available in the market.

Selling and Distribution Expenses

Selling and distribution expenses include sales commissions, advertising and promotion expenses related to the sale of our properties and the promotion of our brand and services, which include advertisements on television and in newspapers, magazines, on billboards, promotional offers made directly to our customers and certain other promotional events.

Administrative Expenses

Administrative expenses include staff costs, office rental payments, depreciation and amortization, travelling and entertainment expenses, professional fees and general office expenses. We have experienced significant increase in our administrative expenses in connection with the continued growth of our property development business during the three years ended December 31, 2009, which was primarily due to an increase in the number of our employees and the increase in the average salaries for our employees.

Finance Costs

Finance costs consist primarily of interest costs on borrowings net of capitalized finance costs. We capitalize a portion of our finance costs to "properties for sales" on our consolidated statements of financial position to the extent that such costs are directly attributable to the construction of a project. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness and the interest rates on such indebtedness. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the finance costs related to a property development can be capitalized. As a result, the period to period fluctuation of our finance costs is also attributable to the amount and timing of capitalization. See "— Cost of Sales."

Income Tax Expenses

Income tax expenses represent PRC corporate income tax and LAT payable by our subsidiaries in China. The corporate income tax rate that was generally applicable in China during the three years ended December 31, 2009 was 33% of the taxable income prior to 2008 and 25% of the taxable income from 2008. Prior to January 1, 2008, our subsidiaries located in Shenzhen and Fantasia (Chengdu) Development Co., Ltd. were subject to a 15% tax rate while our other subsidiaries were subject to a 33% tax rate. Under the EIT Law that became effective on January 1, 2008, a uniform income tax rate of 25% is imposed on the taxable income of both domestic enterprises and foreign-invested enterprises, enterprises that were subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower rate and gradually transition to the new tax rate within five years after implementation of the EIT Law. As a result of the EIT Law, the applicable enterprise income tax rate for our subsidiaries in Shenzhen is 18%, 20%, 22% and 24% in 2008, 2009, 2010 and 2011, respectively and 25% for 2012 onwards. In addition, Fantasia (Chengdu) Development Co., Ltd. will also transition to the new tax rate of 25% although the schedule of such transition has not been determined as of date of this document, by the relevant tax authorities. The tax rate for our other subsidiaries in China will be reduced to 25%. During the three years ended December 31, 2009, our effective income tax rate has fluctuated in accordance with the geographic region in which the sale of our property development had occurred during the period. For example, most of our subsidiaries in Chengdu were subject to a higher tax rate during the three years ended December 31, 2009, which was 33% prior to 2008 and 25% thereafter, as compared to our subsidiaries in Shenzhen, where the tax rate was 15% prior to 2008, 18% in 2008, 20% in 2009 and 22% in 2010. As a result, if we derived a higher portion of our revenue from our subsidiaries in Chengdu that were subjected to the higher tax rate in a period during the three years ended December 31, 2009, our effective income tax rate for that period will be higher, such as in 2007, when we derived almost all of our property development revenue from our subsidiaries in Chengdu, as compared to 2008, when a higher percentage of our property development revenue was derived from our subsidiaries in Shenzhen.

We are currently not subject to Cayman Islands income tax pursuant to an undertaking obtained from the Governor in Cabinet for a period of twenty years from October 30, 2007.

LAT expenses represent provisions for the estimated LAT payable in relation to our properties delivered during a period. Property developers in China that receive income from the sale or transfer of state-owned land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the "appreciated value of the property." However, no LAT is payable for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the "total deductible items," as such term is defined in the relevant tax laws. Whether a property qualifies for the ordinary standard residential property exemption is determined by the local government taking into consideration the property's plot ratio, aggregate GFA and sale price.

We provided for deferred tax, using the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statements of financial position date. Deferred taxation liabilities are generally recognized for all taxable temporary differences, and deferred taxation assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Significant management estimation is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Critical Accounting Policies

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 3 to our consolidated financial statements included in this document. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition, cost or expense allocation and provision. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our consolidated financial statements.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for properties sold and services provided in the normal course of business, net of discounts. Revenue from sales of properties is recognized when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated statements of financial position as deposits received on sale of properties under current liabilities.

Cost of Sales and Properties for Sale

We recognize the cost of sales of our properties for a given period to the extent that revenue from such properties has been recognized in such period. Prior to their delivery, properties under development and properties for sale are included on our consolidated statements of financial position as "properties for sale" at the lower of cost and net realizable value. The cost of sales for each property that we sell includes construction costs, costs of land and capitalized finance costs on related borrowings during the period of construction, based upon the total GFA of properties expected to be sold in each project, which are allocated to each property based on the estimated relative GFA of each property sold. We make such estimates based on the information available at the time of completion of the relevant sales contracts, including the development plan and budget for the project. If there is any change to the estimated total development cost subsequent to the initial sale of a project such as fluctuations in construction costs or changes in development plans, we will need to finalize the cost with the contractor and allocate the increased or decreased cost to all the properties in the project, which will increase or decrease the unit costs of, and erode or improve the margins realizable on, the properties of the project during the period in which such change occurs.

We record the cost of properties for sales on our consolidated statements of financial position based on the costs of acquired land for development and the invoices and construction progress reports of our construction contractors and the construction supervisory companies in respect of the completion of construction projects.

Properties for sales which have either been pre-sold or which are intended for sale and are expected to be completed within the normal operating cycle from the consolidated statements of financial position date are classified as current assets.

Net realizable value for our properties under development is determined by reference to management estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs of completion. Net realizable value for our completed properties for sales is determined by reference to management estimates of the selling price based on prevailing market prices, less applicable variable selling expenses. We are required to revise these estimates if there is a change in market condition or demand. If actual market conditions are less favorable than those projected by our management, additional adjustments to the value of properties under development may be required.

Valuation of Our Investment Properties

Our investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers used valuation methods that involve certain estimates. In relying on the valuation report, our management team has exercised its judgment and is satisfied that these valuation methods reflect current market conditions.

Capitalized Finance Costs

We capitalize a significant portion of our finance costs to the extent that such costs are directly attributable to the acquisition and construction of a project or a project phase. In general, we capitalize finance costs incurred from the commencement of development of a relevant project until the completion of construction. For purposes of capitalization of finance costs, development commences when we begin the planning and design of a project with the relevant loan proceeds and ends after the relevant construction has been completed. For any given project, the finance costs incurred after the end of the month in which construction on the project is completed are not capitalized, but are instead accounted for in our consolidated statements of comprehensive income as finance costs in the period in which they are incurred.

Results of Operations

The following table sets forth our results of operations for the periods indicated which are derived from the consolidated statements of comprehensive income included in this document. Our historical results presented below are not necessarily indicative of future results.

	For the Year Ended December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$
	(in thousands)			
Revenue	772,057	1,174,211	2,458,673	360,197
Cost of sales	(549,220)	(704,734)	(1,431,812)	(209,762)
Gross profit	222,837	469,477	1,026,861	150,435
Other income, gains and losses	2,726	59,034	26,566	3,892
Gain on fair value changes of investment properties	86,875	13,807	34,476	5,051
Recognition of change in fair value of completed properties for sale upon transfer to investment properties	2,170	302	–	–
Selling and distribution expenses	(39,616)	(49,837)	(80,480)	(11,790)
Administrative expenses	(94,458)	(162,677)	(177,229)	(25,964)
Finance costs	(12,167)	(69,941)	(51,800)	(7,589)
Impairment loss recognized in respect of goodwill	–	(2,305)	–	–
Share of results of associates	(1,548)	(3,789)	(1,899)	(278)
Profit before taxation	166,819	254,071	776,495	113,757
Income tax expense	(82,552)	(156,550)	(407,050)	(59,633)
Profit and total comprehensive income for the year	84,267	97,521	369,445	54,124
Profit for the year attributable to:				
Owners of the Company	68,797	84,259	373,469	54,714
Minority interests	15,470	13,262	(4,024)	(590)
	84,267	97,521	369,445	54,124

Comparison of the Year Ended December 31, 2009 to the Year Ended December 31, 2008

Revenue. Our revenue increased by 109.4% to RMB2,458.7 million (US$360.2 million) for the year ended December 31, 2009 from RMB1,174.2 million in 2008. This was due primarily to an increase in revenue derived from our property development business.

The below table and discussion set forth the revenue attributable to each of our business segments for the years indicated:

	For the Year Ended December 31,				
	2008		2009		
	RMB	%	RMB	US$	%
	(in thousands, except for percentages)				
Property development	1,064,604	90.7	2,322,037	340,180	94.4
Property investment	11,029	0.9	10,806	1,583	0.4
Property agency services	40,224	3.5	57,775	8,464	2.3
Property operation services	57,875	4.9	63,900	9,361	2.6
Hotel services	479	0.0	4,155	609	0.3
Total	1,174,211	100.0	2,458,673	360,197	100.0

Property development. Revenue derived from property development increased by 118.1% to RMB2,322.0 million (US$340.2 million) for the year ended December 31, 2009, from RMB1,064.6 million in 2008. This increase was due primarily to an increase in total GFA sold. Selling prices of our properties sold in 2009 increased in general as compared to those in 2008. However, as we sold Fantasia Town, a new property we started to sell in 2009, at relatively low prices as compared to our other properties, our average selling price of properties in 2009 decreased slightly as compared to that in 2008. The table below sets forth the total revenue derived from each project:

	For the Year Ended December 31,				
	2008		2009		
	RMB	%	RMB	US$	%
	(in thousands, except for percentages)				
Chengdu Love Forever (成都花郡) . . .	281,628	26.5	1,054,296	154,455	45.4
Shenzhen Future Plaza (深圳香年廣場)	432,495	40.6	571,340	83,702	24.6
Fantasia Town (花樣城)	–	–	261,772	38,350	11.3
Flower Harbor (花港家園)	64,402	6.0	135,792	19,893	5.8
Grand Valley (大溪谷)	106,155	10.0	298,837	43,780	12.9
Chengdu My Place (成都花好園)	179,924	16.9	–	–	–
Total	1,064,604	100.0	2,322,037	340,180	100.0

Property investment. Revenue derived from property investment remained stable at approximately RMB10.8 million (US$1.6 million), as compared to RMB11.0 million in 2008.

Property agency services. Revenue derived from property agency services increased by 43.6% to RMB57.8 million (US$8.5 million) for the year ended December 31, 2009 from RMB40.2 million in 2008. This increase was due primarily to increase in the aggregate sale price of the properties that our property agency services business sold in 2009 as a result of an increase in general real estate activities in 2009 as compared to that in 2008.

Property operation services. Revenue derived from property operation services increased by 10.4% to RMB63.9 million (US$9.4 million) for the year ended December 31, 2009 from RMB57.9 million in 2008. This increase was due primarily to an increase in the GFA of properties that we managed during in 2009.

Hotel services. Revenue derived from hotel services increased by 767.4% to RMB4.1 million (US$0.6 million) for the year ended December 31, 2009 from RMB0.5 million in 2008. This increase was due primarily to an increase in the occupancy rate of the hotel during 2009.

Cost of sales. Our cost of sales increased by 103.2% to RMB1,431.8 million (US$209.8 million) for the year ended December 31, 2009 from RMB704.7 million for the same period in 2008. This increase was due primarily to an overall increase in construction costs, land costs and finance costs as a result of the increase in the total GFA sold for the year ended December 31, 2009 as compared to the same period in 2008.

Gross profit. As the result of the foregoing, our gross profit increased by 118.7% to RMB1,026.9 million (US$150.4 million) for the year ended December 31, 2009 from RMB469.5 million for the same period in 2008, while our gross margin increased to 41.8% in 2009 from 40.0% in 2008. This increase was in line with the increase in the total revenue in 2009 and our change in product mix.

Other income, gains and losses. Our other income, gains and losses decreased by 55.0% to RMB26.6 million (US$3.9 million) for the year ended December 31, 2009 from RMB59.0 million for the same period in 2008. This decrease was due primarily to approximately RMB35.6 million in exchange gain in 2008, while it was a loss of approximately RMB1.3 million (US$0.2 million) in 2009. The exchange gain was due to the appreciation of Renminbi against the U.S. dollar related to the US$100 million pre-IPO bond, which was denominated in U.S. dollars.

Gain on fair value changes of investment properties. Our gain on fair value changes of investment properties increased by 149.7% to RMB34.5 million (US$5.1 million) from RMB13.8 million in 2008. This increase was due primarily to the more favorable property market condition in 2009 as compared to 2008.

Recognition of change in fair value of completed properties for sale upon transfer to investment properties. Our recognition of change in fair value of completed properties for sale upon transfer to investment properties decreased from RMB0.3 million in 2008 to nil in 2009.

Selling and distribution expenses. Our selling and distribution expenses increased by 61.5% to RMB80.4 million (US$11.8 million) for the year ended December 31, 2009 from RMB49.8 million for the same period in 2008. This increase was due primarily to an increase in general sales, marketing and advertising activities resulting from an increase in the number of properties that were pre-sold in 2009 as compared to that in 2008.

Administrative expenses. Our administrative expenses increased by 8.9% to RMB177.2 million (US$26.0 million) for the year ended December 31, 2009 from RMB162.7 million for the same period in 2008. This increase was due primarily to an increase in professional fees and other expenses incurred in connection with our IPO on the Hong Kong Stock Exchange in November 2009.

Impairment loss recognized in respect of goodwill. In 2008, we recognized an impairment loss of RMB2.3 million in respect of goodwill associated with our acquisition of Shenzhen Liantang Property Management Co., Ltd ("Shenzhen Liantang Management"). We did not have such impairment loss in 2009.

Share of results of associates. Our share of loss of associates was RMB3.8 million and RMB1.9 million (US$0.3 million) in 2008 and 2009, respectively, due primarily to loss incurred by our associates.

Finance costs. Our finance costs decreased by 25.9% to RMB51.8 million (US$7.6 million) for 2009 from RMB69.9 million for the same period in 2008. This decrease was due primarily to an increase in interests capitalized in properties for sales, which was partially offset by an increase in interest expense as a result of an increase in borrowing.

Income tax expense. Our income tax expense increased by 160.0% to RMB407.1 million (US$59.6 million) for 2009 from RMB156.6 million in 2008. This increase was due primarily to an increase in enterprises income tax and land appreciation tax as a result of increase in properties sold in 2009 as compared to that in 2008.

Profit and Total Comprehensive Income Attributable to Owners of the Company. Profit and total comprehensive income attributable to owners of the Company increased by 343.1% to approximately RMB373.5 million (US$54.7 million) in 2009 from approximately RMB84.3 million in 2008. This increase was due primarily to an increase in properties sold in 2009 as compared to that in 2008. Our net profit margin increased to 15.2% in 2009 from 7.2% in 2008.

Comparison of the Year Ended December 31, 2008 to the Year Ended December 31, 2007

Revenue. Our revenue increased by 52.1% to RMB1,174.2 million (US$172.0 million) in 2008 from RMB772.1 million in 2007. This was due primarily to an increase in revenue derived from our property development business and property operation services business, which was partially offset by a decrease in revenue from our property agency services.

The below table and discussion set forth a summary of revenues derived from each of our business segments:

	For the Year Ended December 31,			
	2007		2008	
	RMB	%	RMB	%
	(in thousands, except for percentages)			
Property development	619,168	80.2	1,064,604	90.7
Property investment	10,649	1.4	11,029	1.0
Property agency services	97,151	12.6	40,224	3.4
Property operation services	41,857	5.4	57,875	4.9
Hotel services	–	–	479	0.0
Others	3,232	0.4	–	–
Total	772,057	100.0	1,174,211	100.0

Property development. Revenue derived from property development increased by 71.9% to RMB1,064.6 million in 2008 from RMB619.2 million in 2007. This increase was due primarily to an 120.0% increase in the average selling price of properties sold to our customers in 2008 as compared to 2007, which was partially offset by a decrease in total GFA sold to our customers in 2008 as compared to 2007. Average selling price of properties sold to our customers increased in 2008 due to the overall increase of property values in Shenzhen and Chengdu at the time such property was pre-sold and the higher average selling price of Shenzhen Future Plaza (深圳香年廣場), a project that is usually purchased by customers as office space which has higher market price than residential properties, as compared to the other more residential oriented properties. The following table sets forth the revenue generated from each project in 2007 and 2008:

	For the Year Ended December 31,			
	2007		2008	
	RMB	%	RMB	%
	(in thousands, except for percentages)			
Fantasia Special Town (別樣城)	316,489	51.1	–	–
Chengdu Love Forever (成都花郡)	300,263	48.5	281,628	26.5
Shenzhen Pair Life (深圳錦上花)	1,136	0.2	–	–
Self Life (趣園)	1,280	0.2	–	–
Shenzhen Future Plaza (深圳香年廣場)	–	–	432,495	40.6
Chengdu My Place (成都花好園)	–	–	179,924	16.9
Grand Valley (大溪谷)	–	–	106,155	10.0
Flower Harbor (花港家園)	–	–	64,402	6.0
Total	619,168	100.0	1,064,604	100.0

Property investment. Revenue derived from property investment increased by 3.6% to RMB11.0 million in 2008 from RMB10.6 million in 2007. This increase was due primarily to an increase in the number of investment properties in 2008 as compared to 2007.

Property agency services. Revenue derived from property agency services decreased by 58.6% to RMB40.2 million in 2008 from RMB97.2 million in 2007. This decrease was due primarily to a decrease in the aggregate sale price of the properties that our property agency services business sold in 2008 as a result of a decrease in general real estate activities in 2008 as compared to 2007.

Property operation services. Revenue derived from property operation services increased by 38.3% to RMB57.9 million in 2008 from RMB41.9 million in 2007. This increase was due primarily to an increase in the GFA of properties that we managed during 2008, which increased from approximately 4.4 million square meters at the end of 2007 to approximately 7.6 million square meters at the end of 2008. This increase in GFA under management was due to an increase in the number of properties under management.

Hotel services. Revenue derived from hotel services was RMB0.5 million in 2008, which was mainly derived from hotel management and other related services provided by us that began in December 2008. We derived nil revenue from hotel services in 2007 as we did not provide hotel services until 2008.

Cost of sales. Our cost of sales increased by 28.3% to RMB704.7 million in 2008 from RMB549.2 million in 2007. This increase was due primarily to an overall increase in construction costs, land costs and financing costs as a result of the increase in material and labor costs and higher interest rate on capitalized finance costs in 2008 as compared to 2007.

Gross profit and margin. As the result of the foregoing, our gross profit increased by 110.7% to RMB469.5 million in 2008 from RMB222.8 million in 2007. Our gross margin increased to 40.0% in 2008 from 28.9% in 2007. This increase was due primarily to a higher percentage of revenue derived from Shenzhen Future Plaza (深圳香年廣場) which have a higher gross margin as compared to our other residential oriented properties, in 2008 as compared to 2007.

Other income, gains and losses. Our other income, gains and losses increased by 2,065.6% to RMB59.0 million in 2008 from RMB2.7 million in 2007. This increase was due primarily to RMB35.6 million in exchange gain and RMB14.1 million in government grant in 2008, which we did not experience in 2007. The exchange gain was due to the appreciation of Renminbi against the U.S. dollar related to the Pre-IPO bond, which are denominated in U.S. dollars. The government grant was due to refund of a certain portion of taxes paid during the year from the local government in Chengdu as an incentive to promote investment activities. In addition, the increase in other income was also due in part to an increase in interest income to RMB8.0 million in 2008 from RMB2.4 million in 2007 as a result of an increase in average bank balances and cash holdings in 2008 as compared to 2007.

Gain on fair value changes of investment properties. Our gain on fair value changes of investment properties decreased by 84.1% to RMB13.8 million in 2008 from RMB86.9 million in 2007. This decrease was due primarily to the more favourable property market condition in 2007 as compared to 2008.

Recognition of change in fair value of completed properties for sale upon transfer to investment properties. Our recognition of change in fair value of completed properties for sale upon transfer to investment properties decreased by 86.1% to RMB0.3 million in 2008 from RMB2.2 million in 2007. This decrease was primarily due to the decrease in the GFA of properties for sales completed in 2008 that we transferred to investment properties as compared to 2007.

Selling and distribution expenses. Our selling and distribution expenses increased by 25.8% to RMB49.8 million in 2008 from RMB39.6 million in 2007. This increase was primarily due to an increase in general sales, marketing and advertising activities resulting from an increase in the number of properties that are pre-sold in 2008 as compared to 2007 and an increase in marketing expenses related to the attendance of real estate property exhibitions.

Administrative expenses. Our administrative expenses increased by 72.2% to RMB162.7 million in 2008 from RMB94.5 million in 2007. This increase was due primarily to an increase in the total number of our employees and an increase in average salaries in connection with the continued growth of our property development business in 2008 that amounted to RMB81.7 million as compared to RMB40.8 million in 2007, an increase in professional fees to RMB19.1 million in 2008 from RMB6.5 million in 2007 incurred in connection with the Pre-IPO investment and our IPO and an increase in traveling, accommodation and entertainment expenses to RMB15.3 million from RMB12.0 million as a result of an increase in the number and the geographic diversity of properties that are under development.

Finance costs. Our finance costs increased by 474.8% to RMB69.9 million in 2008 from RMB12.2 million in 2007. This increase was due primarily to interest expense associated with the Pre-IPO bond issued at the end of 2007.

Impairment loss recognized in respect of goodwill. Our impairment loss recognized in respect of goodwill was RMB2.3 million in 2008 while the impairment loss recognized in respect of goodwill in 2007 was nil. Impairment loss recognized in respect of goodwill was incurred in 2008 as a result of impairment to the goodwill associated with our acquisition of Shenzhen Liantang.

Share of results of associates. Our share of loss of associates was RMB1.5 million and RMB3.8 million in 2007 and 2008, respectively, due primarily to loss incurred by our associates.

Income tax expense. Our income tax expense increased by 89.6% to RMB156.6 million in 2008 from RMB82.6 million in 2007. This increase was due primarily to an increase in LAT expenses to RMB104.2 million in 2008 from RMB2.6 million in 2007, which was offset by a decrease in EIT expense (including the deferred tax) from RMB80.0 million in 2007 to RMB52.3 million in 2008. LAT expenses were significantly higher in 2008 as compared to 2007 due primarily to the higher appreciated value of Shenzhen Future Plaza (深圳香年廣場) sold in 2008, a project that is usually purchased by customers as office space which has a higher market price, as compared to the primarily residential development projects that was sold in 2007 that had a lower appreciated value. The effective tax rate in relation to EIT expense decreased from 47.9% in 2007 to 20.6% in 2008. The decrease in effective tax rate was due primarily to: (i) the decrease in tax rate in Chengdu from 33% in 2007 to 25% in 2008; and (ii) the fact that we derived a larger portion of our revenue in 2008 from our subsidiaries in Shenzhen, which were subject to a lower tax rate than our subsidiaries in Chengdu. The exceptionally high effective tax rate in 2007 was also due to a deferred tax liability of RMB29.5 million recognized in that year.

Profit for the year attributable to owners of the Company. Our profit attributable to owners of the Company increased by 22.5% to RMB84.3 million in 2008 from RMB68.8 million in 2007. This increase was due primarily to increase in properties sold in 2008 as compared to 2007. Our net profit margin decreased slightly to 7.2% in 2008 from 8.9% in 2007.

Profit for the year attributable to minority interests. Our profit attributable to minority interests decreased by 14.3% to RMB13.3 million in 2008 from RMB15.5 million in 2007. Profit attributable to minority interests represented the profit shared by the minority shareholders of our subsidiaries. From 2007 to 2008, we acquired the minority interests in some of our subsidiaries from their minority shareholders. As a result, a smaller portion of our profit and total comprehensive income were attributed to such minority shareholders in 2008 as compared to 2007. The decrease in profit attributable to minority interests from 2007 to 2008 is also due in part to a larger portion of our profits derived from Shenzhen Xingyan Investment Development Co., Ltd., in which we owned a 52% equity interest, in 2007 compared to 2008.

Liquidity and Capital Resources

Cash Flows

The following table sets forth our net cash flow for the periods indicated:

	For the Year Ended December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$
	(in thousands)			
Net cash (used in) from operating activities . .	(88,372)	(1,037,416)	160,786	23,555
Net cash used in investing activities	(258,328)	(460,247)	(1,010,467)	(148,034)
Net cash from financing activities	1,290,161	491,671	4,243,656	621,699
Net increase (decrease) in cash and cash equivalents	943,461	(1,005,992)	3,393,975	497,220
Cash and cash equivalents at end of year.	1,320,657	303,046	3,696,488	541,539

Cash Flows from Operating Activities

Our cash used in operating activities principally comprises amounts we pay for our property development activities, which are reflected on our consolidated statements of financial position as an increase in our properties for sales. Our cash provided by operating activities is generated principally from the proceeds from the sales of our properties, including pre-sales of properties under development, as well as commissions and fees received from our property agency services, property operation services and hotel services businesses.

In 2009, our net cash from operating activities was RMB160.8 million (US$23.6 million). Cash from operating activities for the year ended December 31, 2009 consisted primarily of an increase in deposits received for the sale of properties of RMB1,287.8 million (US$188.7 million), a profit before taxation of RMB776.5 million (US$113.8 million) and an increase in trade and other payables of RMB167.9 million (US$24.6 million), partially offset by an increase in properties for sales of RMB832.8 million (US$122.0 million) and an increase in trade and other receivables of RMB842.4 million (US$123.4 million).

In 2008, our net cash used in operating activities was RMB1,037.4 million. Cash used in operating activities in 2008 consisted primarily of an increase in properties for sales of RMB1,358.3 million and a decrease in deposits received on sale of properties of RMB33.9 million, partially offset by a profit before taxation of RMB254.1 million, an increase in trade and other payables of RMB223.9 million and a decrease in trade and other receivables of RMB89.3 million. Our net cash used in operating activities in 2008 was primarily due to cash outflow associated with construction of Chengdu Hailrun Plaza (成都喜年廣場), Shenzhen Future Plaza (深圳香年廣場), Chengdu Love Forever (成都花郡) and other projects, which was partially offset by deposits received from the pre-sale of our Chengdu Love Forever (成都花郡) and other projects.

In 2007, our net cash used in operating activities was RMB88.4 million. Cash used in operating activities in 2007 consisted primarily of an increase in properties for sales of RMB559.0 million and a decrease in trade and other payables of RMB52.9 million, partially offset by an increase in deposits received on sale of properties of RMB520.5 million. Our net cash used in operating activities in 2007 was primarily due to cash outflow associated with construction commencement of Phase 1.1 of Grand Valley (大溪谷), Shenzhen Future Plaza (深圳香年廣場), Flower Harbor (花港家園) and Chengdu My Place (成都花好園) which was partially offset by deposits received from the pre-sale of Phase 1.1 of Grand Valley (大溪谷), certain phases of Chengdu Love Forever (成都花郡) and Chengdu My Place (成都花好園).

Cash Flows from Investing Activities

In 2009, our net cash used in investing activities was RMB1,010.5 million (US$148.0 million). The primary factors affecting net cash used in investing activities in 2009 included: a deposit paid for acquisition of subsidiaries of RMB423.0 million (US$62.0 million), a deposit paid for acquisition of a property project of RMB352.1 million (US$51.6 million) and an increase in restricted bank deposits of RMB151.9 million (US$22.3 million).

In 2008, our net cash used in investing activities was RMB460.2 million. The primary factors affecting net cash used in investing activities in 2008 included: the acquisition of additional equity interests in our subsidiaries that amounted to RMB241.8 million, the acquisition of the project company for our Chengdu Future Plaza (成都香年廣場) that amounted to RMB157.8 million, the purchase of property, plant and equipment that amounted to RMB26.2 million, an increase in restricted bank deposits of RMB19.8 million and the prepaid lease payments of RMB15.1 million.

In 2007, our net cash used in investing activities was RMB258.3 million. The primary factors affecting net cash used in investing activities in 2007 included: the acquisition of equity interests in certain project companies, including the project companies for our Town on the Water (雲海間) project in Yixing, Yingcheng Lake (營城湖) project in Tianjin and Chengdu Mont Conquerant (成都郡山) in Chengdu, that amounted to RMB371.4 million, the acquisition of additional interests in our subsidiaries that amounted to RMB75.8 million and an increase in investment properties of RMB27.4 million, partially offset by a decrease in amounts due from associates of RMB192.0 million, a decrease in restricted bank deposits of RMB15.0 million and proceeds from disposal of associates that amounted to RMB11.6 million.

Cash Flows from Financing Activities

In 2009, our net cash from financing activities was RMB4,243.7 million (US$621.7 million). The primary factors affecting net cash from financing activities during the period included: an increase in borrowings of RMB3,485.3 million (US$510.6 million), proceeds from issue of shares of RMB2,360.2 million (US$345.8 million), partially offset by repayment of borrowings of RMB772.0 million (US$113.1 million), repayment of loans from shareholders of RMB682.7 million (US$100.0 million) and the share issue expenses of RMB109.4 million (US$16.0 million).

In 2008, our net cash from financing activities was RMB491.7 million. The primary factors affecting net cash from investing activities in 2008 included: an increase in borrowings of RMB800.0 million, advances from related parties of RMB98.6 million and advance from directors of RMB35.0 million, which was partially offset by repayment of borrowings of RMB440.9 million.

In 2007, our net cash from financing activities was RMB1,290.2 million. The primary factors affecting net cash from investing activities in 2007 included: loans from shareholders of RMB735.7 million, proceeds from issuance of Shares of RMB734.9 million and an increase in borrowings of RMB447.5 million, which was partially offset by a repayment of borrowings of RMB365.4 million, a repayment to related parties of RMB151.7 million, a distribution to shareholders of RMB79.4 million and a repayment to directors of RMB66.4 million.

Capital Resources

Property developments require substantial capital investment for land acquisition and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments from internal funds, borrowings from banks, proceeds from sales and pre-sales of our properties, capital contributions from shareholders and proceeds from issuance of equity securities, such as our IPO in November 2009. Our financing methods may vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Bank Balances and Cash

Our bank balances and cash amounted to RMB1,320.7 million in 2007, RMB303.0 million in 2008 and RMB3,696.5 million (US$541.5 million) in 2009. Our bank balances and cash increased by RMB3,393.5 million (US$497.2 million), or 1,120.0%, to RMB3,696.5 million (US$541.5 million) in 2009, from RMB303.0 million in 2008, primarily due to increased cash inflow from financing activities. Our bank balances and cash decreased by RMB1,017.7 million, or 77.1%, from RMB1,320.7 million in 2007 to RMB303.0 million in 2008, principally due to increased cash inflow from our Pre-IPO investment in 2007 and increased cash outflow in operating activities resulting from our development of an increasing number of properties for sale.

Borrowings

Our borrowings primarily consist of loans from commercial banks and other financial institutions. As of December 31, 2009, we had an aggregate bank borrowings of RMB3,440.1 million (US$504.0 million), of which substantially all was denominated in RMB and approximately RMB682.8 million (US$100 million) was denominated in U.S. dollars. Substantially all of our borrowings are secured by land use rights and properties of the Group.

Our borrowings have a range of maturities from less than one year to more than five years. As of December 31, 2009, the weighted average effective interest rate for our fixed rate borrowings was 5.36% per annum and the weighted average effective interest rate for our variable rate borrowings was 4.57% per annum.

The following table sets forth the level of our borrowings and their respective maturity profiles as of the dates indicated.

	As of 31 December,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$
	(in thousands)			
Bank loans	367,873	726,800	2,994,070	438,634
Other loans	–	–	446,000	65,339
	367,873	726,800	3,440,070	503,973
Secured	277,873	460,550	3,044,070	445,959
Unsecured	90,000	266,250	396,000	58,014
	367,873	726,800	3,440,070	503,973
The amount is repayable as follows:				
Within one year	317,943	373,050	1,266,320	185,517
More than one year, but not exceeding two years	286	37,000	1,422,000	208,324
More than two years, but not exceeding five years	45,074	279,750	726,750	106,469
More than five years	4,570	37,000	25,000	3,663
	367,873	726,800	3,440,070	503,973
Less: Amounts due within one year shown under current liabilities	317,943	373,050	1,266,320	185,517
Total	49,930	353,750	2,173,750	318,456

Subsequent to December 31, 2009, we have, from time to time, in the ordinary course of business, entered into additional loan agreements to finance our property developments or for general corporate purposes. As of March 31, 2010, our total outstanding loans were RMB3,894.3 million (US$570.5 million). A substantial portion of these loans were secured by land use rights and properties as well as guaranteed by certain of our PRC subsidiaries.

In April 2010, our wholly owned subsidiary, Fantasia Investment Holding Company Limited, entered into a loan agreement with The Hongkong and Shanghai Banking Corporation Limited for a loan of HK$165 million (US$21.3 million) and a revolving credit facility of up to HK$85 million (US$11.0 million) for working capital purposes. Both facilities carry an interest rate of Hong Kong inter-bank offered rate plus 2% per annum and are subject to reviews by the bank at any time and in any event a review by April 1, 2011 and subject to the bank's overriding right of repayment on demand. These facilities are secured by a limited guarantee of up to HK$250 million by Fantasia Holdings Group Co., Limited and a cash deposit in RMB or other currency in an amount equivalent to Fantasia Investment Holdings Company Limited's outstanding loan balance in its bank accounts at HSBC Bank (China) Company Limited. In addition, Fantasia Group Holdings Co., Ltd. is required to maintain a consolidated net external gearing (i.e., ratio of total interest bearing debt to consolidated tangible net worth plus non-redeemable preference shares and minority interest) of not more than 0.9 and a consolidated tangible net worth of not less than RMB3,000 million at all times and to advise the bank of any major changes in shareholdings from HSBC NF China Investors Ltd. or its subsidiaries.

Commitments

As of December 31, 2009, our contractual obligations in connection with our property development activities, other than loans and borrowings, amounted to RMB1,060.4 million (US$155.4 million), primarily arising from contracted construction fees or other capital commitments for future property developments. The following table sets forth our contractual obligations, other than loans and borrowings, as of the dates indicated:

	As of December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$
	(in thousands)			
Operating lease commitments:				
Within one year	7,422	5,785	5,119	750
In the second to the fifth year inclusive	7,703	15,952	16,473	2,413
After the fifth year	–	18,537	16,531	2,422
Total operating lease commitments	15,125	40,274	38,123	5,585

	As of December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$
	(in thousands)			
Other commitments contracted but not provided for:				
Construction commitments contracted for but not provided in the Financial Information	412,696	1,012,435	1,060,410	155,351
Capital commitments in respect of the acquisition of a subsidiary contracted for but not provided in the Financial Information	6,000	–	–	–
Total other commitments	418,696	1,012,435	1,060,410	155,351

Contingent Liabilities

As of December 31, 2009, we provided guarantees to PRC banks for loans with an aggregate principal amount of RMB1,626 million (US$238.2 million), in respect of mortgages provided by the banks to purchasers of the properties we developed and sold. Our guarantees are issued from the dates of grant of the relevant mortgages and released upon issuance of property ownership certificates or after the full repayment of the underlying mortgages by the purchasers.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by purchasers of the properties, we are responsible to repay the outstanding mortgage loans, together with accrued interests thereon and any penalty owed by the purchasers in default to banks. We are entitled to take over the legal title of the related properties.

Capital Expenditures

The following table sets forth a summary of our capital expenditures during the during the three years ended December 31, 2009:

	As of December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$
	(in thousands)			
Purchase of property, plant and equipment . . .	11,262	26,192	55,768	8,170

Off-balance Sheet Commitments and Arrangements

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

Market Risks

We are exposed to various types of market risks, including changes in interest rate risks, foreign exchange risks and inflation risks in the normal course of business.

Commodities Risk

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. We purchase most of our supplies of steel and cement at market prices. Such purchase costs are generally accounted for as part of contractors' fees pursuant to our arrangements with the relevant contractors. Rising prices for construction materials will therefore affect our construction costs in the form of increased fees payable to our contractors. As a result, fluctuations in the prices of our construction materials could have a significant impact on our results of operations.

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. Our indebtedness are typically fixed rate borrowings that are subject to negotiation in interest rate on an annual basis and any increase in interest rates will increase our finance costs. We currently do not hedge our interest rate risk but may do so in the future.

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and profits. The PBOC published benchmark one-year lending rates in China (which directly affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2007, 2008 and 2009 were 7.47%, 5.31% and 5.31% respectively.

Foreign Exchange Rate Risk

We conduct our business exclusively in Renminbi. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar. Fluctuations in the value of Renminbi to the U.S. dollar may adversely affect our cash flows, revenue, earnings and financial position. For example, if the value of Renminbi appreciates, we would record foreign exchange losses on bank balances and other assets we maintain in non-Renminbi currencies.

Inflation

In recent years, China has not experienced significant inflation, and thus inflation has not had a material impact on our results of operations. According to the National Bureau of Statistics of China, the change in Consumer Price Index in China was 4.8%, 5.9% and -0.7% in 2007, 2008 and 2009, respectively.

Non-GAAP Financial Measures

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

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

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

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

	For the Year Ended December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$
	(in thousands)			
Profit for the year	84,267	97,521	369,445	54,124
Adjustments:				
Gain on fair value changes of investment properties	(86,875)	(13,807)	(34,476)	(5,051)
Recognition of change in fair value of completed properties for sales upon transfer to investment properties	(2,170)	(302)	–	–
Impairment loss recognised in respect of goodwill	–	2,305	–	–
Finance cost – net	9,771	61,990	36,413	5,335
Interest expenses	12,167	69,941	51,800	7,589
Interest income	(2,396)	(7,951)	(15,387)	(2,254)
Income tax expense	82,552	156,550	407,050	59,633
Depreciation expenses	8,066	8,940	8,902	1,304
Amortisation expenses	989	149	1,202	176
EBITDA	96,600	313,346	788,536	115,521

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under HKFRS or U.S. GAAP. Our definition of EBITDA does not account for taxes and other non-operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

The Economy of China

Overview

The economy of China has grown significantly since the PRC government introduced economic reforms in the late 1970's. China's accession to the WTO in 2001 has further accelerated the reform of the PRC economy. China's nominal GDP has increased from approximately RMB13,582.3 billion in 2003 to approximately RMB30,067.0 billion in 2008 at a CAGR of approximately 17.2%. In 2009, China's nominal GDP further increased to approximately RMB33,535.3 billion.

The Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region are four of the most economically prosperous and vibrant regions in China. The table below sets forth the GDP data for China and the aforementioned four regions for the years indicated:

	Nominal GDP (in RMB billions)						CAGR
	2003	2004	2005	2006	2007	2008	2003 to 2008
PRC	13,582.3	15,987.8	18,308.5	21,087.1	24,661.9	30,067.0	17.2%
Chengdu-Chongqing Economic Zone	397.8	472.4	544.1	624.2	743.6	899.8	17.7%
Pearl River Delta region	1,295.7	1,548.5	1,824.5	2,160.9	2,560.7	2,974.6	18.1%
Yangtze River Delta region	2,884.2	3,472.5	4,090.8	4,775.4	5,671.0	6,394.0	17.3%
Beijing-Tianjin metropolitan region	741.1	899.2	1,055.0	1,220.8	1,402.4	1,684.2	17.8%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

The table below sets forth the per capita disposable annual income for urban households for China and the aforementioned four regions for the years indicated. In 2009, China's per capita disposable income of urban households have increased to approximately RMB17,175.0, an 8.8% increase compared to 2008.

	Per capita disposable income of urban households (in RMB)					
	2003	2004	2005	2006	2007	2008
PRC	8,472	9,422	10,493	11,760	13,786	15,781
Chengdu-Chongqing Economic Zone	8,514	9,544	10,555	11,914	14,065	16,090
Pearl River Delta region	15,333(1)	17,886	19,372	21,330	23,245	23,496
Yangtze River Delta region	11,286	12,640	14,489	16,369	18,764	21,119
Beijing-Tianjin metropolitan region	12,420	14,034	15,627	17,673	19,704	22,553

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Note:

(1) Exclude data for Jiangmen in Guangdong province

Importance of Small- and Medium-Enterprises in the Economy of China

Small and medium enterprises[2] are important pillars in the PRC economy. According to the industry report prepared by China Real Estate Top 10 Research Team, the number of employees in small- and medium-enterprises represents over 77% of the total employees of "above-scale enterprises"[3], revenues from small- and medium-enterprises represent over 62% of the total revenues of above-scale enterprises; and gross output value of small- and medium-enterprises represents over 63% of such value of above-scale enterprises.

The Property Market In China

Overview

We believe the economic growth of China, the increase in disposable income, the emergence of the mortgage lending market and the increase in the urbanization rate, are key factors in sustaining the growth of China's property market. Government housing reforms continue to encourage private ownership and it is expected that an increasing proportion of urban residents who will own private properties will continue to increase over the coming years in the near future. The table below sets forth selected figures showing China's urbanization rate and the increase in disposable income levels of the urban population in China for the periods indicated:

	2003	2004	2005	2006	2007	2008	2009
Urban population (in millions)	523.8	542.8	562.1	577.1	593.8	606.7	621.9
Total population (in millions)	1,292.3	1,299.9	1,307.6	1,314.5	1,321.3	1,328.0	1,334.7
Urbanization rate (%)	40.5%	41.8%	43.0%	43.9%	44.9%	45.7%	46.6%
Annual disposable income of urban households (in RMB millions)	4,437.6	5,114.3	5,898.1	6,786.1	8,186.1	9,574.3	10,681.1

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Pearl River Delta region is the earliest area in China that has experienced real estate marketization. As China's economy continues to develop and mature, there was an increasing shift in real estate activities from the southern part of China to the north. As a result, the Yangtze River Delta region and Beijing-Tianjin metropolitan region has joined the Pearl River Delta region to form three of the most prosperous zones in China. Due to various factors that include varying regional economic development level, city development characteristics and maturity of the different real estate markets, the property markets in the PRC possesses distinct regional differences. However, major cities in the three traditional economic zones of the Yangtze River Delta region, the Pearl River Delta region and the Beijing-Tianjin metropolitan region are still recognized as leading cities in the real estate market in China. The historical and recent development and trend in the real estate market in China has also shown an increase of activities from the eastern part of China to the west and from the coastal regions to the inland regions. Such trend, along with the implementation of the Western Development Policy by the PRC government to promote the development of China's western region, the Chengdu-Chongqing Economic Zone has in recent years gradually attracted significant investment and has become the business hub of western China.

2. *According to the Notice on Issuance of Interim Provisions of Standards for Small- and Medium-Enterprises (關於印發中小企業標準暫行規定的通知) issued by the State Economic and Trade Commission, State Development Planning Commission (now known as NDRC), MOF and National Bureau of Statistics of China, small- and medium-enterprises are defined based on the number of employees, revenues and the total asset value of such enterprises.*

3. *According to the section entitled "Description" in 2005 Statistic Yearbook of Small and Medium Enterprises, 2006 Statistic Yearbook of Small and Medium Enterprises, and 2007 Statistic Yearbook of Small and Medium Enterprises, "above-scale enterprises" refer to all of the state-owned enterprises and the non-state-owned enterprises with annual revenue of over RMB5.0 million.*

The table below sets forth the property development investment for China and the aforementioned four regions for the years indicated. China's property development investment has increased from approximately RMB1,590.9 billion in 2005 to approximately RMB3,623.2 billion in 2009 at a CAGR of approximately 22.8%.

Property Development Investment

	2003	2004	2005	2006	2007	2008	2005-2008 CAGR
				(in RMB billions)			
PRC	1,015.4	1,315.8	1,590.9	1,942.2	2,528.0	3,058.0	24.3%
Chengdu-Chongqing Economic Zone	57.3	68.5	96.8	124.9	176.0	190.4	25.3%
Pearl River Delta region . .	72.6	126.7	137.8	165.7	223.2	265.2	24.4%
Yangtze River Delta region	269.1	374.0	424.8	475.7	564.5	643.1	14.8%
Beijing-Tianjin metropolitan region	141.4	173.7	185.3	212.2	250.1	256.2	11.4%

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Property Price and Supply

The average price per square meter for the property market in China was approximately RMB3,877 in 2008, compared to approximately RMB2,379 in 2003. Supply of properties in China also increased from approximately 395.1 million square meters in 2003 to approximately 585.0 million square meters in 2008.

The table below sets forth selected data relating to the PRC property market for the years indicated:

	2003	2004	2005	2006	2007	2008
Total GFA completed (in million square meters)	395.1	424.6	487.9	530.2	582.4	585.0
Total GFA sold (in million square meters)	337.2	382.3	557.7	606.3	761.9	620.9
GFA of residential properties sold (in million square meters)	285.0	338.2	497.9	543.9	691.0	558.9
GFA of office buildings sold (in million square meters)	6.0	6.9	11.1	12.1	14.5	11.1
Average price of properties (in RMB per square meter)	2,379	2,714	2,997	3,383	3,885	3,877
Average price of residential properties (in RMB per square meter)	2,212	2,549	3,010	3,132	3,665	3,655
Average price of office buildings (in RMB per square meter) . . .	4,293	5,533	6,995	8,155	8,701	8,595

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

The Property Market in the Chengdu-Chongqing Economic Zone

The Chengdu-Chongqing Economic Zone centers around the cities of Chengdu and Chongqing and occupies an area of approximately 155,000 square meters. The region has a GDP of approximately RMB110.3 billion in 2009 and has a population of over 40 million. The Chinese government plans to construct various water conservancy facilities and energy supply system in the Chengdu-Chongqing Economic Zone and also plans to develop the region into a comprehensive transportation hub and logistics center. The Chengdu-Chongqing Economic Zone is an important base for China's advanced equipment manufacturing industry, modern service industry, high-tech industry and agriculture industry. The region is also a national pilot area for the co-ordination of urban and rural comprehensive reform and was classified as a national protected ecological security zone. The Chengdu-Chongqing Economic Zone serves as the primary success model as to western China's development potential.

Sale of properties in the Chengdu-Chongqing Economic Zone has experienced an upward trend in recent years. The total GFA of properties sold in the Chengdu-Chongqing Economic Zone increased from approximately 22.8 million square meters in 2003 to approximately 66.9 million square meters in 2009, representing a CAGR of approximately 19.7%. The table below sets forth selected data relating to the property market in the Chengdu-Chongqing Economic Zone for the years indicated:

	2003	2004	2005	2006	2007	2008	2009
Total GFA sold (in million square meters)	22.8	20.7	21.2	37.7	58.0	41.5	66.9
Total sales revenue (in RMB billions)	41.3	41.8	47.0	105.6	192.4	142.7	270.7
Average price of properties (in RMB per square meter)	1,806	2,017	2,220	2,800	3,320	3,441	4189.5
Investment in properties (in RMB billions)	57.3	68.5	96.8	124.9	176.0	190.4	218.4

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Chengdu

Chengdu is the capital city of Sichuan Province and is located at the western edge of the Sichuan Basin, with an area of approximately 12,390 square kilometers. In 2007, the central government of the PRC designated Chengdu as a National Experimental Zone of Comprehensive Coordinated Reforms for Balanced Urban and Rural Development in recognition of Chengdu's comprehensive strength and development potential in western China. It had a population of approximately 12.7 million in 2008. Chengdu has experienced significant GDP growth rate in recent years from approximately RMB170.5 billion in 2003 to approximately RMB390.1 billion in 2008, representing a CAGR of approximately 18.0%, exceeding the CAGR of national GDP of approximately 17.2% over the same period. In 2009, Chengdu's GDP reached approximately RMB450.3 billion.

In line with the rapid economic growth of Chengdu, the volume of sales of local properties has experienced an upward trend in recent years. According to the Chengdu Bureau of Statistics, the total GFA of properties sold in Chengdu increased from approximately 9.7 million square meters in 2003 to approximately 26.9 million square meters in 2009, representing a CAGR of approximately 18.6%. The average price of properties in Chengdu increased from approximately RMB2,096 per square meter in 2003 to approximately RMB4,935 per square meter in 2009, representing a CAGR of approximately15.3%. Investment in properties in Chengdu in 2009 continued to show steady increase to approximately RMB94.5 billion. The table below sets forth data relating to the property market in Chengdu for the periods indicated:

	2003	2004	2005	2006	2007	2008
Total GFA of sold (in million square meters)	9.7	7.6	5.6	15.3	22.4	12.7
Total sales revenue (in RMB billions)	20.3	18.6	15.8	55.1	95.7	62.7
Average price of properties (in RMB per square meter) . . .	2,096	2,452	2,818	3,592	4,267	4,921
Investment in properties (in RMB billions)	24.5	29.1	45.1	61.9	91.0	91.3
Total GFA of office buildings sold (in thousand square meters)	63.0	87.0	164.2	166.0	367.9	244.9
Total sales revenue from office buildings (in RMB billions) . .	0.21	0.37	0.86	0.76	2.14	1.41
Average price of office buildings (in RMB per square meter) . . .	3,381	4,279	5,964	4,578	5,828	5,745
Investment in office buildings (in RMB billions)	0.83	0.99	1.46	1.52	1.85	1.75

Sources: National Bureau of Statistics of China, Chengdu Bureau of Statistics

The Property Market in the Pearl River Delta Region

The Pearl River Delta region is one of the leading economic regions and a major manufacturing center of China. It covers nine prefectures of the province of Guangdong, namely Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Foshan, Huizhou, Jiangmen and Zhaoqing, and is adjacent to Hong Kong and Macau. It had a population of approximately 40 million in 2008 and occupies an area of approximately 41,500 square meters. The Chinese government aims to make the Pearl River Delta region a shipping, logistics, trade, exhibition, tourism and innovation center for mutual development with Hong Kong and Macau, and position the region as a pioneer for carrying out various reforms and a key economic center of China.

Sale of properties in the Pearl River Delta region has experienced an upward trend in recent years. The total GFA of properties sold in the Pearl River Delta region increased from approximately 26.8 million square meters in 2003 to approximately 37.7 million square meters in 2008, representing a CAGR of approximately 7.1%. The table below sets forth selected data relating to the property market in the Pearl River Delta region for the years indicated:

	2003	2004	2005	2006	2007	2008
Total GFA of sold (in million square meters)	26.8	25.0	34.1	42.2	50.0	37.7
Total sales revenue (in RMB billions)	115.5	99.1	169.8	232.5	337.8	262.3
Average price of properties (in RMB per square meter) . . .	4,314	3,958	4,985	5,505	6,756	6,967
Investment in properties (in RMB billions)	72.6	126.7	137.8	165.7	223.2	265.2

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Shenzhen

Shenzhen is located in the southern part of Guangdong Province and borders Hong Kong with an area of approximately 1,953 square kilometers. It had a population of approximately 8.8 million in 2008. Shenzhen has experienced GDP growth in recent years from approximately RMB358.6 billion in 2003 to approximately RMB780.7 billion in 2008, representing a CAGR of approximately 16.8%. Shenzhen's GDP has ranked fourth in all cities in China from 2001 to 2006. Furthermore, in 2007, Shenzhen became the first and only city in China with a per capita GDP of over US$10,000 according to various news reports.

In line with the economic growth of Shenzhen, property price has increased significantly in recent years. According to the Shenzhen Bureau of Statistics, the average price of properties increased from approximately RMB6,255 per square meters in 2003 to RMB12,665 per square meters in 2008, representing a CAGR of approximately 15.2%. The table below sets forth data relating to the property market in Shenzhen for the periods indicated:

	2003	2004	2005	2006	2007	2008
Total GFA of sold (in million square meters)	4.1	3.8	11.2	7.6	5.6	4.7
Total sales revenue (in RMB billions)	25.8	25.8	85.1	71.0	78.0	59.1
Average price of properties (in RMB per square meter)	6,255	6,756	7,582	9,384	14,050	12,665
Investment in properties (in RMB billions)	41.0	43.2	42.4	46.1	46.1	44.0

Sources: National Bureau of Statistics of China, Shenzhen Bureau of Statistics

Dongguan

Dongguan is a prefecture-level city located in central Guangdong province. It is an important industrial city located in the Pearl River Delta region and borders the provincial capital of Guangzhou with an area of approximately 2,465 square kilometers. It had a population of approximately 6.9 million in 2008. Dongguan has experienced significant GDP growth in recent years from approximately RMB145.3 billion in 2003 to approximately RMB370.3 billion in 2008, representing a CAGR of approximately 20.6% and exceeding the CAGR of national GDP of approximately 17.2% over the same period. In 2009, Dongguan continue to experience steady growth in GDP, reaching approximately RMB376.3 billion.

In line with the economic growth of Dongguan, the volume of sales of local properties has experienced an upward trend in recent years. According to the Dongguan Bureau of Statistics, the total GFA of properties sold in Dongguan increased from approximately 1.6 million square meters in 2003 to approximately 6.0 million square meters in 2009, representing a CAGR of approximately 24.8%. The table below sets forth data relating to the property market in Dongguan for the years indicated:

	2003	2004	2005	2006	2007	2008	2009
Total GFA of sold (in million square meters) . .	1.6	2.6	3.2	3.8	5.7	5.1	6.0
Total sales revenue (in RMB billions)	5.4	8.5	11.9	15.9	29.5	28.4	35.3
Average price of properties (in RMB per square meter)	3,288	3,336	3,710	4,187	5,148	5,567	5,846
Investment in properties (in RMB billions)	5.5	11.4	14.4	16.4	20.9	27.0	27.8

Sources: National Bureau of Statistics of China, Dongguan Bureau of Statistics

Huizhou

Huizhou is a prefecture-level city located in the south-eastern part of Guangdong Province with an area of approximately 11,200 square kilometers. It had a population of approximately 3.9 million in 2008. Huizhou has experienced GDP growth rate in recent years from approximately RMB58.7 billion in 2003 to approximately RMB129.0 billion in 2008, representing a CAGR of approximately 17.1%.

In line with the economic growth of Huizhou, the volume of sales of local properties has experienced an upward trend in recent years. According to the Huizhou Bureau of Statistics, the total GFA of properties sold in Huizhou increased from approximately 0.7 million square meters in 2003 to approximately 3.0 million square meters in 2008, representing a CAGR of approximately 32.4%. The table below sets forth data relating to the property market in Huizhou for the years indicated:

	2003	2004	2005	2006	2007	2008
Total GFA of sold (in million square meters)	0.7	1.0	1.4	2.3	3.9	3.0
Total sales revenue (in RMB billions)	1.6	2.3	3.6	6.7	15.6	12.2
Average price of properties (in RMB per square meter) . . .	2,143	2,263	2,597	2,942	3,998	4,120
Investment in properties (in RMB billions)	2.3	3.0	4.4	6.8	13.8	18.7

Sources: National Bureau of Statistics of China, Huizhou Bureau of Statistics

The Property Market in the Yangtze River Delta Region

The Yangtze River Delta region has one of the strongest regional economies in China. It includes two provinces, Jiangsu and Zhejiang, and one city, Shanghai. Its land area accounts for approximately 1.0% of China's total land area while its population accounts for approximately 11.1% of China's total population and its GDP accounts for approximately 21.3% of China's total GDP. The Chinese government has positioned the Yangtze River Delta region as China's strongest economic, financial, trading and shipping centers.

Sale of properties in the Yangtze River Delta region has experienced an upward trend in recent years. The total GFA of properties sold in the Yangtze River Delta region increased from approximately 52.8 million square meters in 2003 to approximately 105.9 million square meters in 2008, representing a

CAGR of approximately 14.9%. The table below sets forth selected data relating to the property market in the Yangtze River Delta Region for the years indicated:

	2003	2004	2005	2006	2007	2008
Total GFA of sold (in million square meters)	52.8	92.7	116.0	126.7	158.4	105.9
Total sales revenue (in RMB billions)	187.0	364.4	530.1	606.1	877.5	598.1
Average price of properties (in RMB per square meter) . . .	3,539	3,929	4,570	4,783	5,542	5,649
Investment in properties (in RMB billions)	269.1	374.0	424.8	475.7	564.5	643.1

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Yixing

Yixing is a county-level city in Wuxi, Jiangsu Province, with an area of approximately 2,177 square kilometers. It had a population of approximately 1.3 million as of December 31, 2008. Yixing has experienced significant GDP growth in recent years from approximately RMB25.4 billion in 2003 to approximately RMB60.0 billion in 2008, representing a CAGR of approximately 18.8% and exceeding the CAGR of national GDP of approximately 17.2% over the same period. In 2009, Yixing continue to experience steady growth in GDP, reaching approximately RMB68.1 billion.

In line with the economic growth of Yixing, the volume of sales of local properties has experienced an upward trend in recent years. According to the Yixing Bureau of Statistics, the total GFA of properties sold in Yixing increased from approximately 0.6 million square meters in 2003 to approximately 1.1 million square meters in 2009, representing a CAGR of approximately 10.8%. The table below sets forth data relating to the property market in Yixing for the periods indicated:

	2003	2004	2005	2006	2007	2008	2009
Total GFA of sold (in million square meters)	0.6	0.7	0.9	1.3	1.6	0.7	1.1
Total sales revenue (in RMB billions)	0.9	1.4	2.0	3.8	5.1	2.3	6.1
Average price of properties (in RMB per square meter)	n/a[(1)]	1,855	2,207	2,919	3,417	3,226	5,500
Investment in properties (in RMB billions)	1.3	2.0	2.4	3.4	3.6	3.8	3.6

Sources: National Bureau of Statistics of China, Yixing Bureau of Statistics

Note:

(1) Data not available

The Property Market in the Beijing-Tianjin Metropolitan Region

Beijing-Tianjin metropolitan region centers around two cities, Beijing and Tianjin, which are the most economically vibrant cities in northern China. In 2009, the region has a GDP of RMB1,936.6 billion and accounts for approximately 5.8% of China's total GDP.

Sale of properties in the Beijing-Tianjin metropolitan region has experienced an upward trend in recent years. The average price of properties increased from approximately RMB4,102 per square meter in 2003 to approximately RMB9,320 per square meter in 2008, representing a CAGR of approximately 17.8%. The table below sets forth selected data relating to the property market in the Beijing-Tianjin metropolitan region for the years indicated:

	2003	2004	2005	2006	2007	2008
Total GFA of sold (in million square meters)	26.8	33.2	45.3	40.7	37.3	25.9
Total sales revenue (in RMB billions)	110.0	151.3	269.1	285.5	341.4	241.1
Average price of properties (in RMB per square meter) . . .	4,102	4,558	5,939	7,022	9,156	9,320
Investment in properties (in RMB billions)	141.4	173.7	185.3	212.2	250.1	256.2

Sources: National Bureau of Statistics of China, Bureau of Statistics of respective cities

Tianjin

Tianjin is one of the four municipalities of China that are directly under the central government and have provincial-level status, with an area of approximately 11,920 square kilometers. It had a population of approximately 11.8 million as of December 31, 2008. The city's urban area is located along the Haihe River and its ports are located on Bohai Gulf in the Pacific Ocean. Tianjin has experienced significant GDP growth in recent years from approximately RMB238.7 billion in 2003 to approximately RMB635.4 billion in 2008, representing a CAGR of approximately 21.6% and exceeding the CAGR of national GDP of approximately 17.2% over the same period. In 2009, Tianjin continues to experience significant growth in GDP, reaching approximately RMB750.0 billion.

In line with the economic growth of Tianjin, the volume of sales of local properties has experienced an upward trend in recent years. According to the Tianjin Bureau of Statistics, the total GFA of properties sold in Tianjin increased from approximately 7.9 million square meters in 2003 to approximately 15.9 million square meters in 2009, representing a CAGR of approximately 12.4%. The average price of properties in Tianjin increased from approximately RMB2,572 per square meter in 2003 to approximately RMB6,886 per square meter in 2009, representing a CAGR of approximately 17.8%. Investment in properties in Tianjin in 2009 continued to show steady increase to approximately RMB73.5 billion. The table below sets forth selected data relating to the property market in Tianjin for the years indicated:

	2003	2004	2005	2006	2007	2008
Total GFA of sold (in million square meters)	7.9	8.5	14.1	14.6	15.5	12.5
Total sales revenue (in RMB billions)	20.2	26.4	57.1	69.6	89.9	75.3
Average price of properties (in RMB per square meters)	2,572	3,115	4,055	4,774	5,794	6,015
Investment in properties (in RMB billions)	21.1	26.4	32.8	40.2	50.5	65.4
Total GFA of office buildings sold (in thousand square meters)	157.0	169.0	434.7	371.0	429.5	293.0
Total sales revenue from office buildings (in RMB billions)	0.89	0.94	2.18	2.29	3.18	2.87
Average price of office buildings (in RMB per square meter)	5,663	5,551	4,976	6,171	7,411	9,783
Investment in office buildings (in RMB billions)	0.76	1.58	1.20	2.37	3.46	3.10

Sources: National Bureau of Statistics of China, Tianjin Bureau of Statistics

The Property Agency Services Industry In China

As a result of the real estate market growth in China, the property agency services industry in China has experienced significant growth as well in recent years. However, the property consulting and advisory services market in China is at an early stage of development. Sales, marketing and other commercial data relating to transferable land use rights or development projects are scattered among various governmental agencies and private parties with varying degrees of transparency. Top property agency services companies who can provide services that encompass the entire project development, marketing and sales process have a visible competitive advantage, as competition for these projects is based primarily on a property agency services company's market research capability and its ability to provide a full range of services. As a result, we believe there is a strong market demand for professional property agency services companies that can provide consolidated information and analysis of unprocessed real estate market data covering a broad range of geographic markets in China.

The Property Management Industry In China

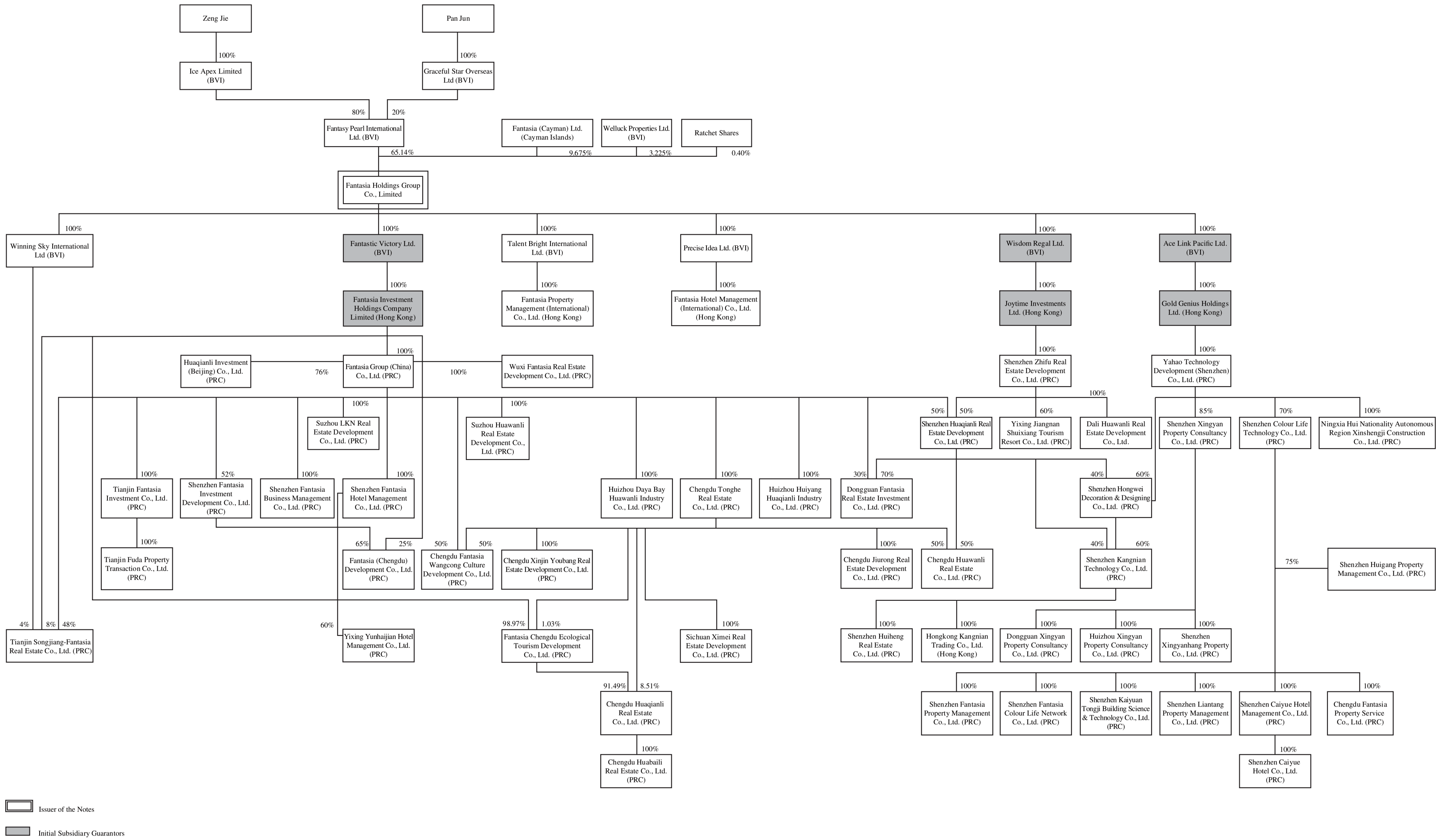
Against the backdrop of the development of the underlying property market and the improvement in living standards as a result of rapid economic growth, there has been a growing demand for property management services in China in recent years. However, the industry remains at an early stage of development, characterized by an industry structure that is highly fragmented with a large number of relatively small participants operating in a competitive environment. According to the Survey Report on Property Management Industry (物業管理行業生存狀況調查報告) issued by the China Property Management Association (中國物業管理協會) in May 2008, of the 4,600 property management companies in China that participated in the survey, approximately 5.8% were established between 1981 to 1994, approximately 76.0% were established between 1994 to 2004, and approximately 18.2% were established between 2004 to 2007.

Our directors are optimistic that, while competition is intense, the long-term growth prospects for the property management industry in China are promising as the underlying property market continues to develop along with China's economic growth. Our directors also expect that, as the industry continues to develop, there will be a growing demand for quality and reliable services from property management companies with industry consolidation that eliminates small and inefficient companies and allowing companies with sufficient resources operating on economies of scale to eventually emerge as market leaders.

The Hotel Services Industry In China

The growth of the PRC economy and its tourism industry has led to a rapid development of the hotel industry in China in recent years. According to the National Bureau of Statistics of China and the National Tourism Administration of China (中國國家旅遊局), total tourism volume grew from 962 million visits in 2003 to 1,742 million visits in 2007 with a CAGR of 16.0% and total tourism revenue in China grew from RMB485 billion in 2003 to RMB1,084 billion in 2007 with a CAGR of 22.3%. As a result of the desire to benefit from an increasingly affluent domestic population as well as the influx of visitors, many foreign corporate and hotel investors, developers and operators have entered into the hotel industry in China with a hope of securing a presence in the industry. In addition, China's entry into the WTO in 2002, Beijing's successful organization of the 2008 Olympic games and Shanghai's successful bid to hold the World Expo in 2010, have served to illustrate China's importance in the world stage, have thereby furthering the strong interest and growth of the hotel industry in China, especially in major cities.

CORPORATE STRUCTURE



Overview

We are a leading property developer and property related service provider in China. We are the only property company in China with members of our Group being ranked among the 2009 China Top 100 Real Estate Developers (2009中國房地產百強企業), the 2009 China Top 100 Real Estate Agencies (2009中國房地產策劃代理百強企業) and the 2009 China Top 100 Property Management Companies (2009中國物業服務百強企業) by the China Real Estate Top 10 Research Team. In 2010, we were also ranked among the 2010 China Top Real Estate Developers (2010中國房地產百強企業) and the 2010 China Top 100 Real Estate Agencies (2010中國物業服務百強企業). We first commenced our property development business in Shenzhen in 1996. Leveraging on our broad experience and capabilities, we have successfully expanded into, and currently focus our real estate activities in, four of the fastest-growing economic regions in China, including the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region.

Our target customers are affluent middle- to upper-class individuals and families and fast growing small- to medium-sized enterprises. We envisage that the demand for properties designed for these customers will increase as such customers' household income and purchasing power continue to rise. To cater to the diverse needs of our target customers, we develop a portfolio of property development projects with a focus on the following:

- *Urban Complexes*

  Our urban complexes are mostly located in the peripheral areas of existing central business districts in major cities such as Shenzhen and Chengdu or in the emerging new business districts designated under city development plans of local governments. These complexes integrate various types of properties, such as offices, apartments, retail shops and/or boutique hotels, into a single property development project. For example, our urban complex Chengdu Hailrun Plaza (成都喜年廣場), which has received several awards, became the tallest building and a local landmark in Chengdu when completed in December 2009, and we believe our Meinian International Plaza (美年國際廣場) is one of the largest urban complexes currently under development in Chengdu.

- *Boutique Upscale Residences*

  Our boutique upscale residences are located in urban and suburban areas with natural scenic surroundings or cultural landmarks. They are connected by roads or expressways to the centers of major metropolitan areas. These boutique upscale residences include high- and low-rise apartment buildings, townhouses and stand-alone houses and cater to the residential and investment needs of our high-end consumers. We typically develop our boutique upscale residential projects in several phases so that we can manage our capital resources more efficiently and increase the average selling price as the project becomes more developed and attractive to our customers. Examples of such boutique upscale residential projects include Grand Valley (大溪谷), a large scale residential complex that is adjacent to a planned ecological and sports park in Pujiang County of Chengdu, and Chengdu Mont Conquerant (成都君山), a large scale residential community located in a famous tourist attraction in Xinjin County of Chengdu, Yixing Town on the Water (雲海間), adjacent to the Hengshan Reservoir which is the one of the six largest reservoirs in Jiangsu province, and Dongguan Mont Conquerant (東莞君山), adjacent to the Fengjing Golf Course.

As of March 31, 2010, our portfolio of land bank consisted of 58.9% of boutique upscale residences, 28.4% of urban complexes and 12.7% of other properties in terms of GFA. We plan to continue to focus our property development activities on developing a portfolio of products that caters to our target customers across four of China's most economically prosperous regions. We plan to achieve this objective by continuing to selectively acquire low-cost land in the four regions. We conduct comprehensive and in-depth market research and analysis on the land that we intend to acquire and the surrounding areas. We consider the geographic as well as marketing factors when evaluating a target parcel, including development potentials, size and suitability of the land for developments that can fit into our existing portfolio, convenience and availability of infrastructure support, purchasing power of our potential customers in relevant areas, development costs and the estimated return on investment. We budget for the cost of land acquisition as well as the overall development costs, which are subject to strict internal procedures and are closely monitored and adjusted throughout the construction process. Acquisition proposal is reviewed and approved by the relevant personnel of our Group, including our chief executive officer and our board of directors. We usually acquire land using our own capital within a pre-set budget and arrange project loans with banks in China at a later stage to support the subsequent development of the property.

In addition to our property development business, we also provide property operation services, property agency services and hotel services to our own properties and properties of third parties. We believe such property related services enable us to strengthen our property development capabilities. For example, our property operation services enhance the value of our properties while our property agency services enable us to maximize our marketing and selling efforts. We plan to continue to enhance such real estate services that we offer and to further enhance the intrinsic synergies between our real estate products and services. We will in particular focus on enhancing our property operation services and hotel services which we believe will serve as relatively stable and growing revenue sources to our Group on the one hand, and will continue to increase the attractiveness and the average selling price of the properties developed by us on the other.

We have received numerous accolades for our property development and services capabilities. Our wholly-owned subsidiary, Fantasia Group (China) Co., Ltd., won the 2008 Corporate Citizen Award of Golden Brick for Real Estate of China (中國地產金磚獎2008年度中國地產企業公民大獎) presented by the Boao 21st Century Real Estate Forum (博鰲21世紀房地產論壇) and the 21st Century Economy Review (21世紀經濟報導). Our subsidiary, Fantasia (Chengdu) Development Co., Ltd., was awarded the Real Estate Corporate of the Year for the Golden Hibiscus Prize (2008金芙蓉杯成都地產年度企業金獎) in Chengdu in 2008 by Chengdu Real Estate Bureau (成都市房地產管理局) and Sichuan Daily Press Group (四川日報報業集團). Our property development projects have also won numerous awards and recognitions for their design and quality. For example, our project Shenzhen Future Plaza (深圳香年廣場) won the 2008 Real Estate Design Award of Golden Brick for Real Estate of China (中國地產金磚獎2008年度地產設計大獎) presented by the Boao 21st Century Real Estate Forum (博鰲21世紀房地產論壇) and the 21st Century Economy Review (21世紀經濟報導). Chengdu Hailrun Plaza (成都喜年廣場), our urban complex project which is under development, was recognized as the Star Property of the Year and the Driving Force of Real Estate Industry in Chengdu in 2008 (2008成都房地產推動力大獎年度明星樓盤) and won the Gingko Prize as the Office Building with the Greatest Industrial Momentum in Chengdu in 2008 (銀杏杯2008成都最具行業推動力寫字樓大獎) presented by Chengdu Media Group (成都傳媒集團) and Chengdu Television Station (成都電視臺), respectively. Self Life (趣園), our completed residential project in Shenzhen, was awarded the Golden Bull Prize in 2005 (2005年度金牛獎), one of the most prestigious awards in the real estate industry in Shenzhen, by the Shenzhen Construction Industry Association (深圳市建築業協會).

As of March 31, 2010, we had a total of 31 projects at various stages of development (i.e. completed projects, projects under development and projects held for future development), including 12 projects located in the Chengdu-Chongqing Economic Zone (including Dali Project), 14 projects located in the Pearl River Delta region, three projects located in the Yangtze River Delta region and two projects located in the Beijing-Tianjin metropolitan region. In addition, as of March 31, 2010, we had entered into preliminary framework agreements for four projects.

As of March 31, 2010, we had a total land bank of approximately 10,775,077 million square meters, which consists of:

- an aggregate planned GFA of approximately 5,749,960 square meters of properties for which we had obtained land use rights (consisting of an aggregate planned GFA of approximately 1,373,146 square meters of properties under development and an aggregate planned GFA of approximately 4,376,814 square meters of properties held for future development for which we have obtained land use rights); and

- an aggregate planned GFA of approximately 5,025,117 square meters of properties for which we had entered into preliminary framework agreements but had not obtained the land use rights or property rights. The preliminary framework agreements are legally binding but, before we are able to obtain the relevant land use right certificates, we are still required by the relevant PRC laws and regulations (i) in respect of our Pixian and Yunnan Projects, to successfully complete the public tender, auction or listing-for-sale process, enter into a land grant contract and pay relevant land grant premium; (ii) in respect of our Beijing Tongzhou Project, to enter into and perform our obligations under a formal share transfer agreement and duly complete registration procedures for such transfer of equity ownership with the relevant government authorities; and (iii) in respect of our Suzhou Taihu Hotel Project, to invest at least 25% of the total capital required for the project or fulfill such other conditions as may be determined by the relevant government authorities of Suzhou and, where necessary, complete the required listing-for-sale and public notice procedures on the basis that project is currently a state-owned asset.

In April 2010, we entered into a framework agreement to purchase 100% equity interests in Shenzhen Gaohua Investment Limited, which holds certain parcels of land in Guilin City, Completion of such acquisition is conditional upon fulfillment of a number of conditions, including, among others, completion of necessary procedures for Shenzhen Gaohua Investment Limited to have legal ownership in each of the project companies holding the relevant parcels of land in Guilin City and the underlying land use rights and obtaining corporate and other approval for such acquisition.

Of our total land bank as of March 31, 2010, approximately 8,469,267 square meters, or 78.6%, were located in the Chengdu-Chongqing Economic Zone (including Yunnan Project and Dali Project); approximately 1,097,717 square meters, or 10.2%, were located in the Pearl River Delta region; approximately 853,413 square meters, or 7.9%, were located in the Yangtze River Delta region; and approximately 354,680 square meters, or 3.3%, were located in the Beijing-Tianjin metropolitan region. We develop most of our properties, including properties that are currently under development, for sale but will hold certain of these developed properties for investment.

For each of the years ended December 31, 2007, 2008 and 2009, our revenue was RMB772.1 million, RMB1,174.2 million and RMB2,458.7 million (US$360.2 million), respectively. Our revenue for the three years ended December 31, 2009 consisted of revenue derived from (i) the sales of our developed properties, (ii) the lease of investment properties, (iii) the provision of property agency and related services, (iv) the provision of property operation and related services, (v) the provision of hotel management and related services, and (vi) other operations. The following table sets forth our revenue for each of the components described above and the percentage of total revenue represented for the periods indicated with the fluctuations of the percentage due primarily to the different product mix delivered to customers in respective period:

	For the Year Ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Property development	619,168	80.2	1,064,604	90.7	2,322,037	340,180	94.4
Non-residential properties[(1)]	13,643	1.8	517,768	44.1	1,590,451	233,002	64.7
Residential properties	605,525	78.4	546,836	46.6	731,586	107,178	29.7
Property investment	10,649	1.4	11,029	0.9	10,806	1,583	0.4
Property agency services	97,151	12.6	40,224	3.5	57,775	8,464	2.3
Property operation services	41,857	5.4	57,875	4.9	63,900	9,361	2.6
Hotel services	–	–	479	0.0	4,155	609	0.3
Others	3,232	0.4	–	–	–	–	–
Total	772,057	100.0	1,174,211	100.0	2,458,673	360,197	100.0

Note:

(1) *Comprised of commercial and industrial properties and certain car parking spaces.*

Our Competitive Strengths

Property development portfolio strategically located across four of China's most economically prosperous regions

We focus our business activities across four of the most economically prosperous and vibrant regions in China, namely, the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region. Each of the four regions has experienced strong growth over the past few years. As of March 31, 2010, our planned GFA under development and held for future development in each of the Chengdu-Chongqing Economic Zone (including Dali Project), the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region was approximately 3,555,404 square meters, 1,097,717 square meters, 797,159 square meters and 299,680 square meters, respectively. We have already established a strong market position in certain of our targeted regions, such as in the Chengdu-Chongqing Economic Zone and the Pearl River Delta region, and several of our developments in those regions received various awards. As of December 31, 2007 and 2008 and March 31, 2010, we have completed a total of seven, ten and 15 projects with an aggregate GFA of approximately 405,193, 589,410 and 1,008,338 square meters, respectively, in Chengdu, and a total of six, eight and nine projects with an aggregate GFA of approximately 282,917, 384,298 and 471,936 square meters, respectively, in Shenzhen. We believe that a significant portion of our target customers operate and reside in these four regions, and our location and presence in these regions have enabled us to capture the growing demand of our target customers.

Ability to acquire land at low cost

For the year ended December 31, 2009, our average unit land cost based on GFA was approximately 9.5% of our average unit selling price. We focus on developing urban complexes in the peripheral areas of existing central business districts or emerging new business districts and boutique upscale residences in the urban and suburban areas. As a result, we have a wide range of choices when selecting land sites for our property developments than other property developers who focus on developing properties in existing central business districts or well-established residential areas in major cities. We believe our wide range of choices of land sites allows us to avoid intense competition in the land acquisition process and thereby reduces our average land acquisition costs. In addition, we believe our ability to acquire land at low cost is also attributable to our flexible property development capabilities that have enabled us to develop a wide variety of land and properties. We believe our operating flexibility as to the size and location of the land that we can develop enables us to take the opportunity presented to us to acquire land at low cost. We conduct research and analysis and try to identify the future growth potential of a land site for our property development before our competitors start doing the same so as to avoid price competition. Such approach to land selection and evaluation has also contributed to our ability to acquire land at relatively low cost. We believe our ability to acquire high quality land at relatively low cost allows us to use our working capital more efficiently, maintain a healthy profit margin and respond more effectively to changing market conditions.

Strong business model with track record of success

We have a strong property development capability to develop a wide range of properties in different regions. We target affluent middle- to upper- class individuals and families and fast-growing small- to medium-sized enterprises. We focus our development capabilities on urban complexes and boutique upscale residences to meet the demand of our target customers. We have replicated our success in various markets in China while continuing to quickly and effectively develop a diverse range of high-quality properties to satisfy the requirements of our target customers in various markets in China. For example, we have successfully developed Shenzhen Future Plaza (深圳香年廣場) in 2007, a multi-building complex that has received several awards, and were able to translate such success to the development of Chengdu Hailrun Plaza (成都喜年廣場), an urban complex that became the tallest building in Chengdu when completed in December 2009. Our ability to develop such large scale complexes is also evidenced by the development of Meinian International Plaza (美年國際廣場), one of the largest urban complexes currently under development in Chengdu, and Tianjin Hailrun Plaza (天津喜年廣場), an urban complex in Tianjin. Similarly, we were able to continue to develop boutique upscale residences in Chengdu such as Grand Valley (大溪谷) Project and other cities such as Chengdu Mont Conquerant (成都君山) in

Chengdu, Dongguan Mont Conquerant (東莞君山) in Dongguan and the Town on the Water (雲海間) in Yixing. We have also obtained land use rights for Suzhou Taihu Project (蘇州太湖項目), a portal project located in Suzhou Taihu National Tourism Vacation Zone, and plan to develop it into a large scale and low density residential community. We believe our capabilities to develop quality products provide us with significant leverage for our future business growth.

Well-known brand name

We believe we have established a strong brand name in the property market in China. We have focused our property development efforts on developing a portfolio of properties as well as provide real estate services that cater to the diverse needs of our targeted customers. We believe these efforts have allowed us to achieve a strong track record in the sale of our properties. We have also focused on developing properties with a distinctive design or with features that can help to raise our company profile. We have worked closely with leading domestic and international architecture and design firms to achieve such goal. As a result, we have received numerous accolades for our property development and service capabilities, as well as for the design of our properties, and have achieved a strong market position in certain of our targeted regions. We believe our customers associate our brand image with high-quality and customer-oriented real estate products and services, as well as the modern and trend-setting design of our properties.

We have also established an annual program named "Fantasia — Voyage to Happiness" (幸福之旅) ("Voyage to Happiness"). Voyage to Happiness is a large scale community art activity organized by the Company since 2006, which explores the meaning of "Happiness" within the contemporary Chinese society through artistic creation and exchanges of idea with the collaborating of a young artist each year. We believe such effort attaches an artistic and cultural image to our brand and our properties in the mind of our target customers, distinguishing us from our competitors.

Strong value-accretion property development and service capabilities

We believe that our urban complex developments help to foster increased property development activities by others and increased government investment in public infrastructure and services in surrounding neighborhoods and thus facilitate the formation of new urban centers, which in turn increases the value of our developments. We also provide real estate services that consist of property operation services and property agency services. We believe our property operation services enhance the value and attractiveness of our properties, thereby allowing us to increase average selling and rental prices. Our property agency services business allows us to better understand the market place so we can adjust our marketing and pricing strategies to achieve an optimum pricing for our properties. We believe our real estate services provide us with benefits that cannot be easily replicated by other property developers in China that are not also engaged in the property agency services business, which positions us well in the competitive real estate market in China.

Experienced and stable management team with proven track record supported by seasoned professional employees

The significant growth of our business since our inception is in large part due to our experienced and stable management team. Mr. Pan, our chairman and chief executive officer, and Ms. Zeng, our executive director, each has over 14 years of experience in real estate development in China, and, along with other members of our senior management team and employees, have established strong relationships with key industry participants. Ms. Zeng was also recognized as one of the leading figures in the real estate industry in Shenzhen in 2002. We have been able to capitalize on the collective expertise of our management and other professional employees so that we can develop and sell properties that appeal to our targeted customers at various locations. We believe that we have benefited, and will continue to benefit, from our management's extensive experience and knowledge of the PRC property market.

Business Strategies

Continue to expand in fast-growing economic regions in China and selectively acquire low-cost land

We plan to continue to concentrate the growth of our business in the four economically prosperous regions in China in which we currently operate. We believe each of the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region continues to provide attractive opportunities for property development. We intend to procure more low-cost land in each of these regions by adhering to our disciplined approach. Under such approach, a decision to make a land acquisition is made only after comprehensive in-depth market research and analysis and the completion of strict internal review procedures.

We believe that our property agency services business allows us to better understand the property market in China to tailor our product offerings that appeal to our targeted customers and to adjust our marketing and pricing strategies to achieve optimum pricing for our properties, an advantage that cannot be easily replicated by property developers that are not also engaged in property agency services business. Going forward, we intend to continue to capitalize on our extensive experience and market knowledge gained from our property agency services business to selectively identify and acquire land for development.

Focus on further improving the intrinsic synergies of our real estate products and services

We intend to focus on realizing increased synergies among our businesses, a crucial part to our Group's overall success. We intend to continue concentrating on developing urban complexes and boutique upscale residences. We believe our focus on these two types of property development projects allows us to better and more efficiently use our resources to address our target customers' needs and develop long-term business relationships. Our development focus also serves to increase the synergies that can be achieved among each aspect of our businesses. We plan to expand our investment property portfolio by including boutique hotels in the properties that we develop, thereby increasing our recurring income as well as increasing the real estate solutions that we provide to customers. We have also established subsidiaries dedicated to providing hotel services, which we believe also helps to enhance the capabilities of our property operation services provided to more traditional properties, as well as to our urban complexes. We plan to continue to enhance cooperation among our businesses. For example, we plan to enhance the consulting and advisory services that our property agency services provide, which we believe should enhance our ability in gathering market intelligence and identifying potential opportunities for our property development business. We plan to integrate our property operation services' internet information platform with our own secondary property brokerage information database to provide real estate property market information to tenants and residents. This effort will connect the large customer base of our property operation services with our property agency services, further expanding the customer base of our property agency services. We expect that our efforts should allow us to increase the breadth and stability of our revenue streams, reduce our overall exposure to volatility within and reliance on one sector of the real estate property industry and create cross-selling opportunities.

Continue to improve our property operation service and hotel service capabilities to further increase the attractiveness and value of our properties

Our property operation services are an important part of our business and serve a critical role in enhancing the value and environment of our developments, which in turn increases the rental income and the average selling price of our properties. We intend to continue to strengthen our property operation services and strive to offer the highest level of services to tenants and residents and to achieve customer satisfaction.

We started our hotel service business in 2008 by establishing our own hotel management companies. We have entered into agreements with third party international professionals to operate and manage one of our boutique hotels under development. We believe such agreements will allow us to be exposed to the inner workings of operating and managing a boutique hotel and refine the level of hotel services that we provide. In addition, we believe as our hotel services continue to strengthen, the capabilities of our property operation services will also be enhanced as well. Our goal is to establish high quality and distinctive hotel services and further improve our property operation services. We intend to continue to improve the internet information platform of our property operation services to offer additional value-added services such as online payment options, customized online services for ordering goods and services and accessing real estate market information or brokerage listings. Furthermore, we intend to actively work to expand GFA under management, as well as enhance the capabilities of our building and equipment installation, maintenance and repair services. Finally, we seek to continue to improve the membership program we offer for purchasers of our properties, the Fantasia Club, by providing greater support for and better communication with our purchasers. Continuing to enhance the quality and offering of our property operation services will also serve us well in strengthening our relationships with our key clients and increasing potential referrals among our target customers.

Continue to promote our brand names

We place significant emphasis on developing our brand image and will continue to introduce real estate products and service offerings that will enhance our profile, reputation and image. We have in the past worked closely with leading domestic and international architecture and design firms, such as Huayi Designing Consultancy (Shenzhen) Co., Ltd., Belt Collins International (HK) Ltd., Peddle Thorp Architects-Melbourne of Australia, Architecture Urbanism Building Engineer Co., Ltd. of France and The Collaborative West Co., Ltd. and atta + K Inc. of the United States, in creating products that reflect the spirit and essence of our vision and assimilate the latest trends and elements, and will continue to do so in the future.

We intend to continue to employ strict quality control standards and to closely monitor the product quality and the workmanship of our contractors throughout the development process. We also plan to continue to actively participate in the selection of the materials used in our projects in order to achieve desired quality levels and to maintain a cohesive brand image for our properties. In addition, we intend to continue to rigorously monitor and protect our trademarks that we consider essential to our brand image. We will also continue our annual program, Happiness Discovery Trip (發現幸福之旅), to further foster customer awareness as to the artistic and cultural aspects of our brand image. We believe by cultivating a distinctive brand image, we will be able to further enhance our ability to attract our target customers and reinforce such customers' perception of the quality, distinctiveness and comprehensiveness of our products and services.

Our Property Development Projects

Overview

As of March 31, 2010, we had 31 property development projects at various stages of development. Based on the stage of development, we divide our property developments projects into three categories:

- completed projects, comprising properties for which we have received the requisite completion inspection report from the relevant government construction authority;

- projects under development, comprising properties for which we have obtained the requisite construction works commencement permits but are yet to receive the requisite completion inspection report; and

- projects held for future development, comprising properties for which we have obtained the relevant land use rights certificates and started preliminary design work but have not yet received the required construction works commencement permits, as well as properties for which we have not obtained the land use rights certificates but have entered into contractual agreements to obtain the relevant land use rights certificates and started preliminary design work.

In addition to our property development projects under various stages that are included in the above categories, we have also been actively exploring additional property development opportunities. As of

March 31, 2010, we had entered into preliminary framework agreements with local government authorities and relevant third parties in relation to four potential new projects which occupy an aggregate site area of approximately 2,054,400 square meters with an aggregate planned GFA of approximately 5,025,117 square meters. We have not yet entered into any detailed agreements to obtain the relevant land use rights certificates for these potential new projects.

For development projects that are comprised of multiple-phase developments on a rolling basis, each phase is considered individually and classified as completed, under development or for future development, depending on whether the relevant completed construction work certified report or the required construction works commencement permit has been obtained for such phase.

We calculate the site area of our projects or phases as follows:

- for projects or phases for which we have obtained land use rights, based on the relevant land use rights certificates, and

- for projects or phases for which we have not obtained land use rights, based on the relevant contractual agreements.

We calculate the total GFA of our projects or phases as follows:

- for projects or phases that are completed, based upon relevant property surveying reports;

- for projects or phase that are not completed but for which pre-sale has commenced, based upon relevant inspection reports required for pre-sale;

- for projects or phases that are under development and for which we have not obtained relevant inspection reports but have obtained the relevant construction works planning permits, based on such construction works planning permits; and

- for projects or phases for which we have not received the relevant construction works planning permits, based on the total GFA indicated in property master plans approved by relevant government authorities or based on our internal records and development plans, which may be subject to change.

We calculate the site area and the total GFA for each phase in a project based on our own internal records and estimates except in circumstances where such information for a particular phase is contained in the relevant land use rights certificate, construction works planning permit, or completion inspection report.

Total GFA as used in this document is comprised of saleable GFA and non-saleable GFA. Saleable GFA as used in this document refers to the internal floor areas exclusive of non-saleable GFA. Non-saleable GFA as used in this document refers to certain communal facilities and ancillary facilities, such as certain underground GFA and spaces for local community management committees and public security offices. Saleable GFA is divided into saleable GFA sold or pre-sold and saleable GFA unsold. A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. The property is delivered to the customer upon the property being completed, inspected and accepted as qualified. Properties are pre-sold when we have executed the purchase contract but have not yet delivered the properties to the customer. Saleable GFA unsold is further divided into GFA unsold held for sale and GFA unsold held for investment.

We calculate the saleable GFA for our projects or phases as follows:

- for projects or phases that are completed, based on the saleable GFA as determined upon relevant property surveying reports;

- for projects or phases that have not received the completion inspection report upon completion but have obtained the relevant inspection reports required for pre-sale, based on the saleable GFA in such relevant inspection reports;

- for projects or phases that have not received the relevant inspection reports required for pre-sale but have received relevant construction works planning permits, based on the construction works planning permits; and

- for projects or phases that have not received relevant construction works planning permits, based on the total GFA indicated in property master plans approved by relevant government authorities or based on our internal records and development plans, which may be subject to change.

Furthermore, the following information that appears in this document is also based on our internal records and estimates: (i) saleable GFA sold or pre-sold, saleable GFA unsold, saleable GFA unsold held for sale, saleable GFA unsold held for investment, and (ii) information regarding expected completion and pre-sale commencement date and number of residential units, office space, commercial units and car parking spaces.

During the three-year period ended December 31, 2009, we did not experience any delay in delivering properties to our customers based on the time frame set forth in the respective purchase contracts. In addition, development costs for each of our projects were within their respective budgets during such period. However, as a result of the slowdown of China's economy caused by the recent global financial and economic crisis, we delayed certain of our projects that were scheduled to be launched for pre-sale in 2008 until 2009 or 2010.

The following table sets forth information as to the site area and the GFA in square meters for each of our property development projects or its respective phases and its completion date or expected completion as of dates indicated:

	As of March 31, 2010									
		Total Saleable GFA Unsold								
Projects/Phases	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold	Total Saleable GFA Pre-sold	Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties[1]
Completed Projects/Phases										
Chengdu:										
Chengdu Pair Life (成都錦上花)	3,000	–	128	12,765	–	58.8%[2]	April 2003	March 2004	n/a	R, C
Human Art Wisdom (藝墅花鄉)	4,897	–	6,411	21,369	–	58.8%[2]	September 2003	October 2004	n/a	R, C, P
Fantasia Special Town (別樣城) (All phases)	136,343	–	2,765	201,958	–	100%	February 2005	Phase I: December 2005 Phase II: April 2007 Phase III: August 2007	n/a	R, C, P
Chengdu Love Forever (成都花郡) (All phases)	71,989	35,368	–	292,551	442	100%	May 2006	Phase I: September 2007 Phase II: December 2007 Phase III: November 2008 Phase IV: June 2009 Phase V: January 2009	n/a	R, C, P
Chengdu My Place (成都花好園)	9,249	460	5,862	42,141	–	100%	April 2007	October 2008	n/a	R, C, O, P
Fantasia Town (花樣城) (Phase 1.1)	136,667[3]	24,493	–	81,469	–	100%	March 2008	March 2009	n/a	R, C, P
Chengdu Hailrun Plaza (成都喜年廣場)	9,039	17,668	20,331	44,255	32,533	100%	January 2008	December 2009	September 2008	
Grand Valley (大溪谷) (Phase 1)	124,173	14,876	–	96,877	498	100%	Phase 1.1: November 2007 Phase 1.2: September 2008	Phase 1.1: December 2008 Phase 1.2: November 2009	Phase 1.1: n/a Phase 1.2: September 2008	R, C
Subtotal:		92,865	35,497	793,385	33,473					

	As of March 31, 2010									
		Total Saleable GFA Unsold								
Projects/Phases	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold	Total Saleable GFA Pre-sold	Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties[1]
Shenzhen:										
Shenzhen Endless Blue (深圳碧雲天)	11,944	–	–	43,130	–	52%[4]	April 1998	January 2000	n/a	R, C, P
Fairy Land (芳鄰).	1,481	–	385	14,807	–	52%[4]	February 2000	September 2001	n/a	R, C
Hailrun Complex (喜年中心)	4,907	–	43	39,830	–	52%[4]	September 2001	February 2003	n/a	O, C, P
Shenzhen Pair Life (深圳錦上花)	4,501	136	1,235	39,249	–	52%[4]	January 2002	November 2003	n/a	R, C, P
Self Life (趣園)	3,394	172	1,483	13,457	–	52%[4]	June 2003	June 2004	n/a	R, C, P
Shenzhen My Place (深圳花好園)	13,162	–	11,100	71,849	–	52%[4]	January 2004	November 2005	n/a	R, C, P
Flower Harbor (花港家園)	5,335	994	–	20,800	608	100%	June 2007	December 2008	n/a	R, C, P
Shenzhen Future Plaza (深圳香年廣場)	15,145	4,545	–	53,467	2,578	100%	March 2007	October 2008	n/a	O
Shenzhen Meinian Plaza (深圳美年廣場)[9]	29,546	36,710	36,710	–	–	100%	May 2007	August 2009	n/a	O
Subtotal		42,557	50,956	296,589	3,186					

Projects/Phases	As of March 31, 2010: Site Area	Total Saleable GFA Unsold: Held for Sale	Total Saleable GFA Unsold: Held for Investment or for Hotel Management	Total Saleable GFA Sold	Total Saleable GFA Pre-sold	Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties[1]
Project/Phases Under Development										
Chengdu:										
Meinian International Plaza (美年國際廣場) (Phases 1.1, 1.2 and 1.3)	9,037	326,929	–	–	86,682	100%	December 2010	Phase 1.1: October 2010 Phase 1.2: October 2010 Phase 1.3: October 2011	Phase 1.1: September 2009 Phase 1.2: September 2009 Phase 1.3: n/a	R, O, C, P
Fantasia Town (花様城)	126,667	102,923	–	–	7,445	100%	Phase 1.2: March 2008 Phase 2: October 2009	Phase 1.2: September 2011 Phase 2: September 2011	Phase 1.2: n/a Phase 2: December 2009	R, C, P
Chengdu Future Plaza (成都香年廣場)	13,863	235,246	–	–	–	100%	December 2009	December 2012		R, O, C
Chengdu Mont Conquerant (成都君山) (Phase 1)	491,209[6]	37,757	–	–	10,419	100%	November 2008	December 2010	July 2009	R, C
Chengdu Mont Conquerant (成都君山) (Phase 2.1)	n/a[6]	12,699	–	–	–	100%	February 2010	October 2011	n/a	R, C
Grand Valley (大溪谷) (Phase 2.1)	123,303	78,773	–	–	1,185	100%	September 2009	December 2010	September 2009	R
Shenzhen:										
Shenzhen Lover Forever (深圳花郡)	23,955	54,324	–	–	46,117	52%[4]	October 2008	South District: October 2010 North District: April 2011	South District: September 2009 North District: June 2010	R, C, P
Dongguan:										
Dongguan Mont Conquerant (東莞君山) (All phases)	52,853	98,804	–	–	18,095	100%	Phase 1: June 2009 Phase 2: September 2009	Phase 1: March 2010 Phase 2: June 2011	Phase 1: July 2009 Phase 2: October 2010	R, P
Yixing:										
Town on the Water (雲海間)	66,664	16,060	7,095	9,516	7,921	60%[7]	November 2007	June 2010	November 2008	R, H
Tianjin:										
Tianjin Hailrun Plaza (All phases) (天津喜年廣場)	21,410	49,516	–	–	29,527	60%[8]	September 2008	Phase 1: June 2010 Phase 2: June 2011	Phase 1: April 2009 Phase 2: February 2010	R, O, C, P
Subtotal		1,013,031	7,095	9,516	207,391					

	As of March 31, 2010									
		Total Saleable GFA Unsold								
Projects/Phases	Site Area	Held for Sale	Held for Investment or for Hotel Management	Total Saleable GFA Sold	Total Saleable GFA Pre-sold	Our Interest in the Project	Actual or Expected Construction Commencement Date	Actual or Expected Completion Date	Actual or Expected Pre-sale Commencement Date	Types of Properties[1]
Future Development Projects/Phases – Land Use Rights Obtained										
Chengdu:										
Meinian International Plaza (美年國際廣場) (All phases except phases 1.1, 1.2 and 1.3)	170,032[5]	388,982	–	–	–	100%	–	–	–	R, O, C, P
Fantasia Town (花樣城) (All remaining phases)	126,667[3]	347,194	–	–	–	100%	–	–	–	R, C, P
Chengdu Mont Conquerant (成都君山) (All remaining phases)	491,209[6]	292,576	–	–	–	100%	–	–	–	R, C
Grand Valley (大溪谷) (All remaining phases) . .	812,233	1,462,129	–	–	–	100%	–	–	–	R
Shenzhen:										
Shenzhen Funian Plaza (深圳福年廣場).	18,718	46,795	–	–	–	100%	June 2010	June 2011	–	O
Huizhou:										
Huizhou Endless Blue (惠州碧雲天)	35,000	136,921	–	–	–	100%	December 2010	December 2012	–	R, C, P
Huiyang Project (惠陽項目)	172,000	510,205	–	–	–	100%	September 2010	December 2011	–	R, C, P
Tianjin:										
Yingcheng Lake (營城湖). .	100,000	139,192	–	–	–	100%	–	–	–	R, O, C
Jiangsu:										
Suzhou Taihu Project (蘇州太湖酒店)[10]	379,636	533,121	–	–	–	100%	–	–	–	R, P
Wuxi:										
Wuxi Project (無錫項目) . .	123,670	219,206	–	–	–	100%	–	–	–	R, C, P
Yunnan:										
Dali Project (大理項目). . .	9,213	64,488	–	–	–	100%	–	–	–	R, C, P
Subtotal	2,438,377	4,140,809								

Notes:

(1) Types of properties include: (i) "R," which stands for "residential," (ii) "C," which stands for "commercial," (iii) "O," which stands for "office and others," including office, industrial and warehouse, (iv) "H," which stands for "hotel," and (v) "P," which stands for "car park" and "basement area" of Dongguan Mont Conquerant (東莞君山) and Suzhou Taihu Project (蘇州太湖項目), for additional information, see "Our Business — Our Property Development Projects — Pearl River Delta Region — Outside Shenzhen — Dongguan Mont Conquerant (東莞君山)" and "Our Business — Our Property Development Projects — Yangtze River Delta Region — Suzhou Taihu Project (蘇州太湖項目)."

(2) The project was developed by Fantasia (Chengdu) Development Co., Ltd., a project company in which we hold 58.8% equity interest with the remaining 31.2% held by Qiu Qiong Ming (邱瓊明) indirectly and 10% held by Sichuan Zhong Xu Investment Co., Ltd. ("Sichuan Zhong Xu") directly.

(3) This includes site area for all phases of Fantasia Town (花樣城). Specific site area information for each phase of this project is not available.

(4) The project was developed by Shenzhen Xingyan Investment Development Co., Ltd., a project company in which held 52% equity interest, with the remaining 48% held by Qiu Qiong Ming (邱瓊明), at the time of development of the project.

(5) This includes site area for all phases of Meinian International Plaza (美年國際廣場), including site area of approximately 56,711 square meters zoned for educational use. Specific site area information for each phase of this project is not available.

(6) This includes site area for all phases of chengdu Mont Conquerant (成都君山). Specific site area information for each phase of this project is not available.

(7) The project was developed by Yixing Jiangnan Shuixiang Tourism Resort Co., Ltd., a project company in which hold 60% equity interest, with the remaining 40% held by Jing Liu.

(8) The project was developed by Yixing Jiangnan Shuixiang Tourism Resort Co., Ltd., a project company in which hold 60% equity interest, with the remaining 40% held by Tianjin Songjiang Group Co., Ltd. ("Tianjin Songjiang Group").

(9) The Incubation Park of the Shenzhen Meinian Plaza (深圳美年廣場) was developed by Shenye Pengji (Group) Co., Ltd. (深業鵬基(集團)有限公司), an Independent Third Party. Construction of the Incubation Park was completed in August 2009. We have entered into a property transfer agreement with Shenye Pengji (Group) Co., Ltd. (深業鵬基(集團)有限公司) which agreed to sell the Incubation Park to us when the construction is completed. We plan to hold the Incubation Park partly for lease and partly for sale. Before we acquire the property itnerest of the Incubation Park, the relevant GFA is considered as total GFA for future development by us. For additional information, see "Our Business — Our Property Development Projects — Pearl River Region — Shenzhen — Shenzhen Meinian Plaza (深圳美年廣場)."

(10) We have entered into relevant share transfer agreement in relation to the acquisition of two project companies that held the land use rights for this project. However, as of the Latest Practicable Date, we had not entered into any further share transfer agreements and had not acquired relevant land use rights certificates for this project. For additional information, see "Our Business — Our Property Development Projects — Yangtze River Delta Region — Suzhou Taihu Project (蘇州太湖項目)."

The classification of properties in this document is different from the classification of properties in the consolidated financial statements included in this document.

Some of the information contained in the above table and the following descriptions of the individual projects and elsewhere in this document may differ from our consolidated financial statements and the notes thereto included elsewhere in this document because, among other things:

- properties that have been sold are not included in the consolidated statements of financial position and the notes thereto;

- saleable GFA unsold under our classification only include saleable GFA that have not been sold or pre-sold while "completed properties for sales" as used in our consolidated financial statements and the notes thereto, which is recorded under "properties for sales" on the consolidated statements of financial position, include properties that have not been contracted to be sold and properties pre-sold but have not been delivered to customers; and

- "properties for sales" and "investment properties" as recorded on our consolidated statements of financial position and the notes thereto include "completed properties for sales," "properties under development," "completed investment properties" and "investment properties under development" which include all properties that we classify as projects or phases under development whether we intend to hold such properties for sales or for investment after completion.

The table below sets forth our classification of properties and the corresponding classification of properties in our consolidated financial statements and the notes thereto contained in this document:

Types of Properties	This document	Consolidated financial statements
• Properties for which we have received the completed construction works certified report from the relevant government construction authorities	• Completed projects	• Completed properties for sales (excludes completed properties that have been sold) • Completed investment properties
• Properties for which we have obtained the required construction works commencement permits but are yet to receive the completed construction works certified report	• Properties under development	• Properties for sales – Under development • Investment properties under development
• Properties for which we have obtained the relevant land use rights certificates and started preliminary design work but have not yet received the required construction works commencement permits	• Future development projects – land use rights obtained	• Properties for sales – Under development • Investment properties under development
• Properties for which we have not obtained land use rights certificates but have entered into contractual agreements to obtain the relevant land use rights certificates and started preliminary design work	• Future development projects – property rights to be acquired and potential new property development projects	• Properties for sales – Under development • Investment properties under development

The table below sets forth the saleable GFA for each of our projects in terms of the use or planned use of the properties as of March 31, 2010, but does not include four potential new projects for which we have only entered into preliminary framework agreements:

	Completed Properties	Properties Under Development	Properties for Future Development – Land Use Rights Obtained
Residential (in square meters)	937,286	685,916	3,289,915
Office and others (in square meters)	255,557	296,083	352,063
Commercial (in square meters)	68,502	26,861	171,449
Hotel (in square meters)	20,331	17,990	88,946
Car parking spaces and basement area (in square meters)	70,912	210,183	238,436
Total	1,352,588	1,237,033	4,140,808

The following table sets forth the GFA of our property development projects by location as of March 31, 2010 but does not include four potential new projects for which we have only entered into preliminary framework agreements:

	Total GFA Completed	Total GFA Under Development	Total GFA for Future Development – Land Use Rights Obtained
Chengdu-Chongqing Economic Zone (in square meters)			
– Chengdu.	1,008,338	925,109	2,565,807
Pearl River Delta region (in square meters)			
– Shenzhen.	471,936	132,336	67,908
– Other cities(1)	0	142,928	754,545
Yangtze River Delta region (in square meters)			
– Yixing	0	41,432	0
– Suzhou	0	0	533,121
– Wuxi	0	0	222,606
Beijing-Tianjin metropolitan region (in square meters)			
– Tianjin.	0	131,341	168,339
Others	0	0	64,488
Total	1,480,274	1,373,146	4,376,814

Note:

(1) Include Dongguan and Huizhou.

The following are detailed descriptions of each of our projects as of March 31, 2010, unless otherwise indicated. For certain of these projects, we share land use and development rights with other entities in a prescribed proportion according to the relevant agreements. The commencement date relating to each project or each phase of a project refers to the date on which construction commenced. The completion date set out in the descriptions of our completed projects or phases refers to the date on which the completed construction works certified report was obtained for each project or each phase of a multi-phase project. For projects or phases under development or for future development, the completion date of a project or phase reflects our best estimate based on our current development plans.

Chengdu

Chengdu Pair Life (成都錦上花)

Chengdu Pair Life (成都錦上花) is an 11-storey residential apartment building located at No. 8, Dachuan Lane, Jinjiang District, Chengdu, Sichuan Province. It is located in the central urban district of Chengdu, close to a landmark building and two universities and overlooks a river. The project occupies a total site area of approximately 3,000 square meters with an aggregate completed GFA of approximately 13,178 square meters. Commenced in April 2003, this project was completed in March 2004. The project was developed by Fantasia (Chengdu) Development Co., Ltd., a project company in which we hold 58.8% equity interest. Fantasia (Chengdu) Development Co., Ltd. holds a 100% interest in the project. The land use rights for the project were granted for residential and commercial purposes. We obtained the land use rights for the project through acquisition of the entire project from an independent third party that held the land use rights. Details of the project as of March 31, 2010 are set forth below:

	Residential	Commercial
Total saleable GFA (in square meters)	11,381	1,512
Number of units	229	18
Total GFA sold (in square meters)	11,381	1,384
Total GFA retained for investment (in square meters)	–	128

Human Art Wisdom (藝墅花鄉)

Human Art Wisdom (藝墅花鄉) is a 16-storey residential and commercial building located on Jiangxi Street and Ximanqian Street in Wuhou District, Chengdu, Sichuan Province. It is located within a prosperous commercial district, close to a large ecological square, a park and three universities and has easy access to public transportation and other facilities such as banks, restaurants, shopping malls and hospitals. The building also features a transparent lobby and a distinctive quintuple-layered ecologic garden. The project occupies a total site area of approximately 4,897 square meters with an aggregate completed GFA of approximately 27,780 square meters. Commenced in September 2003, the project was completed in October 2004. The project was developed by Fantasia (Chengdu) Development Co., Ltd., a project company in which we hold 58.8% equity interest. Fantasia (Chengdu) Development Co., Ltd. holds a 100% interest in the project. The land use rights for the project were granted for residential and commercial purposes. We obtained the land use rights for the project through government-organized listing-for-sale. Details of the project as of March 31, 2010 are set forth below:

	Residential	Commercial	Car Park
Total saleable GFA (in square meters)	16,378	4,671	6,731
Number of units	323	n/a[(1)]	180
Total GFA sold (in square meters)	16,378	4,671	320
Total GFA retained for investment (in square meters)	–	–	6,411

Note:

(1) Not divided into individual units.

Fantasia Special Town (別樣城)

Fantasia Special Town (別樣城) is a large residential community located on Huanglong Road, Gongxing Town, Shuangliu County, Chengdu, Sichuan Province. The project features ancillary facilities that include a swimming pool, a basketball court, a tennis court, a badminton court, a table-tennis center, and other gym facilities. The project occupies a total site area of approximately 136,343 square meters with an aggregate completed GFA of approximately 207,987 square meters. Commenced in February 2005, the final phase of the project was completed in August 2007. The construction of the project was divided into three phases. All three phases of the project were developed by Chengdu Tonghe Real Estate Co., Ltd., our currently wholly owned project company. Chengdu Tonghe Real Estate Co., Ltd. holds a 100% interest in the project. The land use rights for the project were granted for residential purposes.

Based on relevant construction land planning permit, we were allowed to develop residential and ancillary commercial properties for this project. We obtained the land use rights for the project through acquisition of a project company that held the land use rights. Details of the project as of March 31, 2010 are set forth below:

	Residential	Commercial	Car Park
Total saleable GFA (in square meters)	198,059	6,388	276
Number of units	1,755	82	15
Total GFA sold (in square meters)	198,059	3,899	–
Total GFA pre-sold (in square meters)	–	–	–
Total GFA retained for investment (in square meters)	–	2,489	276

Chengdu Love Forever (成都花郡)

Chengdu Love Forever (成都花郡) is a large scale residential community located at No.99, Shuangqing Road, Chenghua District, Chengdu, Sichuan Province. It is also linked to the city center and the Third Ring Road of Chengdu by expressways and therefore has easy access to all parts of the city. The project was awarded the Property of the Year for the Golden Hibiscus Prize in Chengdu in 2006 (2006金芙蓉杯成都年度樓盤金獎) presented by the Chengdu Real Estate Bureau (成都市房地產管理局) and Sichuan Daily Group (日川報業集團) and was recognized as a Model Property for the Rediscovery of the City Center in Chengdu in 2008 (2008成都城市地理再發現中心城代言樓盤) by Chengdu Business Daily (成都商報). The project occupies a total site area of approximately 71,989 square meters with an aggregate completed GFA of approximately 354,967 square meters. The project is divided into five phases and is comprised of in the aggregate 3,202 residential units with a total saleable GFA of approximately 277,322 square meters, 207 retail units with a total saleable GFA of approximately 18,479 square meters and 1,013 car parking spaces with a total saleable GFA of approximately 32,560 square meters. In addition, the project includes approximately 10,238 square meters of car parking spaces equipped with mechanical parking systems that are non-saleable with respect to the individual units, which we intend to retain these non-saleable spaces for investment. Commenced in May 2006, the final phase of the project was completed in June 2009. All phases of the project were developed by Chengdu Huawanli Real Estate Co., Ltd., our wholly owned project company. Chengdu Huawanli Real Estate Co., Ltd. holds a 100% interest in the project. We have obtained the land use rights certificates for all phases of the project. The land use rights for the project were granted for residential and commercial purposes. We obtained the land use rights for the project through government-organized listing-for-sale. Details of the project as of March 31, 2010 are set forth below:

	Residential	Commercial	Car Park
Total saleable GFA (in square meters)	277,322	18,479	32,560
Number of units	3,202	207	1,013
Total GFA sold (in square meters)	277,322	10,231	4,998
Total GFA pre-sold (in square meters)	–	–	442
Total GFA retained for investment (in square meters)	–	–	–

Chengdu My Place (成都花好園)

Chengdu My Place (成都花好園) is a residential and commercial community located at No.9 Wuqing South Road, Wuhou District, Chengdu, Sichuan Province. The project is comprised of four 20-storey buildings with a simple and modern style. The project occupies a total site area of approximately 9,249 square meters with an aggregate completed GFA of approximately 49,846 square meters. Commenced in April 2007, the project was completed in October 2008. The project was developed by Chengdu Huaqianli Real Estate Co., Ltd., our wholly owned project company. We hold a 100% interest in the project. The land use rights for the project were granted for residential and commercial purposes. Based on relevant pre-sale permits, we were allowed to sell residential, commercial properties and office spaces for this project. We obtained the land use rights for the project through establishing a joint venture project company with an independent third party that held the land use rights. Details of the project as of March 31, 2010 are set forth below:

	Residential	Commercial	Office	Car Park
Total saleable GFA (in square meters)	22,657	1,204	18,740	5,862
Number of units	263	19	369	180
Total GFA sold (in square meters)	22,657	1,089	18,395	–
Total GFA pre-sold (in square meters)	–	–	–	
Total GFA retained for investment (in square meters)	–	–	–	5,862

Fantasia Town (花樣城)

Fantasia Town (花樣城) is expected to be a large scale residential community located at Guangming Community, Jinma Town, Wenjiang District, Chengdu, Sichuan Province. Wenjiang District is one of the most developed residential areas in the suburbs of Chengdu. It has an established municipal infrastructure system and is linked by four main roads to the center of Chengdu. It also enjoys a rich biological environment and beautiful scenery and is the site of several hot springs. The project was recognized as a Model Property for High Quality Living Environment in Chengdu in 2008 (2008成都優居示範樓盤) by Chengdu Real Estate Bureau (成都市房地產管理局). The project occupies a total site area of approximately 126,667 square meters with a planned aggregate GFA of approximately 593,654 square meters. The project is divided into several phases and is expected to have a total saleable GFA of approximately 563,524 square meters with approximately 440,014 square meters for residences, approximately 23,546 square meters for commercial use and approximately 99,964 square meters for car parking spaces. All phases of the project are being, or are expected to be, developed by Chengdu Huabaili, our wholly owned project company. We hold a 100% interest in the project. As of March 31, 2010, we had obtained the land use rights certificates for all phases of the project. The land use rights for the project were granted for residential purposes. Based on relevant construction works planning permits, we were allowed to develop residential and ancillary commercial properties for this project. We obtained the land use rights for the project through acquisition of a project company that held the land use rights.

Phase 1.1 of the project is comprised of six 13-storey buildings with an completed aggregate GFA of approximately 109,892 square meters. Commenced in March 2008, construction of Phase 1.1 was completed in March 2009. Details of Phase 1.1 of the project as of March 31, 2010 are set forth below:

	Residential	Commercial	Car Park
Total saleable GFA (in square meters)	81,469	3,420	21,073
Number of units	924	49	600
Total GFA sold (in square meters)	81,469	–	–
Total GFA pre-sold (in square meters)	–	–	–
Total GFA retained for investment (in square meters)	–	–	–

Phase 1.2 of the project is comprised of two buildings with a planned total GFA of approximately 8,144 square meters. It is expected to have an aggregate saleable GFA of approximately 8,144 square meters for commercial use. As of March 31, 2010, we had obtained the construction works commencement permits for Phase 1.2. Commenced in March 2008, construction of Phase 1.2 is expected to be completed in September 2011.

In addition, in October 2009, we had further obtained relevant construction works commencement permits for Phase 2 of this project which has a planned total GFA of approximately 105,469 square meters. Phase 2 is expected to have an aggregate saleable GFA of approximately 102,224 square meters with approximately 87,374 square meters for residences and approximately 14,850 square meters for car parking spaces. Commenced in October 2009, construction of Phase 2 is expected to be completed in May 2011. As of March 31, 2010, we had obtained the relevant pre-sales permit for Phase 2.

The remaining phases of the project have a planned total GFA of approximately 370,149 square meters. These phases are expected to have an aggregate saleable GFA of approximately 347,194 square meters with approximately 271,171 square meters for residences, approximately 11,982 square meters for commercial use and approximately 64,041 square meters for car parking spaces. As of March 31, 2010, we had obtained the construction land planning permit for these remaining phases.

We also plan to develop additional phases of the project in the future.

Grand Valley (大溪谷)

Grand Valley (大溪谷) is a large scale residential complex located in Jinhua and Qixin Villages, Heshan Town, Pujiang County, Chengdu, Sichuan Province. It is about one kilometer away from the exit of the Chengdu-Ya'an Expressway and is about a 40 minutes drive to the city center of Chengdu. Pujiang County is also a national ecological model county and enjoys an exceptional advantage as to its natural surroundings. The project is surrounded by natural sceneries, including Changqiu mountain with an area of about 20 square kilometers, and pristine lakes and wetland with an area of about 200,000 square meters. The project is divided into several phases. Each phase of the project was, is being, or is expected to be, developed by Fantasia Chengdu Ecological Tourism Development Co., Ltd., our wholly owned project company. Fantasia Chengdu Ecological Tourism Development Co., Ltd. holds a 100% interest in the project. We position the project as the "No. 1 Valley for Vacation in China" and plan to develop the project in cooperation with famous designing teams, including Architecture Urbanism Building Engineer Co., Ltd. of France and The Collaborative West Co., Ltd. and atta + K Inc. of the United States. The project occupies a total site area of approximately 1,059,709 square meters with a total planned GFA of approximately 1,654,556 square meters. As of March 31, 2010, we had obtained the land use rights for all parcels of land for this project. We obtained the land use rights through several government-organized listings and auctions.

We completed construction of Phase 1.1 and Phase 1.2 in December 2008 and November 2009, respectively of the project. Phase 1.1 of the project is comprised of 55 three- to six-storey buildings. It occupies a site area of approximately 62,564 square meters with an aggregate completed GFA of approximately 50,839 square meters. The land use rights for Phase 1.1 were granted for residential and commercial purposes. Phase 1.2 of the project is comprised of 54 three- to four-storey buildings. It occupies a site area of approximately 61,609 square meters with a GFA of approximately 61,631 square meters. The land use rights for this phase were granted for residential purposes.

Details of Phases 1.1 and 1.2 of the project as of March 31, 2010 are set forth below:

	Residential	**Commercial**
Total saleable GFA (in square meters)	108,598	3,653
Number of units	653	57
Total GFA sold (in square meters)	95,767	1,110
Total GFA pre-sold (in square meters)	478	21
Total GFA retained for investment (in square meters)	–	–

We also obtained the land use rights certificates for Phase 2.1 of the project. Commenced in September 2009, construction of Phase 2.1 is expected to be completed in December 2010. Phase 2.1 occupies a site area of 123,303 square meters with a planned GFA of approximately 79,958 square meters. Phase 2.1 of the project is expected to be comprised of 35 low-rise boutique residences with an aggregate saleable GFA of approximately 79,958 square meters. The land use rights for Phase 2.1 were granted for residential purpose. As of March 31, 2010, we had also obtained the relevant pre-sale permit for certain portion of Phase 2.1.

We plan to further develop several additional phases of the project on the remaining parcels of land, which occupy an aggregate site area of 812,233 square meters with a total planned GFA of approximately 1,462,129 square meters. These remaining phases are expected to have an aggregate saleable GFA of approximately 1,462,129 square meters with approximately 1,426,790 square meters for residences and approximately 35,339 square meters for commercial use. The land use rights for these phases were granted for residential use. Based on relevant opinion on design and planning issued by local urban planning bureau, we were allowed to develop residential and ancillary commercial properties for this project.

Chengdu Hailrun Plaza (成都喜年廣場)

Chengdu Hailrun Plaza (成都喜年廣場) is located on Dongda Street in the peripheral area of the central business district of Chengdu, Sichuan Province. All land parcels along Dongda Street have been designated for commercial uses and the surrounding area is expected to become a new commercial and financial center that will merge into the existing central business district of Chengdu. The project is designed to be a large urban complex comprised of a 49-storey building and a 32-storey building which will include prime office space, luxury apartments, a boutique hotel and a shopping mall. The 49-storey building became the tallest building in Chengdu upon completion in December 2009. The project is close to the largest three shopping centers and two famous tourism and recreational zones in the center of Chengdu and also has easy access to public transportation. A new subway line along Dongda Street is also expected to be completed in 2011 which we believe will further increase the value of the project. The project was awarded the Star Property of the Year and the Driving Force of Real Estate Industry in Chengdu in 2008 (2008成都房地產推動力大獎年度明星樓盤) presented by Chengdu Media Group (成都傳媒集團), the Gingko Prize as the Office Building with the Greatest Industrial Momentum in Chengdu in 2008 (銀杏杯2008年成都最具行業推動力寫字樓大獎) presented by Chengdu Television Station (成都電視臺) and the Most Anticipated Property in Chengdu in 2009 (成都地產2009值得期待樓盤), presented by Sichuan Daily Press Group (四川日報報業集團) and Chendu Real Estate Bureau (成都市房地產管理局). The project occupies a total site area of approximately 9,039 square meters with an aggregate GFA of approximately 132,218 square meters. Commenced in January 2008, the project was completed in December 2009. The project was developed by Chengdu Tonghe Real Estate Co., Ltd., our wholly owned project company. We holds a 100% interest in the project. As of March 31, 2010, we had obtained the land use rights certificate for this project. The land use rights for the project were granted for commercial and service purposes. We obtained the land use rights for the project through government-organized auction. We had also obtained the relevant pre-sale permits for the project. Details of the project as of March 31, 2010 are set forth below:

	Residential	Office	Hotel	Commercial	Car Park
Total saleable GFA (in square meters)	23,049	64,238	20,331	2,759	4,410
Number of units.	468	334	n/a[(1)]	9	140
Total GFA sold (in square meters) . . .	–	43,589	–	666	–
Total GFA pre-sold (in square meters)	22,805	9,728	–	–	–
Total GFA retained for investment (in square meters)	–	–	20,331	–	–

Note:

(1) *Not divided into individual units.*

In addition, the project includes approximately 11,153 square meters of car parking spaces equipped with mechanical parking systems that are non-saleable and we also intend to retain these non-saleable spaces for investment.

Meinian International Plaza (美年國際廣場)

Meinian International Plaza (美年國際廣場) is expected to be a large urban complex located near the Fu river in the New and High-Technology Zone, Chengdu, Sichuan Province. We believe the New and High-Technology District offers great development potential as several agencies of the city government of Chengdu have relocated to this district. The project occupies a total site area of approximately 170,032 square meters with a planned GFA of approximately 874,285 square meters. We have obtained the land use rights certificate for all phases of the project. The land use rights for approximately 113,321 square meters of the land were granted for residential and commercial purposes and the land use rights for the remaining 56,711 square meters were allocated for educational purposes and were not for sale. The project is divided into several phases and is expected to have an aggregate saleable GFA of approximately 186,896 square meters for residences, an aggregate saleable GFA of approximately 80,000 square meters for hotel, an aggregate saleable GFA of approximately 341,260 square meters for office spaces, an aggregate saleable GFA of approximately 15,100 square meters for commercial use and an aggregate saleable GFA of approximately 179,337 square meters for car parking spaces. In addition, the project is expected to include a GFA of approximately 29,033 square meters for educational purposes that are not for sale. All phases of the project are being, or are expected to be, developed by Sichuan Ximei Real Estate Development Co., Ltd., our wholly owned project company. We hold a 100% interest in the project. As of March 31, 2010, we had obtained land use rights certificates and the construction works commencement permits for all phases of this project. We obtained the land use rights for the project through government-organized listing-for-sale.

Phase 1.1 of the project is comprised of four 18-storey residential buildings. It has a planned GFA of approximately 89,591 square meters. Commenced in January 2009, construction of Phase 1.1 is expected to be completed in December 2010. We had also obtained the relevant pre-sale permits for Phase 1.1. Details of Phase 1.1 of the project as of March 31, 2010 are set forth below:

	Residential	**Car Park**
Total planned saleable GFA (in square meters)	58,354	27,160
Number of units	n/a[1]	n/a[1]
Total GFA pre-sold (in square meters)	56,150	–

Note:

(1) Not available.

Phase 1.2 of the project is comprised of one 12-storey office building. It has a planned GFA of approximately 136,710 square meters. Commenced in January 2009, construction of Phase 1.2 is expected to be completed in December 2010. We had also obtained relevant pre-sale permits for Phase 1.2. Details of Phase 1.2 of the project as of March 31, 2010 are set forth below:

	Office	**Car Park**	**Commercial**
Total planned saleable GFA (in square meters)	96,478	33,975	3,402
Number of units	n/a[1]	n/a[1]	n/a[1]
Total GFA pre-sold (in square meters)	30,461	–	71

Note:

(1) Not available.

Phase 1.3 of the project is comprised of five high rise residential buildings. It has a planned GFA of approximately 198,139 square meters. Commenced in January 2009, construction of Phase 1.3 is expected to be completed in October 2011. Details of Phase 1.3 of the project as of March 31, 2010 are set forth below:

	Residential	**Car Park**
Total planned saleable GFA (in square meters)	128,542	65,699
Number of units	n/a[1]	n/a[1]

Note:

(1) Not available.

We also plan to develop additional phases of the project in the future. These additional phases are expected to have a total planned GFA of approximately 449,845 square meters, with an aggregate saleable GFA of approximately 80,000 square meters for hotel, approximately 244,782 square meters for office spaces, approximately 11,698 square meters for commercial use and an aggregate saleable GFA of approximately 52,502 square meters for car parking spaces. As of March 31, 2010, we had obtained the construction land planning permit for these additional phases.

Chengdu Mont Conquerant (成都君山)

Chengdu Mont Conquerant (成都君山) is expected to be a large scale, low density residential community located in a famous tourist attraction in Yongshang Town, Xin Jin County, Chengdu, Sichuan Province. It is approximately three kilometers away from the center of Yongshang Town, approximately seven kilometers from Chengdu-Ya'an Express Way, approximately 18 kilometers away from the airport, and approximately 39 kilometers away from the city center of Chengdu. The project occupies a total site area of approximately 491,209 square meters. The project is divided into several phases. All phases of the project are being, or are expected to be, developed by Chengdu Xinjin Youbang Real Estate Development Co., Ltd., our wholly owned project company. We hold a 100% interest in the project. We have obtained the land use rights certificate for all phases of the project. The land use rights for the project were granted for residential and commercial purposes. We obtained the land use rights for the project through acquisition of a project company that held the land use rights.

Phase I of the project is comprised of 65 three-storey buildings. It has a planned GFA of approximately 50,560 square meters. Commenced in November 2008, construction of Phase I is expected to be completed in December 2010. As of March 31, 2010, we had obtained the pre-sale permit for Phase I. Details of Phase I of the project as of March 31, 2010 are set forth below:

	Residential	Commercial
Total planned saleable GFA (in square meters)	47,228	948
Number of units	151	1
Total GFA pre-sold (in square meters)	10,419	–
Total GFA retained for investment (in square meters)	–	–

We have obtained the land use rights certificate for Phase 2.1 of the project. The Phase 2.1 has a planned GFA of 12,699 square meters. The construction of Phase 2.1 commenced in February 2010 and is expected to be completed in December 2011. As of March 31, 2010, we had obtained the construction works planning permits and the construction works commencement permits for Phase 2.1. Details of Phase 2.1 as of March 31, 2010 are set forth below:

	Residential
Total planned saleable GFA (in square meters)	12,699
Number of units	n/a
Total GFA pre-sold (in square meters)	–
Total GFA retained for investment (in square meters)	–

We also plan to develop additional phases of the project which are expected to have a total planned GFA of approximately 283,685 square meters. These phases are planned to have an aggregate saleable GFA of 8,946 square meters for hotel, approximately 267,348 square meters for residences, approximately 9,501 square meters for commercial use and approximately 6,781 square meters for car parking spaces. As of March 31, 2010, we had obtained the construction land planning permits for these additional phases.

Chengdu Future Plaza (成都香年廣場)

Chengdu Future Plaza (成都香年廣場) is expected to be two or more high-rise office buildings located in Jianshe, Shuangtu and Minle Villages, High-Technology Zone, Chengdu, Sichuan Province. The project occupies a total site area of approximately 13,863 square meters with a planned GFA of approximately 243,839 square meters. The project is planned to have an aggregate saleable GFA of approximately 235,246 square meters with an aggregate saleable GFA of 147,938 square meters for office spaces, approximately 40,140 square meters for residences, approximately 4,660 square meters for commercial use and approximately 42,508 square meters for basement area most of which we intend to retain for car parking spaces.

The development of the project commenced in December 2009 and to be completed in December 2012. The project is expected to be developed by Chengdu Jiurong Real Estate Development Co., Ltd. As of December 31, 2009, we had obtained the land use rights certificate, construction land planning permit and construction works commencement permit for this project. The land use rights for the project were granted for commercial and service uses.

Chengdu Jiurong Real Estate Development Co., Ltd. obtained the land use rights certificate for this project in October 2007. Our wholly owned subsidiary, Chengdu Jiurong Real Estate Development Co., Ltd., entered into equity transfer agreements with an Independent Third Party in June 2008 and September 2008 pursuant to which Chengdu Jiurong Real Estate Development Co., Ltd.acquired 100% equity interest in Chengdu Jiurong Real Estate Development Co., Ltd. from such Independent Third Party. We hold a 100% interest in this project.

Pearl River Delta Region — Shenzhen

Shenzhen Endless Blue (深圳碧雲天)

Shenzhen Endless Blue (深圳碧雲天), our first completed project, is a residential community of eleven 9- to 16-storey apartment buildings located on Xiameilin Road and North Ring in Futian District, Shenzhen, Guangdong Province. It is located in a well-established residential area with easy access to public transportation. It occupies a total site area of approximately 11,944 square meters with a total completed GFA of approximately 50,696 square meters. Commenced in April 1998, the project was completed in January 2000. The project was developed by Shenzhen Xingyan Investment Development Co., Ltd., a project company in which we held 52% equity interest. The land use rights for the project were granted for residential purposes. Based on relevant construction works planning permit, we were allowed to develop residential and ancillary commercial properties for this project. We obtained the land use rights for the project through cooperatively developing the project with an independent third party that held the land use rights. Details of the project as of March 31, 2010 are set forth below:

	Residential	Commercial
Total saleable GFA (in square meters)	42,189	941
Number of units	464	8
Total GFA sold (in square meters)	42,189	941
Total GFA retained for investment (in square meters)	–	–

The project also includes 177 car parking spaces which are not included in the total saleable GFA of the project. Shenzhen does not have a public registration system for property rights in car parking spaces and therefore, in practice, car parking spaces are not saleable in Shenzhen and we intend to retain these car parking spaces for investment. We are, however, currently involved in a civil complaint relating to the 177 car parking spaces in the project. For additional information, see "— Legal Proceedings."

Fairy Land (芳鄰)

Fairy Land (芳鄰) is a 27-storey residential and commercial project located on Renmin North Road, Luohu District, Shenzhen, Guangdong Province. It is located in a well-established residential area with easy access to public transportation and close to various banks, hospitals, schools, shopping malls and a public park. The project occupies a total site area of approximately 1,481 square meters with an aggregate completed GFA of approximately 16,976 square meters. Commenced in February 2000, the project was completed in September 2001. The project was developed by Shenzhen Xingyan Investment Development Co., Ltd., a project company in which we held 52% equity interest. The land use rights for the project were granted for residential and commercial purposes. We obtained the land use rights for the project through cooperatively developing the project with an independent third party that held the land use rights. Details of the project as of March 31, 2010 are set forth below:

	Residential	**Commercial**
Total saleable GFA (in square meters)	14,038	1,154
Number of units	288	28
Total GFA sold (in square meters)	14,038	769
Total GFA retained for investment (in square meters)	–	385

Hailrun Complex (喜年中心)

Hailrun Complex (喜年中心) is a 28-storey commercial office building located on Shennan Boulevard in Futian District, Shenzhen, Guangdong Province. The area surrounding the project is called the "western central district" of Shenzhen, which is a rising business and commercial center that has attracted a large number of private enterprises. The project has a modern design and won the Superior Quality Project Award (深圳市優質工程獎) issued by the Shenzhen Construction Industry Association (深圳市建築業協會) in 2003. The project occupies a total site area of approximately 4,907 square meters, with an aggregate completed GFA of approximately 51,659 square meters. Commenced in September 2001, the project was completed in February 2003. The project was developed by Shenzhen Xingyan Investment Development Co., Ltd., a project company in which we held 52% equity interest. The land use rights for the project were granted for commercial office use. We obtained the land use rights for the project through cooperatively developing the project with an independent third party that held the land use rights. Details of the project as of March 31, 2010 are set forth below:

	Office	**Commercial**
Total saleable GFA (in square meters)	38,569	5,384
Number of units	398	9
Total GFA sold (in square meters)	34,489	5,341
Total GFA retained for investment (in square meters)	–	43
Total GFA retained for self use (in square meters)	4,080	–

We have kept the remaining unsold office units with a total saleable GFA of 4,080 square meters as our own office space. The project also includes 200 car parking spaces which are not included in the total saleable GFA of the project. Shenzhen does not have a public registration system for property rights in car parking spaces and therefore, in practice, car parking spaces are not saleable in Shenzhen and we have retained these car parking spaces for investment purposes.

Shenzhen Pair Life (深圳錦上花)

Shenzhen Pair Life (深圳錦上花) is a 33-storey residential project located at Wenjindu in Luohu District, Shenzhen, Guangdong Province. It is located very close to the border between Hong Kong and Shenzhen and adjacent to the Wenjindu border control station and therefore appeals to buyers from both Hong Kong and Shenzhen. The project occupies a total site area of approximately 4,501 square meters with an aggregate completed GFA of approximately 49,595 square meters. Commenced in January 2002, the project was completed in November 2003. The project was developed by Shenzhen Xingyan Investment Development Co., Ltd., a project company in which we held 52% equity interest. The land use rights for the project were granted for residential and commercial purposes. We obtained the land use rights for the project through cooperatively developing the project with an Independent Third Party that held the land use rights. Details of the project as of March 31, 2010 are set forth below:

	Residential	Commercial
Total saleable GFA (in square meters)	38,608	2,012
Number of units	610	4
Total GFA sold (in square meters)	38,472	777
Total GFA retained for investment (in square meters)	–	1,235

The project also includes 191 car parking spaces which are not included in the total saleable GFA of the project. Shenzhen does not have a public registration system for property rights in car parking spaces and therefore, in practice, car parking spaces are not saleable in Shenzhen and we have retained these car parking spaces for investment purposes.

Self Life (趣園)

Self Life (趣園) is a 24-storey residential project located at Fuhua Road and Binhe Road, adjacent to the south-east of Shenzhen Golf Court in Futian District, Shenzhen, Guangdong Province. It is adjacent to Shenzhen Convention & Exhibition Center in the central business district of Shenzhen and has panoramic view of a golf course. The project was awarded as the Shenzhen High Quality Structural Engineering Prize in 2003 (2003下半年度深圳市優質結構工程獎) and the Golden Bull Prize in 2005 (2005年度金牛獎), one of the most prestigious awards in the real estate industry in Shenzhen, both awarded by the Shenzhen Construction Industry Association (深圳市建築業協會). The project occupies a total site area of approximately 3,394 square meters with an aggregate completed GFA of approximately 19,035 square meters. Commenced in June 2003, this project was completed in June 2004. The project was developed by Shenzhen Xingyan Investment Development Co., Ltd., a project company in which we held 52% equity interest. The land use rights for the project were granted for residential purposes. Based on relevant construction works planning permit, we were allowed to develop residential and ancillary commercial properties. We obtained the land use rights for the project through cooperatively developing the project with two independent third parties that held the land use rights. Details of the project as of March 31, 2010 are set forth below:

	Residential	Commercial[(1)]
Total saleable GFA (in square meters)	13,860	1,252
Number of units	242	–
Total GFA sold (in square meters)	13,457	–
Total GFA retained for investment (in square meters)	231	1,252

Note:

(1) We retained such commercial unit for our club house.

The project also includes 100 car parking spaces which are not included in the total saleable GFA of the project. Shenzhen does not have a public registration system for property rights in car parking spaces and therefore, in practice, car parking spaces are not saleable in Shenzhen and we have retained these car parking spaces for investment purposes.

Shenzhen My Place (深圳花好園)

Shenzhen My Place (深圳花好園) is a residential community of five 29- to 32-storey apartment buildings located at Xiasha Village, South Binghe Road in Futian District, Shenzhen, Guangdong Province. It is on the border of the west central district of Shenzhen and Red-Tree Bay residential area and has easy access to public transportation. The project won various awards and recognition in 2004, including as a Top Ten Original Design Properties in Shenzhen (中國深圳十大創新設計樓盤) according to the International Think Tank Forum Organization Committee (全球腦庫論壇組委會), Top Ten Gold Medal Champion Properties (十大金牌冠軍樓盤) according to the Chinese Olympic Committee

(Shenzhen) News Center (中國奧委會(深圳)新聞中心) and Top Ten Leisure and Health Community (十大健康休閒社區) according to the China Architectural Culture Center under the MOC (建設部中國建築文化中心). The project occupies a total site area of approximately 13,162 square meters with an aggregate completed GFA of approximately 94,956 square meters. Commenced in January 2004, the project was completed in November 2005. The project was developed by Shenzhen Xingyan Investment Development Co., Ltd., a project company in which we held 52% equity interest. The land use rights for the project were granted for residential and commercial purposes. We obtained the land use rights for the project through cooperatively developing the project with an independent third party that held the land use rights. Details of the project as of March 31, 2010 are set forth below:

	Residential	Commercial
Total saleable GFA (in square meters)	69,499	13,450
Number of units	1,466	41
Total GFA sold (in square meters)	69,499	2,350
Total GFA retained for investment (in square meters)	–	11,100

The project also includes 200 car parking spaces which are not included in the total saleable GFA of the project. Shenzhen does not have a public registration system for property rights in car parking spaces and therefore, in practice, car parking spaces are not saleable in Shenzhen and we have retained these car parking spaces for investment purposes.

Flower Harbor (花港家園)

Flower Harbor (花港家園) is a 33-storey residential building with a 2-storey skirt building located on Mingzhu Avenue and Yong'an North Road in Yantian District, Shenzhen, Guangdong Province. It is located within the Yantian Harbor area which is currently in its third phase of expansion to develop an international warehousing and logistics center. We believe the growing shipping, warehousing and other logistics business in the Yantian Harbor area will result in significant growth in population and greater demand for properties in the area. Flower Harbor (花港家園) has a sea view and is surrounded by mountains. The project occupies a total site area of approximately 5,335 square meters with an aggregate completed GFA of approximately 27,033 square meters. Commenced in June 2007, the project was completed in December 2008. The project was developed by Shenzhen Zhifu Real Estate Investment Development Co., Ltd., our wholly owned project company. We held a 100% interest in the project. The land use rights for the project were granted for residential and commercial purposes. We obtained the land use rights for the project through acquisition of a project company that held the land use rights. Details of the project as of March 31, 2010 are set forth below:

	Residential	Commercial
Total saleable GFA (in square meters)	20,179	2,223
Number of units	440	43
Total GFA sold (in square meters)	20,179	621
Total GFA pre-sold (in square meters)	4,308	608
Total GFA retained for investment (in square meters)	–	–

The project also includes 145 car parking spaces which are not included in the total saleable GFA of the project. Shenzhen does not have a public registration system for property rights in car parking spaces and therefore, in practice, car parking spaces are not saleable in Shenzhen and we have retained these car parking spaces for investment purposes.

Shenzhen Future Plaza (深圳香年廣場)

Shenzhen Future Plaza (深圳香年廣場) is located to the north of Qiaocheng Road and to the northwest of Overseas Chinese Town East Industrial Zone in Nanshan District, Shenzhen, Guangdong Province. The location's surrounding area is part of the bigger Overseas Chinese Town which has been zoned for residential, tourism and high-tech businesses. The project was awarded the 2008 Real Estate Design Award of Golden Brick for Real Estate of China (中國地產金磚獎2008年度地產設計大獎) by

Boao 21st Century Real Estate Forum (博鰲21世紀房地產論壇), 21st Century Economy Review (21世紀經濟報導) and the Shenzhen Innovative Space Design Award (深圳創新空間設計獎) in 2008, by Boao 21st Century Real Estate Forum (博鰲21世紀房地產論壇), 21st Century Economy Review (21世紀經濟報導), Shenzhen Economic Daily (深圳商報) and Hong Kong Commercial Daily (香港商報), respectively. The project is comprised of two 20-storey main buildings and two two- to eight-storey attached buildings in a simple and modern style. The project occupies a total site area of approximately 15,145 square meters with an aggregate completed GFA of approximately 74,348 square meters. Commenced in March 2007, the project was completed in October 2008. The project was developed by Shenzhen Kangnian Technology Co., Ltd. ("Shenzhen Kangnian"), a project company in which we used to own a majority equity interest and currently own 100% equity interest. Shenzhen Kangnian holds a 100% interest in the project. The land use rights for the project were granted for industrial purposes. We obtained the land use rights for the project through establishing a joint venture project company with an independent third party that held the land use rights. Details of the project as of March 31, 2010 are set forth below:

	Industrial[1]
Total saleable GFA (in square meters)	60,590
Number of units	170
Total GFA sold (in square meters)	53,467
Total GFA pre-sold (in square meters)	2,578
Total GFA retained for investment (in square meters)	–

Note:

(1) The land use rights for the projects were granted for industrial purposes, and the respective land use rights certificates state that the buildings are for "Industrial Workshop (Production Research and Development) " use. Accordingly, the sales contracts between us and our customers at Shenzhen Future Plaza (深圳香年廣場) stipulated that the buildings were for industrial production use. Once a property has been sold by us and the legal title to the property vests in the owner, we are unable to control or restrict the use made by the owner of the property. We are not liable if a customer uses a property purchased from us for a purpose that does not conform to the purpose stated on the relevant land use rights certificate. In the event that customers purchase and use such properties as office space, so long as such use conforms to the use of the building as stated in the respective land use rights certificates, the use is legal. In addition, certain portion of the project is used as retail shops by our customers to service the needs of other property users in the project.

The project also includes 336 car parking spaces which are not included in the total saleable GFA of the project. Shenzhen does not have a public registration system for property rights in car parking spaces and therefore, in practice, car parking spaces are not saleable in Shenzhen and we have retained these car parking spaces for investment purposes.

Shenzhen Love Forever (深圳花郡)

Shenzhen Love Forever (深圳花郡) is designed to be a residential community project comprised of eight 20- to 27-storey apartment buildings with a modernist style. The project is located at Xincheng Avenue, Bao'an District, Shenzhen, is within walking distance to Bao'an Sports Center and has easy access to public transportation. The project occupies a total site area of approximately 23,955 square meters with a planned aggregate GFA of approximately 132,336 square meters. The construction of this project was commenced in October 2008 and the southern area is expected to be completed in October 2010 with the northern area expected to be completed in April 2011. The project is divided into a northern area, which is also named as Hua Xiang Jia Yuan (花鄉家園), with two 25-storey and two 20-story buildings and a southern area, which is also named as Hua Jun Jia Yuan (花郡家園), with one 27-story and three 20-storey buildings. Both areas of this project are being developed by Shenzhen Xingyan Investment Development Co., Ltd., a project company in which we own 52% equity interests. Shenzhen Xingyan Investment Development Co., Ltd. holds a 100% interest in the project. Details of the project as of March 31, 2010 are set forth below:

	Residential	**Commercial**
Total planned saleable GFA (in square meters)	91,745	8,696
Number of units	2,280	133
Total GFA pre-sold (in square meters)	46,117	–

The project also includes 1,034 car parking spaces which are not included in the total saleable GFA of the project. Shenzhen does not have a public registration system for property rights in car parking spaces and therefore, in practice, car parking spaces are not saleable in Shenzhen and we have retained these car parking spaces for investment purposes.

As of March 31, 2010, we had obtained all land use rights certificates for the project and the pre-sale permit for the southern area. The land use rights for the project were granted for residential purposes. Based on relevant construction works planning permit, we were allowed to develop residential and ancillary commercial properties for this project. We obtained the land use rights for the project through cooperatively developing the project with an Independent Third Party that held the land use rights.

Shenzhen Meinian Plaza (深圳美年廣場)

Shenzhen Meinian Plaza (深圳美年廣場) includes five 11- to 13-story buildings located on Chuangye Road in Nanshan District, Shenzhen, Guangdong Province. It is located in the commercial-cultural zone of Nanshan District, Shenzhen which includes nature, ecology and commerce. The project occupies a total site area of approximately 29,546 square meters with an aggregate completed GFA of approximately 87,638 square meters. The total saleable GFA is approximately 73,466 square meters.

Commenced in May 2007, the project was completed in August 2009. As of March 31, 2010, we had obtained the land use rights certificate. The land use rights for the project were granted for industrial purposes.

Shenye Pengji (Group) Co., Ltd., an independent third party, had obtained the land use rights certificate in January 2007. In December 2009, Fantasia Group (China) Co., Ltd., one of our wholly-owned subsidiaries, entered into an asset transfer agreement with Shenye Pengji (Group) Co., Ltd. pursuant to which Fantasia Group (China) Co., Ltd. obtained a 100% interest in the project.

Shenzhen Funian Plaza (深圳福年廣場)

Shenzhen Funian Plaza (深圳福年廣場) is located in Shenzhen Futian Free Trade Zone, which has an easy access to the transportation network around Huanggang Border and Guangzhou-Shenzhen Expressway. The project occupies a total site area of approximately 18,718 square meters with a planned total GFA of approximately 67,908 square meters. The project is expected to have an aggregate saleable GFA of approximately 46,795 square meters. It is also expected to include 407 car parking spaces which are not included in the total saleable GFA of the project. The construction of the project is expected to be commenced in June 2010 and completed in June 2011. The project is expected to be developed by Shenzhen Huiheng Real Estate Co., Ltd. ("Shenzhen Huiheng"), a project company in which we own 100% equity interest through our wholly owned subsidiary Shenzhen Kangnian. Shenzhen Huiheng holds a 100% interest in the project. The land use rights for this project were granted for warehouse purposes. We obtained the land use rights for the project through acquisition of a project company that held the land use rights in September 2009.

Pearl River Delta Region — Outside Shenzhen

Dongguan Mont Conquerant (東莞君山)

Dongguan Mont Conquerant (東莞君山) is located at Huanggouluo Huangkeng Village, Liaobu Town, Dongguan, Guangdong Province, which is adjacent to the Fengjing Golf Course and enjoys view of Huying Park and Huangqi Hill. The project is expected to be a large scale residential community comprised of seventeen low rise buildings and ten 18- to 32-storey buildings and a clubhouse. The project occupies a total site area of approximately 52,853 square meters with a planned GFA of approximately 142,928 square meters. The project is divided into two phases, both of which are being, or are expected to be, developed by Dongguan Fantasia Real Estate Investment Co., Ltd., our wholly owned project company. We hold a 100% interest in the project. We had obtained the land use rights certificate for both phases of the project. The land use rights for the project were granted for residential and commercial purposes. We obtained the land use rights for the project through acquisition of the entire project from an independent third party that held the land use rights.

Phase I of the project is expected to be comprised of seventeen 3-storey buildings. Phase I has a planned GFA of approximately 19,945 square meters. Commenced in June 2009, construction of Phase I is expected to be completed in March 2010. As of December 31, 2009, we had obtained the pre-sale permit for certain portion of the residences and have begun pre-sale in July 2009. Details of Phase I of the project as of March 31, 2010 are set forth below:

	Residential
Total planned saleable GFA (in square meters)	19,885
Number of units	41
Total GFA pre-sold (in square meters)	18,095
Total GFA retained for investment (in square meters)	–

Phase II of the project is expected to be comprised of ten 18- to 32-storey buildings with a total planned GFA of approximately 122,983 square meters, including an aggregate of saleable GFA of approximately 71,024 square meters for residences and approximately 25,990 square meters for basement area, most of which we intend to retain for car parking spaces. Phase II of the project was commenced in September 2009 and is expected to be completed in June 2011. As of March 31, 2010, we had also obtained the construction works commencement permit for Phase II. We plan to begin pre-sale in October 2010.

Huizhou Endless Blue (惠州碧雲天)

Huizhou Endless Blue (惠州碧雲天) is expected to be a residential community located in Huangyuyong, Daya Bay, Huizhou, Guangdong Province. It is linked by several roads to the city center of Daya Bay and the petroleum and chemical industrial zone of Huizhou. The project is designed to be comprised of eleven 24- to 30-storey buildings. The project occupies a total site area of approximately 35,000 square meters with a planned GFA of approximately 168,545 square meters. It is planned to have an aggregate saleable GFA of 132,277 square meters for residences, 4,644 square meters for commercial use. The project is also expected to include 1,003 car parking spaces which are not included in the total saleable GFA approximately 18,665 square meters for car parking spaces. Construction of the project is expected to commence in December 2010 and completed in December 2012. The project is expected to be developed by Huizhou Daya Bay Huawanli Industry Co., Ltd., our wholly owned project company. We hold a 100% in the project.

As of March 31, 2010, we had obtained the land use rights certificate and construction land planning permit for this project. The land use rights for the project were granted for residential and commercial purposes. We obtained the land use rights for the project through government-organized listing-for-sale.

Huiyang Project (惠陽項目)

Huiyang Project (惠陽項目) is located to the east of Huinan Avenue in Huiyang, Huizhou, Guangdong Province. It is adjacent to Huiyang bus terminus and is within walking distance to Danshui central business areas. The project occupies a total site area of approximately 172,000 square meters with a planned total GFA of approximately 586,000 square meters. The project is expected to have an aggregate saleable GFA of 510,205 square meters with approximately 486,205 square meters for residences and approximately 24,000 square meters for commercial use. It is also expected to include 2,040 car parking spaces which are not included in the total saleable GFA of the project. Construction of Phase I of the project is expected to be commenced in September 2010 and completed in December 2011. The project is expected to be developed by Huizhou Huiyang Huaqianli Industry Co., Ltd., our wholly owned project company. Huizhou Huiyang Huaqianli Industry Co., Ltd. holds a 100% interest in the project. We had obtained the land use rights certificate for the project and the land use rights were granted for comprehensive purposes including for residential and commercial use. We obtained the land use rights for the project through government-organized listing-for-sale in September 2009.

Yangtze River Delta Region

Town on the Water (雲海間)

Town on the Water (雲海間) is expected to be a low density community of upscale residences located in Lianyi Village, Xizhu Town, Yixing, a county-level city in Wuxi, Jiangsu Province. It is adjacent to the Hengshan Reservoir which is one the six largest reservoirs in Jiangsu Province and a new tourist attraction in the Yangtze River Delta area. It is located about 15 kilometers away from the Nanjing-Hangzhou expressway and is within two hours drive to major cities in the surrounding region such as Shanghai, Nanjing and Hangzhou.

The project occupies a total site area of approximately 66,664 square meters with a planned aggregate GFA of approximately 41,432 square meters. The project is expected to be comprised of 71 upscale low rise buildings with a total saleable GFA of approximately 22,602 square meters and four hotel buildings with a total saleable GFA of approximately 17,990 square meters. The project is developed by Yixing Jiangnan Shuixiang Tourism Resort Co., Ltd., a project company in which we hold a 60% equity interest. Yixing Jiangnan Shuixiang Tourism Resort Co., Ltd. holds a 100% interest in the project. We had obtained the land use rights certificate for the project. The land use rights for the project were granted for comprehensive purposes including residential and commercial use. We obtained the land use rights for the project through acquisition of a project company that held the land use rights.

Commenced in November 2007, construction of the project is expected to be completed in June 2010. As of March 31, 2010, we had obtained the required construction works commencement permit for the project and had obtained the pre-sale permit for certain portion of the project with respect to which we begun pre-sale in November 2008. Details of the project as of March 31, 2010 are set forth below:

	Residential	**Hotel**
Total planned saleable GFA (in square meters)	22,602	17,990
Number of units	71	276
Total GFA pre-sold (in square meters)	7,920	–
Total GFA sold (in square meters)	9,515	–
Total GFA retained for hotel management (in square meters)	–	7,095

Of all the saleable GFA of this project, we intend to retain approximately 7,095 square meters for investment.

Suzhou Taihu Project (蘇州太湖項目)

Suzhou Taihu Project is expected to be a large scale, low density residential community located in the Suzhou Taihu National Tourism Vacation Zone (蘇州太湖國家旅遊度假區), a famous tourist attraction in Suzhou, Jiangsu Province. This project enjoys exceptional natural surroundings. The project is adjacent to the Suzhou Cultural Forum, Golf Course and Yacht Club. The project occupies a total site area of approximately 379,635 square meters with a planned aggregate GFA of approximately 533,121 square meters. The total saleable GFA is approximately 533,121square meters.

As of March 31, 2010, we had obtained the land use rights certificate. The land use rights for the project were granted for residential purposes. We obtained the land use rights for the project through the acquisition of two project companies, Suzhou LKN Real Estate Development Co., Ltd. and Suzhou Huawanli Real Estate Development Co., Ltd., both of which were independent third parties.

Wuxi Project (無錫項目)

Wuxi Project is located at Jincheng Road and Chunyang Road in Wuxi, Jiangsu Province. The project borders on Wuxi's new district, which is expected to undergo considerable growth to become a prosperous urban center. The project occupies a total site area of approximately 123,670 square meters with a planned aggregate GFA of approximately 222,606 square meters. The total saleable GFA is approximately 219,206 square meters, of which a total GFA of approximately 176,643 square meters is for residential purposes and approximately 42,566 square meters for commercial purposes. The project was developed by Fantasia Wuxi Real Estate Development Co., Ltd., a project company in which we hold 100% equity interest.

We obtained the land use rights for the project through a government-organized listing-for-sale process. The land use rights for the project were granted for residential and commercial purposes. As of March 31, 2010, we had signed land grant contract with the Land and Resources Department of Wuxi (無錫市國土資源局).

Beijing-Tianjin metropolitan region — Tianjin

Tianjin Hailrun Plaza (天津喜年廣場)

Tianjin Hailrun Plaza (天津喜年廣場) is expected to be an urban complex. The centerpiece of the project is expected to be five high-rise buildings of 19- to 30-storey. The project is located on Jiefang South Road, Jinnan District, Tianjin. The project occupies a total site area of approximately 21,410 square meters with a planned total GFA of approximately 131,341 square meters. The project is divided into several phases, all of which are being, or expected to be, developed by Tianjin Songjiang-Fantasia Real Estate Co., Ltd., a project company in which we own 60% equity interest. Tianjin Songjiang-Fantasia Real Estate Co., Ltd. holds a 100% interest in the project. We had obtained the land use rights certificate for all phases of the project. The land use rights for the project were granted for general construction purpose including for office spaces and commercial use. We obtained the land use rights for the project through acquisition of the entire project from an independent third party that held the land use rights.

Phase I of the project is comprised of two 19- to 20-storey buildings with a planned total GFA of approximately 48,547 square meters. Commenced in September 2008, construction of Phase I is expected to be completed in June 2010. As of March 31, 2010, we had obtained the construction works commencement permit for Phase I. We had also obtained the pre-sale permit for this phase.

Details of Phase I of the project as of March 31, 2010 are set forth below:

	Office	Commercial
Total saleable GFA (in square meters)	25,935	1,011
Number of units	502	8
Total GFA pre-sold (in square meters)	25,673	–
Total GFA retained for investment (in square meters)	–	–

In addition, Phase I of the project is expected to include 900 car parking spaces that are non-saleable and we also intend to retain these non-saleable car parking spaces for investment.

Phase II of the project has a planned GFA of 82,794 square meters. It is expected to have an aggregate saleable GFA of 26,365 square meters for residences and approximately 25,732 square meters for office spaces. It was commenced in September 2008 and is expected to be completed in June 2011. As of March 31, 2010, we had obtained the construction works commencement permit and all pre-sale permits for Phase II.

Yingcheng Lake (營城湖)

Yingcheng Lake (營城湖) is expected to be a residential community located to the south of Yingcheng Reservoir, Hangu District, Tianjin. The project is located within the New Coastal Area of Tianjin, which is a national level key development area in Tianjin, and is further within the sub-area of the New Coastal Area designated for leisure and tourism purposes. We believe the project may have a great prospect for value appreciation as an increasing number of tourist attractions and facilities are planned in the surrounding area. The project occupies a total site area of approximately 100,000 square meters with a planned total GFA of approximately 168,339 square meters, including an aggregate saleable GFA of approximately 62,585 square meters for residences, approximately 60,486 square meters for office spaces and approximately 16,121 square meters for commercial use. The project is expected to be developed by Tianjin Fuda Property Transaction Co., Ltd., our wholly owned project company. We will hold 100% interest in the project.

As of March 31, 2010, we had obtained the land use rights certificate for the project, but have not obtained the other certificates and permits required for the project. The land use rights for the project were granted for residential, commercial, service and tourism purposes. We obtained the land use rights for the project through acquisition of a project company that held the land use rights. We are currently working on the general design and planning of the project.

Dali Project (大理項目)

Dali Project is located at North Tai'an Bridge, Dali, Yunnan Province, which is the political, economic and cultural center of Dali and where the provincial and municipal governments are located. The project occupies a total site area of approximately 9,213 square meters with a planned aggregate GFA of approximately 64,488 square meters. The total saleable GFA is approximately 64,488 square meters. We obtained the land use rights for the project through government-organized listing-for-sale. The land use rights for the project were granted for residential and commercial purposes. We hold a 100% interest in the project. As of March 31, 2010, we had signed a confirmation letter with the Land Storage and Exchange Center of Dali (大理市土地收購儲備交易中心).

Potential New Property Development Projects

In addition to our existing property development projects, we are actively exploring opportunities for additional property development projects in China. We have entered into preliminary framework agreements with the local government authorities or relevant third parties related to certain potential new projects but have not yet entered into any further agreements and have not obtained relevant land use rights certificates for such projects. Commerce & Finance Law Offices, our PRC legal counsel, has advised us that, as of March 31, 2010, before we were able to obtain the relevant land use right certificates, we were still required by the relevant PRC laws and regulations (i) in respect of our Pixian and Yunnan projects, to successfully complete the public tender, auction or listing-for-sale process, enter into a land grant contract and pay relevant land grant premium; (ii) in respect of our Beijing Tongzhou project, to enter into and perform our obligations under a formal share transfer agreement and duly complete registration procedures for such transfer of equity ownership with the relevant government authorities; and (iii) in respect of our Suzhou Taihu Hotel Project, to invest at least 25% of the total capital required for the project or fulfill such other conditions as may be determined by the relevant government authorities of Suzhou and, where necessary, complete the required listing-for-sale and public notice procedures on the basis that project is currently a state-owned asset. In April 2010, we entered into a framework agreement to purchase 100% of the equity interests in Shenzhen Gaohua Investment Limited, which holds certain parcels of land in Guilin City. Completion of such acquisition is conditional upon fulfillment of a number of conditions, including, among others, completion of necessary procedures for Shenzhen Gaohua Investment Limited to have legal ownership in each of the project companies holding the relevant parcels of land in Guilin City and the underlying land use rights and obtaining corporate and other approval for such acquisitions. We can not assure you that we will obtain any land use rights or any or all of the requisite governmental approvals for the development of these potential new projects. For more details on the risks associated with these potential new projects, please see "Risk Factors — Risks Relating to Our Business — We have entered into several preliminary framework agreements for potential new property development projects which are subject to significant risks and uncertainties" and "Our results of operations may be materially and adversely affected if we fail to obtain, or there are material delays in obtaining, requisite governmental approvals for our property developments" in this document. Because these potential new property development projects are still at a very preliminary stage, we are not able to estimate the total development costs or set target completion dates for these potential new projects yet. The following table sets forth relevant information of our potential new projects as of March 31, 2010:

Potential New Property Development Projects	Site Area (in square meters)	Total GFA Completed (in square meters)	Total GFA Under Development (in square meters)	Total GFA for Future Development (in square meters)	Total Planned GFA (in square meters)	Total Planned Saleable GFA (in square meters)	Expected Interest in the Project
Chengdu:							
Pixian Project (郫縣項目)	979,333	–	–	3,917,332	3,917,332	3,917,332	100%
Suzhou:							
Suzhou Taihu Hotel Project (蘇州太湖酒店項目)	70,317	–	–	56,254	56,254	n/a	100%
Yunnan:							
Yunnan Project (雲南項目)	996,531	–	–	996,531	996,531	996,531	100%
Beijing:							
Beijing Tongzhou Project (北京通州項目)	8,219	–	–	55,000	55,000	n/a	100%
Total	2,054,400			5,025,117	5,025,117		

Pixian Project (郫縣項目)

In April 2007, Fantasia Group (China) Co., Ltd. and Tianjin Songjiang Group entered into a framework agreement with the People's Government of Pixian County (郫縣人民政府) (the "Pixian Government") relating to the development of the Wangcong Ancient Sichuan Culture Park (望叢古蜀文化產業園) located in Pixian County, Chengdu, Sichuan Province. Under the framework agreement, we were in charge of preparing overall plans and detailed designs of the culture park pursuant to the guidelines set by the Pixian Government. Pixian Government was expected to further enter into a cooperative agreement with us for the development of the culture park after it approved the overall plans and detailed designs prepared by us. We had submitted draft plans to the Pixian Government. Upon the initial approval of our draft plan granted by the Pixian Government, in September 2009, Fantasia Group (China) Co., Ltd. further entered into a cooperative agreement with the local government in relation to the detailed design, arrangement and improvement for parcels of land for the culture park and its ancillary facilities. Pursuant to the agreement, the local government agreed, among other things, to grant parcels of state-owned land in three years from 2010 to 2013 to developers through procedures in accordance with applicable laws and regulations. These parcels of land are expected to occupy an aggregate site area of approximately 979,333 square meters. We are eligible and intend to acquire such lands for our Pixian Project through the relevant procedures. As of March 31, 2010, the project had commenced and the land clearance was underway. We expect the project to have an estimated aggregate saleable GFA of approximately 3,917,332 square meters. As of March 31, 2010, we had not obtained any land use rights or entered into any land grant contract with the local government for the Pixian Project.

Yunnan Project (雲南項目)

In June 2009, Fantasia Group (China) Co., Ltd., our subsidiary, entered into an agreement with the Administrative Committee of the Dali Provincial Tourism and Vacation Zone (大理省級旅遊度假區管理委員會) for the development of the Dali Bai Ethnic Culture Resort (大理白族民俗文化度假村) (the "Yunnan Project"), which will be located near Butterfly Spring (蝴蝶泉), a famous tourist attraction, in Dali, Yunnan Province. Under the agreement, we will be responsible for the feasibility study, environmental impact assessment, overall planning and designs and will bear the costs of certain infrastructure construction of the resort. In September 2009, Fantasia Group (China) Co., Ltd. entered into a cooperative agreement with the local government relating to the detailed design, arrangement and improvement for parcels of land for the Dali Provincial Tourism and Vacation Zone (大理白族民俗文化

度假村) its ancillary facilities. Pursuant to the agreement, the local government agreed, among other things, to grant parcels of state-owned land in three years from 2010 to 2013 to developers through procedures in accordance with applicable laws and regulations. We are eligible and intend to acquire such lands for our Yunnan Project through the relevant procedures. We expect the project to occupy a total site area of approximately 996,531 square meters with an estimated aggregate saleable GFA of approximately 996,531 square meters. As of March 31, 2010, the land clearance was underway and conceptual planning and design had been submitted to local governmental authority. We had not, as of March 31, 2010, obtained any land use rights or entered into any land grant contract with the local government for the Yunnan Project. If we are successful in acquiring the land, we will apply for the requisite governmental approvals for the development for this project.

Beijing Tongzhou Project (北京通州項目)

In August 2009, Fantasia Group (China) Co., Ltd., our subsidiary, entered into a share transfer framework agreement with two individual independent third parties in connection with the transfer of their 100% equity interest in Beijing Taibo to Fantasia Group (China) Co., Ltd. at the total consideration of RMB150.0 million (US$22.0 million). Upon the completion of the transfer, we will acquire the land use rights for certain parcels held by Beijing Taibo located at Xinhua Avenue, Tongzhou District, Beijing, which occupy a total site area of approximately 8,219 square meters with an estimated aggregate GFA of approximately 55,000 square meters. As of March 31, 2010, pre-construction evaluation and assessment of the project had commenced.

Suzhou Taihu Hotel Project (蘇州太湖酒店項目)

In January 2010, Fantasia Group (China) Co., Ltd., one of our wholly-owned subsidiaries, entered into an asset transfer framework agreement (the "Suzhou Agreement") with Suzhou CITIC Investment Co., Ltd. ("Citic Suzhou"). Pursuant to the Suzhou Agreement, we and Citic Suzhou shall jointly develop this project on land Su Di 2005-B-54 2#, and this project, including the land use rights, shall be transferred to us when our investment in the project reaches 25% of the total investment required for the project or once we fulfill such other conditions as may be determined by the relevant government authorities of Suzhou and, where necessary, complete the required listing-for-sale and public notice procedures on the basis that the project is currently a state-owned asset. This project is located in the Suzhou Taihu National Tourism Vacation Zone, a famous tourist attraction in Suzhou, Jiangsu Province. The project occupies a total site area of approximately 70,317 square meters with a planned aggregate GFA of approximately 56,254 square meters. The land use rights for the project were granted for five-star hotel purposes.

Shenzhen Gaohua (深圳高華)

In April 2010, Fantasia Group (China) Co., Ltd., one of our wholly-owned subsidiaries, entered into a framework agreement with Shenzhen Zhongding Investment Development Limited (深圳市眾鼎投資發展有限公司) and Shenzhen Longgang Investment Development Limited (深圳市龍崗能企業有限公司). Pursuant to this agreement, Fantasia Group (China) Co., Ltd. agreed to purchase 100% of the equity interests in Shenzhen Gaohua Investment Limited (深圳市高華投資有限公司) ("Shenzhen Gaohua"). Upon completion of such acquisition, Fantasia Group (China) Co., Ltd. will be the indirect owner of certain parcels of land located in Guilin City that are held by Shenzhen Gaohua. The total consideration payable by Fantasia Group (China) Co., Ltd. under this agreement is RMB936 million (US$137 million).

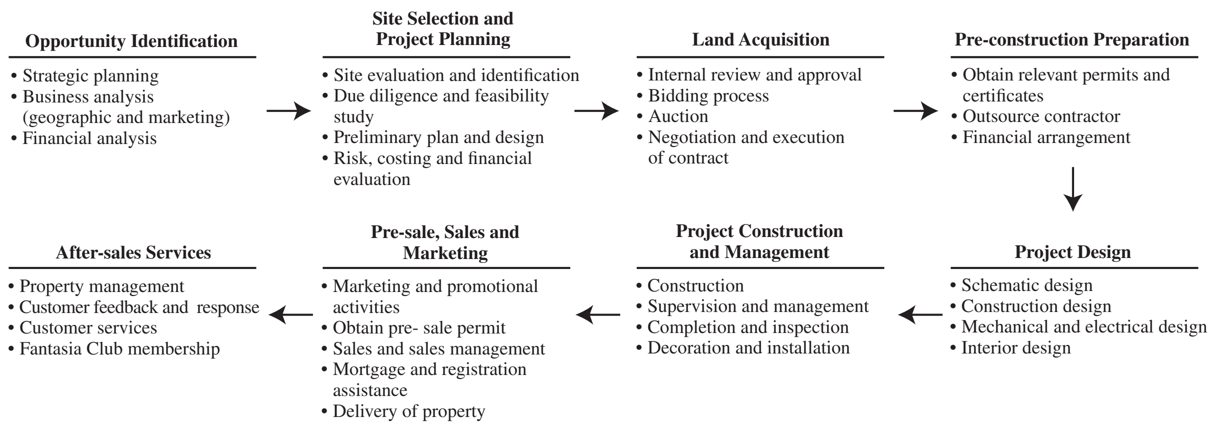
Our Business Segments

Our business includes (i) property development, (ii) property investment, (iii) property operation services, (iv) property agency services and (v) hotel services. Our property operation services include property management services, building equipment installation, maintenance and repair services, andinformation network services. Our property agency services include primary property agency services, secondary property brokerage services, and property consulting and advisory services. Our hotel services include hotel management and operation services during the three year period ended December 31, 2009 and as of March 31 2010, we and our PRC subsidiaries were in possession of all of the relevant approvals and qualification certificates required under PRC laws and regulations in order to conduct our businesses.

Property Development

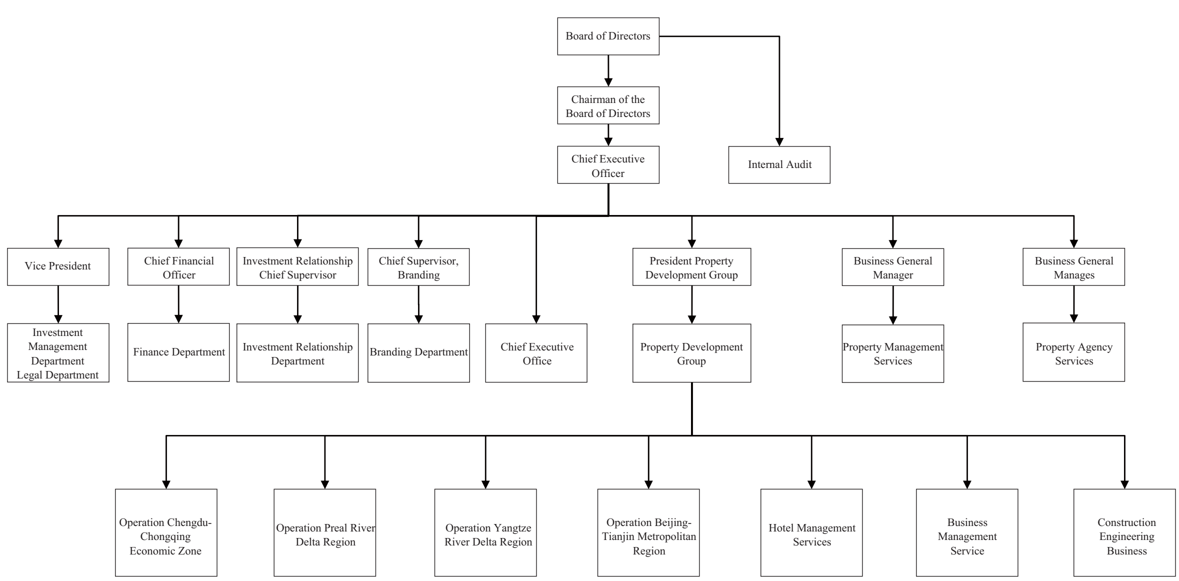
Overview

Although the nature and sequences of specific planning and execution activities will vary among our different property development projects, the core stages typically involved in the development of our properties include opportunity identification, site selection and project planning, land acquisition, pre-construction preparations, project design, project construction and management, pre-sale, sales and marketing, and provision of after-sales services, which are illustrated below:



Project Management

We have established project companies to supervise and manage our property development projects in different cities or regions in China that we believe will best allow us to address the unique market associated with such cities or regions. The senior management of our group works closely with the senior management of each of our project companies to provide guidance as to the overall strategic directions of our group as well as to supervise and oversee the activities of each of the project companies. We have recently changed the management structure of our group. The following chart illustrates the management structure of our group as of April 1, 2010:



Our project companies have further established specialized divisions to supervise and manage the major stages of our property development activities. The divisions include the construction management division, market planning division, marketing management division, project budgeting division, finance management division and product design division. However, depending on the size and the type of projects, the specialized divisions between each project company may vary and for certain projects, the relevant market research, site selection and other pre-construction, design and construction decisions may be directly carried out by the senior management of the Group or through one of its divisions instead of by the project companies. Our project companies generally enjoy a certain level of autonomy in their daily business operating decisions without the prior approval of the Group's senior management. We believe such autonomy enhances our operating efficiency and allows us to optimize our capacities and resources as well as to leverage on the local knowledge of the management of each project company. However, major operating decisions, such as the purchase of land, the approval of projects for development and financing, are subject to the decision of the Group's senior management. We believe our management structure provides us with the ability to consolidate the resources of the Group to enhance our negotiating powers with certain suppliers and contractors, and facilitate the sharing of expertise among various projects in areas such as design, construction, marketing and sales.

Opportunity Identification

The first stage of our development process involves the identification of new opportunities for forthcoming land auctions or sales in strategic cities or regions in China. Our senior management and our business expansion and development division of our Group determine our strategic direction and our future project development plans. The business intelligence research and development department of our Group also conducts in-depth demographic and market research as to potential cities or regions in China into which we may consider entering. The selection criteria for suitable expansion opportunities are based on certain indicators, including, among others:

- population and urbanization growth rate;
- general economic condition and growth rate;
- disposable income and purchasing power of consumers;
- anticipated demand for residential and commercial properties and office spaces;
- availability of future land supply and land prices;
- cultural heritage of such city;
- local business environment and opportunities;
- availability of qualified personnel in such city or region and the willingness of our existing management personnel to relocate to such city or region;
- governmental urban planning and development policies; and
- overall competitive landscape.

Site Selection

We, through our property agency services subsidiary Xingyan Property Consultancy, as well as certain divisions of our property development business, are engaged in the research of property market conditions in the Pearl River Delta region, the Chengdu-Chongqing Economic Zone, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region in an effort to identify and assess potentialproperty development opportunities. Before selecting a parcel of land for development, we engage in comprehensive and in-depth market research and analysis to evaluate the market potential and value of the areas surrounding the land and the development potential of the land. Key factors that are considered during our land selection include, but are not limited to:

- size, shape and location of the parcel;
- transportation access and availability of infrastructural support;
- prospects of economic development in the area, government income GDP and social, economic and environmental conditions of the area;

- demand for properties in the relevant area, including pricing potentials;
- existing and potential property developments in the area;
- convenience of the site, such as proximity to the city center, airport, subway and commercial facilities;
- suitability of the site for our products;
- cost, investment and financial return, including cash flow and capital appreciation;
- the status of the land use rights with respect to the targeted site if acquired in the secondary market; and
- government development plans for the relevant site and neighboring area.

Furthermore, during land selection, we also consult with the relevant local authorities as to how the development of the targeted land can fit within the overall development plan of the region, city or area in which the land is located.

Land Acquisition

We follow a strict procedure in the acquisition of properties. Prior to acquiring a property, our business intelligence research and development department, investment management department, legal department, financial management department and certain other departments must all review and approve such proposed acquisition. The proposed project, once vetted and approved by various departments and our chief executive officer, will be submitted to our board of directors for approval. If the proposed project is approved by the board of directors, we will then seek to acquire the land use rights within a pre-set budget.

We have historically obtained our land and will continue to obtain land through (i) acquisition of land use rights through government-organized tender, auction and listing-for-sale; (ii) establishing joint venture project companies; (iii) cooperatively developing projects with third parties; (iv) acquiring target companies which have acquired land use rights themselves; and (v) acquisition of projects under development from third party project companies, representing 60.1%%, nil, 2.3%, 32.8% and 4.8%, respectively, of our land bank acquired in terms of GFA for which we had obtained relevant land use rights as of March 31, 2010. In both government bids and purchases in the secondary market, the purchase price typically includes all expenses required to deliver the land use rights.

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) issued by the Ministry of Land and Resources (the "MLR"), revised on September 21, 2007 and renamed as the Rules regarding the Grant of State-Owned Construction Land Use Rights by Way of 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), which came into force on November 1, 2007, provide that state-owned land use rights for commercial use, tourism, entertainment and commodity housing development may be granted by the government only through competitive bidding, auction or listing-for-sale. If land use rights are granted by way of competitive bidding, the relevant land administration authority will issue a bidding announcement, inviting individuals, corporations and other organizations to participate in the tender. When deciding the grantee of the land use rights, the relevant authorities consider not only the tender price, but also the credit history and qualifications of the tenderer and the tender proposal. If land use rights are granted by way of auction, the relevant land administration authority will issue an auction announcement, and the bidders can, at a specified time and location, openly bid for the relevant parcel of land. If land use rights are granted by way of listing-for-sale, the relevant land administration authorities will announce the conditions for granting the land use rights at designated land transaction centers and bidders are invited to submit their bids in writing. The land use rights are granted to the bidder submitting the highest bid by the end of the listing-for-sale period. See "Regulatory Overview — Real Estate Development — Land for real estate development."

Under current regulations, original grantees of land use rights are typically allowed to transfer the land use rights granted to them provided that (i) the assignment price payable to the relevant government authorities has been fully paid in accordance with the assignment contract and a land use rights certificate has been obtained; and (ii) development has been carried out according to the assignment contract and, (iii) in the case of a project under development, development representing more than 25% of the total investment has been completed. If the land use rights are obtained by way of allocation, such land may be transferable upon approval by the relevant government authority. See "Regulation" for further details. Under current PRC laws and regulations, property development should be started no later than one year from the project commencement date stipulated in the relevant land grant contract and the development of the land should not be suspended for more than one year before we have completed one-third of the total GFA and invested more than one-fourth of the total estimated investment of the project. See "Regulation."

Under current PRC laws and regulations, we may also obtain land use rights through the acquisition of project companies that already hold the relevant land use rights. We have obtained land use rights through such method for the following projects: Flower Harbor (花港家園), Shenzhen Funian Plaza (深圳福年廣場), Fantasia Special Town (別樣城), Fantasia Town (花樣城), Chengdu Mont Conquerant (成都君山), Chengdu Future Plaza (成都香年廣場), Town on the Water (雲海間), Yingcheng Lake (營城湖) and Suzhou Taihu Project (蘇州太湖項目).

Pre-Construction

Permits and Certificates

Once we have obtained the rights to develop a parcel of land, we will then begin to apply for the various permits and license that we need in order to begin construction and sale of our properties, which includes:

- land use rights certificate, which is a certification of the right of a party to use a parcel of land;
- construction land planning permit, which is a permit authorizing a developer to begin the survey, planning and design of a parcel of land;
- construction works planning permit, 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 works commencement permit;
- construction works commencement permit, which is a permit required for commencement of construction; and
- pre-sale permit, which is a permit authorizing a developer to start the pre-sale of property still under construction.

As of March 31, 2010, we have obtained all the required land use rights certificates and permits for our existing properties under development, taking into account the respective stages of development at such date. In addition, we have obtained all land use rights certificates for our properties that are held for future development. We have also entered into preliminary framework agreements with the local government authorities and relevant third parties related to four potential new projects located in Pixian County, Chengdu, Sichuan Province, Dali, Yunnan Province, Suzhou, Jiangsu Province and Tongzhou, Beijing. We expect to enter into additional agreements related to those four projects in order to obtain the land use rights certificates. In April 2010, we entered into a framework agreement to purchase 100% of the equity interests in Shenzhen Gaohua, which holds certain parcels of land in Guilin City. Completion of such acquisition is conditional upon fulfillment of a number of conditions, including, among others, completion of necessary procedures for Shenzhen Gaohua to have legal ownership in each of the project companies holding the relevant parcels of land in Guilin City and the underlying land use rights and obtaining corporate and other approval for such acquisitions.

Financing of Property Development

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We finance the acquisition of land reserves from internal funds, while our property development costs, including construction costs and additional financing for existing projects, are typically financed by internal funds and project loans from PRC banks. The following summarize our main financing methods for our projects:

- *Internal funds.* Our internal funds primarily comprise shareholder contributions such as the HK$2,500.0 million (US$322.4 million) raised in our IPO in November 2009 and the amount raised in connection with the pre-IPO investment. As of March 31, 2010, approximately 44.8% and 68.5% of the proceeds from our IPO and the pre-IPO investment, respectively, had been applied to increase our land banks in China. Our internal funds also include proceeds from pre-sale of properties, which are proceeds we receive when we enter into contracts to sell properties prior to their completion and that must be used for the construction of the particular project which has been pre-sold. Under relevant PRC regulations, we may engage in such pre-selling activities subject to satisfaction of certain requirements. See "— Pre-sale, Sales and Marketing." We typically receive an initial payment of at least 30% of the purchase price at the execution of the pre-sale contracts and the balance typically within 30 days of the execution of the pre-sale contracts, by which time the customer is required to have obtained a bank mortgage. Proceeds from the pre-sale are typically used to repay borrowings as well as to fund the development of the project from that stage.

- *Borrowings.* As of December 31, 2009, we had total borrowings of RMB3,440.1 million (US$504.0 million), of which RMB3,044.1 million (US$445.9 million) was secured. We usually obtain project-specific borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds of the specific property. Since June 2003, commercial banks in China have been prohibited under PBOC guidelines from granting loans to fund the payment of land premiums and for the development of luxury residential properties. In September 2007, the PBOC and the CBRC issued a notice prohibiting commercial banks in China from granting loans to a property development project before the project has obtained all necessary permits for the commencement of its construction. As a result, property developers may only use their own internal funds instead of borrowings from PRC banks to pay for land premiums and other costs incurred prior to obtaining all necessary permits for the commencement of the relevant projects. In addition, pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引) promulgated by the CBRC on September 2, 2004, the internal capital ratio, calculated by dividing the internal funds available by the total project capital required for a project, of a property developer who intends to borrow from commercial banks shall be no less than 35%, an increase of five percentage points from 30%, as previously required. Furthermore, under guidelines jointly issued by the MOC and other PRC government authorities in May 2006, commercial banks in China may not lend funds to property developers with an internal capitalratio of less than 35%. 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知) 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%. In July 2007, the General Department of SAFE also issued a circular to restrict a foreign invested property developer's ability to raise capital through foreign debt. See "Regulations — Summary of PRC Laws Relating to the Property Sector — I. Legal Supervision Relating to the Property Sector in the PRC — F. Property Credit."

In the future, we expect to fund our projects by using a combination of sources, including internally generated cash flow, borrowings, and funds raised from the debt and capital markets from time to time. In particular, as of December 31, 2009, the total contracted capital commitment of our projects amounted to RMB1,060.4 million (US$155.3 million). For details of the capital commitment we have made relating to our projects as of December 31, 2009, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Resources — Commitments" in this document.

Our internal funds used to finance the acquisition of land reserves and property development costs will also include funds repatriated through the establishment of new subsidiaries or through the subscription to increases in the registered capital of our existing subsidiaries. On May 23, 2007, MOFCOM and SAFE promulgated the Notice 50 which imposed additional restrictions and requirements on foreign investment in the real estate industry. As advised by our PRC legal counsel, Commerce & Finance Law Offices, Notice 50 requires that foreign invested property companies approved and established after the effective date of Notice 50 must comply with certain requirements for registration with MOFCOM. As none of the foreign invested enterprises of our group was approved and established after the effective date of Notice 50, our PRC legal counsel is of the view that such requirement does not apply to our group. However, Notice 50 requires that foreign invested property companies with property projects or property businesses commenced after the effective date of Notice 50 must also comply with the relevant approval requirements pursuant to Notice 50. As all of the foreign invested enterprises of our Group with newly added projects and businesses have obtained the requisite approvals required by Notice 50 and obtained the new approval certificates, our PRC legal counsel is of the view that our Group has complied with such relevant approval requirement stipulated under Notice 50.

Following the implementation of the SAFE notice, we have successfully remitted foreign funds from our offshore holding entities by increasing the respective registered capitals of each of Fantasia Group (China) Co., Ltd, Fantasia Chengdu Ecological Tourism Development Co., Ltd. and Shenzhen Zhifu Real Estate Investment Development Co., Ltd.. Our PRC legal counsel, Commerce & Finance Law Offices, is of the view that we have complied with such registration requirements under the SAFE notice.

Design

In order to provide our customers with distinctive designs and also to achieve operating efficiency, we outsource the design of substantially all of our property development projects to third party domestic or international architecture and design firms. We have worked closely with leading domestic and international architecture and design firms, such as Huayi Designing Consultancy (Shenzhen) Co., Ltd., Belt Collins International (HK) Ltd., Peddle Thorp Architects-Melbourne of Australia, Architecture Urbanism Building Engineer Co., Ltd. of France and The Collaborative West Co., Ltd. and atta+K Inc. of the United States. Our product design divisions are responsible for selecting third party architecture and design firms, taking into consideration their reputation, proposed designs and their past relationship with us. From time to time, we also engage in a tender process in which the architecture and design firms submit proposals which we determine whether they can be translated into commercially viable projects. Our product design divisions supervise and provide the third party architecture and design firms with certain directions and design criteria in which we aim to market our property development projects. In addition, our product design divisions work closely with the architecture and design firms in major aspects of the design process, from master planning, design specifications and adjustments, raw material selection, to ensuring that the designs are in compliance with local regulations. Our product design divisions monitor closely the work of the architecture and design firms to ensure that the project designs meet our specifications and work together with our project directors and our construction management divisions to ensure that any problems encountered with the proposed design during construction are resolved in a timely manner.

From time to time, we have engaged and may in the future continue to engage Cube Architecture, in which Ms. Zeng and Mr. Pan indirectly held a 31% equity interest, to design our property development projects, such as for Phases II and III of Fantasia Special Town (別樣城) and for Shenzhen Future Plaza (深圳香年廣場). During the three year period ended December 31, 2009, agreements entered into with Cube Architecture are similar in terms and conditions with agreements entered into with other third party architecture and design firms for similar projects. Agreements entered into in the future with Cube Architecture will continue to be under the same terms and conditions with other third party architecture and design firms for similar projects. Except for Cube Architecture, all other architecture and design firms engaged by our Group are independent third parties.

In 2007, 2008 and 2009, payments to external architecture and design firms to engage in master planning of our projects amounted to approximately RMB13.1 million, RMB13.7 million and nil, respectively.

Project Construction and Management

Construction and Procurement

We outsource our project construction activities entirely to independent third party contractors and subcontractors. To ensure the smooth cooperation between third party contractors and us and high quality of construction work, we usually invite contractors to participate in a tender process. When selecting contractors, we consider the contractors' reputation, past performance, work quality, proposed delivery schedules, costs and current project type and profile and seek to maintain our construction costs at a reasonable level without sacrificing quality.

Our construction contracts are typically fixed price contracts that, except for certain provisions relating to the procurement of construction materials, provide for periodic payments during construction until a specified maximum percentage of the total contract sum is paid upon the completion of quality inspection. We generally retain a small portion of the contract price until the end of the warranty period as specified under the construction contracts to cover any potential expenses incurred as a result of anyconstruction defects. However, under certain circumstances, the construction contracts also provide for bonus payment to the contractors if the construction is completed ahead of schedule. The construction contracts we enter into with construction companies also typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. A project director from our project companies is assigned to each project to monitor quality and cost control and construction progress closely during construction. In the event of a delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies. During the three year period ended December 31, 2009, we have not experienced delay in construction or unsatisfactory quality of workmanship. In addition, as of March 31, 2010, we had not historically experienced any material disputes with any of our contractors.

A significant portion of the equipment and material used during construction are purchased by the contractors in accordance with the specifications provided by the design plan of the architecture and design firms and us. Certain materials, however, are purchased based on the joint consultation and selection between our contractors and us, such as cement. Furthermore, certain other equipment and materials, such as elevators, interior decoration materials and air conditioning systems, are purchased by us through our construction management divisions. Each transaction is initiated by a purchase order and the suppliers are asked to deliver the supplies to locations specified by the relevant property development projects. Depending on factors such as costs, shipping expenses, convenience, quality and the type of equipment and materials needed for a particular project, each of our construction management divisions may purchase the same equipment and material from different suppliers or may combine to purchase from the same supplier to enhance our negotiating powers.

In 2007, 2008 and 2009, payments to our largest supplier accounted for approximately 18.1%, 23.0% and 15.6%, respectively, of our total cost of sales for the respective period. For the same periods, payments to our five largest suppliers accounted for approximately 45.3%, 76.4% and 38.6%, respectively, of our total cost of sales for the respective period. None of our directors, nor their associates, nor any shareholder holding more than 5% of our issued share capital, has any interest in our five largest suppliers.

Quality Control and Supervision

We place a strong emphasis on quality control to ensure that our properties comply with relevant regulations, meet the specified standards and are of a high quality. Each project is assigned a project director with its own project management team, which is comprised of qualified engineers, including civil engineers, electrical engineers and sanitary engineers. Depending on the size and the nature of the project, there could be one or more than one such engineer in a given project. Our project management team perform on-site inspections and supervision on a day-to-day basis so as to ensure the workmanship and the quality of the material used by the contractors. The contractors are also subject to our quality control procedures, including appointment of internal onsite quality control engineers, examination of materials and supplies and on-site inspection. To maintain quality control, we employ strict procedures for the selection, inspection and testing of the equipment and materials that are purchased. Our project management teams inspect equipment and materials to ensure compliance with the contractual specifications before accepting the materials onsite and approving payment. We reject equipment and materials that are below our standards or that do not comply with our specifications. We also engage independent supervisory companies to conduct quality and safety control checks on all building materials and workmanship on site. Finally, prior to handing over a property to a purchaser, our sales and customer service departments, together with our engineers and the relevant property management company, inspect the property to ensure the quality of the completed property.

Pre-sale, Sales and Marketing

We typically conduct pre-sales of our property units prior to the completion of a project or a project phase. As of December 31, 2009, we had obtained the relevant pre-sale permits for all or certain portions of our nine projects/phases that are currently under development. Under relevant PRC regulations, we may engage in such preselling activities subject to satisfaction of certain requirements set forth in laws and regulations governing pre-sales of properties. These requirements include:

- the land premium must have been fully paid and the relevant land use rights certificates must have been obtained;
- the required construction works planning permits and the construction works commencement permits must have been obtained;
- the funds contributed to the property developments where property units are pre-sold may not be less than 25% of the total amount invested in a project and the progress and the expected completion date and delivery date of the construction work have been confirmed;
- pre-sale permits have been obtained from the construction bureaus at local levels; and
- the completion of certain milestones in the construction processes or other requirements as specified by the local government authorities.

These mandatory conditions are designed to require a certain level of capital expenditure and substantial progress in project construction before the commencement of pre-sales. Generally, the local governments also require developers and property purchasers to use standard pre-sale contracts prepared under the supervision of the local government. Developers are required to file all pre-sale contracts with local land bureaus and real estate administrations after entering into such contracts. We have complied with all the relevant pre-sale rules and regulations in the past in all material respects. See "Regulation — Real Estate Development — Sales and Pre-sales."

The pre-sale, sales and marketing of our properties are primarily conducted by our marketing management divisions and our subsidiary Xingyan Property Consultancy, a dedicated property agency services company with over 410 employees as of December 31, 2009 that provides project planning and sales for our properties as well as the properties of other developers. The Xingyan Property Consultancy primary property agency team works closely with our marketing management divisions from the beginning of the development process to conduct market research and formulate the stylistic direction of the project and the signature identity and brand that the project aim to achieve, conduct feasibility studies based on market analysis, conduct design sales and pricing strategies and determine appropriate advertising and sales plans for a particular property development and for a particular phase of the sales cycle. When our development projects are ready for pre-sale, Xingyan Property Consultancy will establish a dedicated sales team specifically for the project who will then carry out the actual selling activities. Such dedicated sales team will work closely and under the supervision of our marketing management divisions in order to ensure an efficient and orderly onsite sales process as well as to collect purchaser data and comments. Training for the primary property agency team of Xingyan Property Consultancy is conducted periodically as well as for specific development projects. The Xingyan Property Consultancy primary property agency team will also suggest and recommend various marketing campaigns and promotional activities that will be considered and executed by our marketing management divisions. Marketing efforts cover the print media, television, internet, billboards, housing exhibits and entertainment events. Our marketing management divisions regularly review the sales performance of our properties by comparing our actual sales results against our sales plan and work with the Xingyan Property Consultancy primary property agency team to adjust our sales plan as appropriate. Consistent with third party developers that engage the services of Xingyan Property Consultancy, our project development companies also enter into sales contracts with typical market terms and conditions with Xingyan Property Consultancy to engage in the selling of our properties. For additional information, see "— Our Property Agency Business — Primary Property Agency Services."

Our principal customers are affluent middle-to upper-class individuals and families and high-growth small- to medium-sized enterprises in high-growth regions in China. The percentage of revenue attributable to our five largest customers was less than 30% of our total revenue in 2007, 2008 and 2009. During the three year period ended December 31, 2009, none of our Group's directors, their associates nor any of the shareholders that hold more than 5.0% of our Company's issued capital had any interest in our five largest customers.

After-sales Services

Payment Arrangements

We typically require our purchasers to pay a non-refundable deposit that is typically between 5% and 10% of the purchase price before entering into formal purchase contracts. If the purchasers later renege on the purchase contract, they will forfeit such deposit. Upon executing the purchase contracts, the purchasers are typically required to pay not less than 30% of the total purchase price of the property. If purchasers elect to make a lump-sum payment, the remaining purchase price balance is typically required to be paid no later than three months after the execution of the purchase contracts. Purchasers of our properties, including those purchasing pre-sale properties, may also arrange for mortgage loans with banks. As part of our sales efforts, we will assist our customers in arranging and providing information related to obtaining financing. If the purchasers elect to fund their purchases by mortgages, under current PRC laws and regulations, they may obtain mortgages of up to a maximum of 80% of the purchase price with a repayment period of up to 30 years. However, if the purchase is for a second or subsequent residential property and a bank loan was obtained to finance the purchaser's first property, then such purchaser may only obtain mortgages of up to 60%. For further purchases of properties, there would be continued downward adjustments on the percentage of the purchase price in which such purchaser can obtain a mortgage. In addition, 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 exceeds 55% of such individual's monthly income. Purchasers are typically required to pay the remaining balance of the purchase price that is not covered by mortgages prior to the disbursement of mortgages from the banks. The payment terms of sales and pre-sales of properties are substantially identical. See "Regulation."

In accordance with industry practice, we provide guarantees to banks with respect to the mortgages offered to our purchasers upon requests of the banks. These guarantees are released upon (i) the relevant property certificates being delivered to the banks and completion of the relevant mortgage registrations, or (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers of our projects. As of December 31, 2007, 2008 and 2009, our outstanding guarantees on the mortgage loans of our purchasers amounted to RMB661.2 million, RMB719.3 million, RMB1,626.3 million (US$238.3 million), respectively, which were approximately 15.7%, 14.5%, and 14.2%, respectively, of our total assets. The default rate on the repayment of our purchasers against the total guarantees we provided in connection with mortgage loans of our purchasers was approximately 0.02% during the three year period ended December 31, 2009. See "Risk Factors — Risks Relating to Our Business — We guarantee mortgage loans provided to our purchasers and may be to the mortgagee banks if our purchasers default on their mortgage loans." We do not conduct independent credit checks and due diligences on our purchasers when providing guarantees but instead rely on the credit checks conducted by the mortgage banks, and will typically require a higher initial payments from purchasers with less than ideal credit histories or purchasers whose mortgage is considered too high as compared to their income. In addition, for certain purchasers that have been delinquent in their other financing obligations, we may refuse to provide such guarantees. We incurred a total loss of RMB0.5 million (US$0.1 million) in the three year period ended December 31, 2009 on our guarantees of mortgage loans due to default on the underlying mortgages by certain of our purchasers. We believe that our outstanding guarantees on the mortgage loans of our purchasers are over-secured as we believe the aggregate fair value of the underlying properties exceeds the aggregate amount of outstanding guarantees.

Delivery and Other After-sales Services

In addition to assisting our customers in arranging for and providing information relating to financing, we also assist our customers in various title registration procedures relating to their properties, including assisting them to obtain their property ownership certificates. We offer various communication channels to customers to obtain timely feedback about our products or services. Furthermore, we have established a membership program, the Fantasia Club (花樣會), in which purchasers of our properties are automatically enrolled. Such membership program provides our members with points when they purchase properties from us or recommend new customers to purchase our properties. In addition, membership points are provided through promotional activities and campaigns that we run from time to time. Membership points are redeemable for gifts or cash. We believe by establishing such membership program, we are better able to establish relationships with our customers and build customer loyalty, solicit customer feedbacks, generate sales lead and provide our members with forum to share information relating to our properties and events and activities that are happening within our property communities.

We endeavor to deliver the units to our customers on a timely basis. We closely monitor the progress of the construction of our property projects and conduct pre-delivery property inspections to ensure timely delivery. The time frame for delivery is set out in the purchase contracts entered into with our customers, and we are subject to penalty payments to the purchasers for any delay in delivery caused by us. Once a property development has been completed, it must undergo inspection and receive relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities. Thereafter, the construction contractors arrange for final inspection by the property development authority. Within 15 days of the completion of the final inspection, the property developers must file a completion inspection report upon the completion of properties with the relevant property development authority, at which time the property is ready for delivery and we may hand over keys and possession of the properties to our customers. For additional information regarding the process of completion of a property project, please see "Regulation." During the three year period ended December 31, 2009 and up to March 31, 2010, we have completed our construction and delivered the units to our customers based on our development schedule and the time frame for delivery set out in the purchase contracts.

We engage the services of our subsidiary, Shenzhen Fantasia Management, to provide property management services to our properties, including security services, maintenance of properties and facilities and gardening as well as to solicit customer feedback on our products. Our property Shenzhen Endless Blue (深圳碧雲天) is not currently serviced by Shenzhen Fantasia Management, however, Shenzhen Endless Blue (深圳碧雲天) was our first project and Shenzhen Fantasia Management was not established at the time to provide property management services to such project.

For additional information as to our property management services, see "— Our Property Operation Business — Property Management Services."

Commitments and Undertakings

Our purchase contracts entered into with our purchasers typically require the properties to meet certain standards and also provide certain warranties to our purchasers. We typically represent or warrant to our purchasers that our properties are constructed in accordance with the current standards of construction and design, have passed quality inspection by the relevant local authorities and all components, equipment and facilities of the properties are performing in accordance with relevant standards. We also provide warranties to our purchasers to cover the foundations, primary structures, designs, roofs, exterior walls, wire, gas and water pipes, lighting and other electrical systems of our properties for a certain number of years in accordance with relevant local requirements and standards of the cities where our properties are located. For example, in Shenzhen, we warrant to our purchasers the foundations and the primary structures and designs of our properties for a term of 50 years, water leakage for roofs and exterior walls for a term of five years, wires and gas and water pipes for a term of two years and lighting and certain electrical systems for a period of six months, provided that the properties and such wires, pipes, lighting and systems are used under normal wear and tear conditions. However, such warranties do not cover damages that are the result of improper usage or changes made to the units or equipment by the unit owners or damages that are caused by force majeure. In special circumstances, however, we may decide to provide free repair services to our customers for damages that are not covered by our warranties. For example, some of our completed properties in Chengdu suffered minor damages such as cracks on the walls during the major earthquake that struck Sichuan province in China in May 2008. While such damages are not covered by our warranties because the earthquake constitutes force majeure, we decided to repair such cracks for our customers at our own costs in order to increase our customer satisfaction and enhance our reputation as a responsible property developer.

Our Property Investment Business

We currently hold certain commercial, industrial and residential units, office spaces, retail shops and car parking spaces, which we consider to be properties held for investment. Such properties are held and managed by us in order to provide us with recurring rental income as well as for capital appreciation potentials. Our investment properties are typically located in prosperous city business areas or areas around city centers as well as in large communities that we develop. In addition, by holding certain properties for lease in the projects that we develop, we believe we have the ability to introduce certain tenants that may potentially increase the attractiveness of our properties. For example, Shenzhen Xingyan Investment Development Co., Ltd. have entered into an agreement with Shenzhen Suibao Chain-Store Business Development Co., Ltd. (深圳歲寶連鎖商業發展有限公司), a large-scale department store operator based in Shenzhen, which has leased retail spaces with a total GFA of approximately 10,888 square meters in our Shenzhen My Place (深圳花好園) project, which will provide the residents or tenants of Shenzhen My Place (深圳花好園) the ability to conveniently purchase household products and clothings within minutes from their home. In selecting tenants, we generally consider factors such as the business of the tenant, the attractiveness of such business to the residents or tenants of our properties, competing business in the surrounding area and reputation, among others. The table below sets forth our investment properties as of December 31, 2009:

	Office and Industrial	Residential	Commercial	Car Park
	(square meters)	(square meters)	(square meters)	(units)
Total GFA retained for investment	450.2	230.7	24,881.0	3,165

The car parking spaces that we hold for investment in Shenzhen contributed approximately RMB8.4 million (US$1.2 million) to our total revenue, accounting for an insignificant portion, during the three year period ended December 31, 2009.

In June 2009, we entered into an agreement for the purchase of the Incubation Park in Shenzhen Meinian Plaza (深圳美年廣場) after the construction of the Incubation Park was completed. We plan to hold approximately half of the total GFA of the Incubation Park for investment. For additional information, see "— Our Property Development Projects — Shenzhen — Shenzhen Meinian Plaza (深圳美年廣場)."

As additional properties are developed, we will continue to hold a certain percentage of our developed properties as investment properties. However, we may also decide to sell such investment properties from time to time when we believe that such sales would generate a better return on investment than through rental or holding for capital appreciation.

As a result of holding investment properties, our profitability may fluctuate substantially due to changes in fair value of our investment properties because certain portion of our net profits were, during the three-year period ended December 31, 2009, and will continue to be, attributable to changes in fair value of our investment properties. The fair value of our investment properties is likely to fluctuate from time to time in accordance with local real property market conditions and factors that are beyond our control and may decrease significantly in the future.

Our Property Operation Business

Overview

We provide property operation services to our properties through the subsidiaries of Shenzhen Fantasia Colour, a subsidiary of our Group in which we own 70% equity interest, with the remaining equity interests owned by the senior management of Shenzhen Fantasia Colour and employees of the subsidiaries of Shenzhen Fantasia Colour. Property operation services provided include property management services, building equipment installation, maintenance and repair services and information network services. In addition to servicing properties developed by us, our Group's property operation services are also provided to properties of other developers. As of December 31, 2009, we had over 2,000 employees for our property operation business. Shenzhen Colour Life Technology Co. Ltd. and each of its operating subsidiaries have received the relevant certifications and qualifications to provide the respective property operation services.

Property Management Services

Our property management services are primarily provided by our subsidiary, Shenzhen Fantasia Management. Shenzhen Fantasia Management was awarded Top Ten Property Management Companies in China for Customer Satisfaction in 2007 (2007年度中國十大業主最滿意物業管理企業) by the Real Estate Market Experts Committee of the China Real Estate Association (中國房地產協會房地產市場專業委員會) and one of the Top Ten Property Management Brands in Shenzhen (深圳物管十大品牌) in 2008 jointly presented by Shenzhen Special Zone Daily (深圳特區報), Hong Kong Commercial Daily (香港商報) and Sunshine Daily (晶報). We also acquired Shenzhen Liantang Management, a company that is engaged in the property management services business, in September 2008.

We currently provide property management services to all of the properties developed by us, except for Shenzhen Endless Blue (深圳碧雲天), which is managed by Shenzhen Shengfu Real Estate Management Co., Ltd. (深圳市盛孚物業管理有限公司). We also provide property management services to properties developed by other developers. We aim to provide the properties that we manage with a comprehensive property management services that range from security services, general maintenance of properties and facilities, gardening and other property management services. We also coordinate with the developers, including our property development project companies, to collect customer feedbacks and address concerns the customers may have as to the development. We typically provide services to other developers under our own brand name.

The typical property management contracts entered into between us and the owners of the properties, including the properties developed by our Group, set out the scope and the quality requirements of the services to be provided by us and the management fee arrangements. Fees are typically fixed at a pre-determined rate within the price range determined by the relevant local authorities that may not be increased without the prior consent of a majority of the owners of the properties. In addition, the contracts also typically allow us to subcontract some of the services, such as security or cleaning services, to third parties. However, under PRC laws and regulations, the home owners of a residential community of certain scale have the right to change property management companies pursuant to certain procedures. See "Risk Factors — Risks Relating to Our Business — Property owners may terminate our engagement as the provider of property management services." As of March 31, 2010, none of our property management contracts had been terminated.

In addition to -conventional property management services, we also provide the owners of certain of the properties developed by our Group with daily house-keeping, travel arrangements and other fee-based services that are similar to those offered in hotels.

As we have gained our reputation for providing high quality property management services, other property management companies have retained us to help them improve the property management services they provide to their clients. We receive a consulting fee in return for the advisory services we provide to such third party property management companies.

The following table sets forth the total GFA managed by us and total GFA in which we provided advisory services as of the dates indicated:

	As of December 31,		
	2007	2008	2009
	(in thousands of square meters)		
GFA under management	4,871	6,374	8,383
GFA in which advisory services are provided	673	2,736	2,581
Total	5,544	9,110	10,963

As of December 31, 2009, of the total GFA under management by us, approximately 1,294,232 square meters, or 15.4%, were properties developed by us and approximately 7,088,369 million square meters, or 84.6%, were properties developed by independent third parties. All GFA to which we provide advisory services were properties developed by independent third parties.

In addition, as of December 31, 2009, we entered into contractual arrangements for the management of additional properties with a total GFA of approximately 2,796,251 square meters and for the provision of advisory services to additional properties with a total GFA of approximately 300,000 square meters.

Building Equipment Installation, Maintenance and Repair Services

In October 2006, Shenzhen Fantasia Colour acquired 100% equity interest in Shenzhen Kaiyuan Tongji Building Science & Technology Co., Ltd. ("Shenzhen Kaiyuan"), a company with qualifications to engage in the installation, repair and maintenance of building equipment. Shenzhen Kaiyuan currently installs, repairs and maintains certain building equipment of the properties that are managed by us as well as properties developed or managed by others, including China Vanke Co., Ltd. (萬科企業股份有限公司). By having an in-house team of experts who are able to install, repair and maintain building equipment, we believe we are better able to respond to customers' property servicing needs, reduce building equipment downtime and control installation, maintenance and servicing costs. In addition, by having our own team of experts to provide building equipment installation, maintenance and repair services, we believe we are also better able to control the image and reputation of our properties by being able to respond quickly to repair and maintenance servicing needs as well as strengthen the management services provided by us. Shenzhen Kaiyuan will continue to enhance its expertise and capabilities by servicing more properties as well as by hiring additional personnel when appropriate.

Information Network Services

In order to provide a broader range of property operation services, Shenzhen Fantasia Colour established a wholly owned subsidiary, Shenzhen Colour Life Network Services Co., Ltd. ("Shenzhen Colour Life Network") in June 2007, which is aimed to connect residents or tenants of properties managed by Shenzhen Fantasia Management with third party vendors through an internally developed internet information platform that provides a variety of value-added services. Such value-added services currently include online ordering for household products, which provide convenience and reduce the costs of household purchases for the residents and tenants due to bulk orders. In addition, we believe such information platform also enhances the communications between residents or tenants with the property manager. Shenzhen Colour Life Network aims to continue to improve its information platform and offer additional services such as online payment options or customizable online service orders, as well as integrating its information platform with Xingyan Property Consultancy's own secondary property brokerage information database to provide real estate market information, thereby connecting the large customer base of Shenzhen Fantasia Management with Xingyan Property Consultancy's secondary property brokerage services. We believe such large audiences that our information platform reaches will also attract third party vendors to work with Shenzhen Colour Life Network to provide other additional services that will further enhance our offering. Shenzhen Colour Life Network generates revenue through the collection of fees and commissions from vendors that use our information network to offer their products or services.

Our Property Agency Business

Overview

Our Group provides dedicated property agency services through our subsidiary, Xingyan Property Consultancy, in which we owned 85% equity interest, with the remaining equity interests owned by Lu Ying (路瑩), the general manager and a director of Xingyan Property Consultancy. Xingyan Property Consultancy offers three principal types of services: (i) primary property agency services that engage in the selling of properties that we develop as well as properties developed by others, (ii) secondary property brokerage services and (iii) property consulting and advisory services. As of December 31, 2009, Xingyan Property Consultancy had over 410 employees with offices in Chengdu, Shenzhen, Dongguan, Huizhou and three other cities in Hebei, Henan and Anhui provinces in China.

Xingyan Property Consultancy has established a research and development center in January 2008 that focuses on real estate market and policy research, establishing property development project operational and technical standards, the development and improvement of system applications for real estate companies and to support and enhance the services provided by Xingyan Property Consultancy. We believe that this research and development center provides Xingyan Property Consultancy with a more systematic and in-depth research and development capability than its competitors, and enables it to identify changes in market conditions. We believe such advantages enhance Xingyan Property Consultancy's ability to provide services to its customers as well as to increase the reliability of the information and analysis that are available to our property development business.

Xingyan Property Consultancy and its operating subsidiary, Shenzhen Xingyanhang Property Co., Ltd., have received the relevant registration certificate for real estate agencies by the relevant local authority. As a sales agent for property developers, the main responsibility of Xingyan Property Consultancy is to act as intermediary between property developer and property purchasers to bolster agreements on the purchase of properties. If there is any dispute relating to delays in a transaction or the quality of the sold properties, all legal liability and/or obligations arising from such disputes have to be settled between the property developers and the purchasers.

Primary Property Agency Services

Xingyan Property Consultancy's principal business has traditionally been, and we expect will continue in the foreseeable future to be, the marketing and selling of properties that the Group develops as well as properties developed by others. The following table sets forth the total GFA and value of properties sold for the periods indicated:

	As of December 31,		
	2007	2008	2009
	(in thousands of square meters)		
GFA of new properties sold (thousands of square meters) :			
Our properties	223	114	325
Properties of other developers	1,123	266	415
Total	1,346	380	740
Value of new properties sold (in RMB thousands) :			
Our properties	1,107,218	1,149,042	2,506,670
Properties of other developers	7,064,022	1,786,448	3,921,714
Total	8,171,240	2,935,490	6,428,384

Xingyan Property Consultancy usually commences its services by preparing a customized marketing plan for the project. Xingyan Property Consultancy typically works closely with developers from an early stage to develop a signature identity that is distinctive to a project and to position the project and establish awareness of the project among prospective purchasers in the primary market. Xingyan Property Consultancy collects profiles of typical buyers and selects advertising companies to design the marketing materials and marketing venues based on the profiles. Marketing efforts cover the print media, television, internet, billboards at public spaces, housing exhibits and entertainment events. Certain marketing efforts are carried out by the sales personnel of Xingyan Property Consultancy, while other marketing efforts are recommended to the developers and executed by the developers. For discussion as to the sales and marketing of our property development projects, see "— Property Development — Pre-sale, Sales and Marketing."

Once a development project is ready to enter the sales phase, Xingyan Property Consultancy establishes functional sales offices on-site for each development project. Xingyan Property Consultancy stations sales personnel specially trained for the project at the project site until most of the units are sold. Xingyan Property Consultancy's sales personnel provide prospective buyers with a presentation of the architectural, design and construction aspects of the project as well as provide information on the surrounding community and amenities, recommend appropriate units based on their purchase criteria and accompany the prospective buyers to tour the units and the project amenities. Xingyan PropertyConsultancy's sales personnel also pursue sales leads and provide further assistance to interested buyers. Xingyan Property Consultancy continuously monitors the inventory level of unsold units as well as customer feedbacks to enable the sales personnel and developers to adjust strategies for the sales of unsold units as well as the construction and sale of the units to be built.

Contracts between Xingyan Property Consultancy and developers usually specify the sales period, the minimum average sales price and the sales commissions. Typically, Xingyan Property Consultancy receives a fixed or progressive percentage as a commission based on total sales amount. Some contracts also provide for bonus commissions for sales achieved above the pre-determined levels. The contracts entered into with our Group's project companies are similar in terms and conditions to those entered into with other developers.

Secondary Property Brokerage Services

Xingyan Property Consultancy's secondary property brokerage services include offering advisory services on choices of properties, accompanying potential buyers and tenants on house viewing trips, negotiating price and other terms, providing preliminary proof of title, coordinating with the notary, the bank and the title transfer agency. In addition to selling properties in the secondary real estate market, our brokerage storefronts also support Xingyan Property Consultancy's sales effort in the primary property agency services market primarily by promoting and selling any remaining unsold units of certain primary real estate projects. This not only generates additional transactions and revenues for Xingyan Property Consultancy's secondary property brokerage business but also enhances the primary real estate agency services offered to its clients.

Under applicable PRC law, we are permitted to represent both the seller and the purchaser and are entitled to receive up to 1.5% of the transaction value as sales commission from each side in a secondary real estate sales transaction. We typically represent both the seller and the purchaser in our secondary real estate sales transactions in accordance with customary practice in China. For rental units, we typically charge a one-time commission that is equal to 100% of the contracted monthly rent.

Property Consulting and Advisory Services

Xingyan Property Consultancy provides property consulting and advisory services tailored to meet the needs of third party developers at various stages of the project development and sales process. Consulting and advisory services are generally offered for a fixed and pre-negotiated fee which is recognized when the obligations under the relevant service contracts are fulfilled. These obligations typically involve providing clients with the results of studies or other deliverables as agreed in the service contracts.

Our Hotel Services Business

We are developing boutique hotels within several projects that we are developing, including Chengdu Hailrun Plaza (成都喜年廣場), Meinian International Plaza (美年國際廣場), Chengdu Mont Conquerant (成都君山) and Town on the Water (雲海間). We plan to convert part of the No. 3 Factory Building in Shenzhen Meinian Plaza (深圳美年廣場) into a hotel. As we intend to retain these hotels after their completion, we have established Shenzhen Fantasia Hotel Management Co., Ltd. ("Shenzhen Fantasia Hotel Management"), a wholly owned subsidiary of Fantasia Group (China) Co., Ltd., Shenzhen Caiyue Hotel Management, a wholly owned subsidiary of Shenzhen Fantasia Colour, and Shenzhen Caiyue Hotel, a wholly owned subsidiary of Shenzhen Caiyue Hotel Management, to engage in the hotel management and operation business.

Shenzhen Caiyue Hotel Management and Shenzhen Caiyue Hotel have been managing and operating Colorful Inn (彩悦酒店) since December 2008, which is an economy hotel with 110 guest rooms located in Shenzhen. We lease the building for the hotel from an independent third party. As of March 31, 2010, Shenzhen Fantasia Hotel Management was involved in the design, decoration and planning of boutique hotels being developed by us, but had not yet started its hotel management business.

We have entered into agreements relating to the operation and management of the boutique hotel within Chengdu Hailrun Plaza (成都喜年廣場). In October 2007, Chengdu Tonghe Real Estate Co., Ltd. entered into a supporting and consulting services agreement with C.T.E.W. in which C.T.E.W. will provide consulting and technical support services relating to our boutique hotel within Chengdu Hailrun Plaza (成都喜年廣場). C.T.E.W. agrees to establish a dedicated working group to provide services such as advising on architectural and interior designs, supervising decoration, and recommending the procurement of furniture, tableware and other hotel necessities. C.T.E.W. also agrees to provide professional consulting services relating to human resource recruitment and management, employee training, and the operation of an internal financial system for the daily management of a hospitality business. C.T.E.W. will in return receive a consulting fee, which is a fixed sum payable by us in three installments as specified in the services agreement. Chengdu Tonghe Real Estate Co., Ltd. has also entered into a hospitality management contract in October 2007 with Rhombus, a subsidiary of C.T.E.W., relating to the daily operation of the boutique hotel within Chengdu Hailrun Plaza (成都喜年廣場). Rhombus currently operates several hotels in Hong Kong and North America, including the boutique hotel Hotel LKF in Hong Kong. The hospitality management contract is for a term of 10 years and Rhombus will operate our boutique hotel within Chengdu Hailrun Plaza (成都喜年廣場) and provide high quality hotel management services. We believe that by partnering with Rhombus, we will be able to benefit from their hotel operation experience, their reputation, marketing services, reservation systems and employee training programs and improve the hotel services to be provided by our subsidiaries in the future.

Properties Used or Occupied by us

Our corporate headquarters are located on the 4th, 27th and 28th floor of Block A, Hailrun Complex, #6021 Shennan Boulevard, Shenzhen 518040, with a GFA of approximately 4,080 square meters. Such property is owned by Shenzhen Xingyan Investment Development Co., Ltd., a project development company in which we own 52% equity interest. In addition, we currently own and lease a number of other properties that are used as our offices.

We acquired the No. 3 Factory Building located at No. 3, Pengji Longdian Industrial City, Shekou Industrial Avenue, Nanshan District, Shenzhen, Guangdong Province from Shenye Pengji (Group) Co., Ltd. (深業鵬基(集團)有限公司), an Independent Third Party, in July 2009. The No. 3 Factory Building occupies a site area of approximately 3,123 square meters and has a total GFA of approximately 12,571 square meters. The land use rights for the No. 3 Factory Building were granted for industrial purposes. We plan to convert the No. 3 Factory Building into a hotel and other ancillary facilities to service the Incubation Park in our Shenzhen Meinian Plaza (深圳美年廣場) after obtaining all necessary governmental approvals.

As of December 31, 2009, properties owned and used by us had an aggregate GFA of approximately 16,652 square meters. We have obtained the relevant land use rights certificates in respect of such owned properties. As of December 31, 2009, the properties that we lease had an aggregate GFA of approximately 17,874 square meters, with an aggregate GFA of approximately 17,688 square meters located in the PRC and an aggregate GFA of approximately 186 square meters located in Hong Kong. As of December 31, 2009, we, as lessees, had signed 31 tenancy agreements with the relevant lessors, leasing units and buildings for office and residential purposes. We had completed registration of 8 out of the 31 tenancy agreements as of December 31, 2009 and were in the process of applying for, and/or requesting the relevant lessors to assist in, the registration of the remaining tenancy agreements. As advised by our PRC legal counsel, Commerce & Finance Law Offices, the failure of registering a tenancy agreement would not affect the validity and enforceability of such tenancy agreement under the applicable laws and regulations. In addition, for the 23 properties for which the registrations have not been completed yet, we have not been provided with the relevant title certificates, and as a result, the validity of the tenancy agreements with respect to such properties is uncertain. We lease such properties primarily as offices of the local branches of our subsidiaries and staff dormitories of our employees. We believe that in the event there is any future dispute due to lessor's defective title to the leased property and/or in connection with the validity of the tenancy agreements, we will be able to find alternative premises within a short time frame and with minimal adverse impact on, or disruption to, our business operations.

Intellectual Property

We place significant emphasis on developing our brand image and resort to extensive trademark registrations to protect all aspects of our brand image. We have registered in the PRC the trademarks of "花樣年" and "花樣年FANTASIA" to protect our corporate name in Chinese and English. We have also registered the "花樣年" trademark in Hong Kong and have applied for the registration of the "FANTASIA" trademark in Hong Kong. In addition, we have registered trademarks and trademark registration applications in Hong Kong and the PRC that cover the names of our important subsidiaries and property development projects and services. For additional information, see "Regulation."

We have also registered the domain name of www.cnfantasia.com for the website of our Group on the Internet.

Competition

There are many property developers that undertake property development projects in the Chengdu-Chongqing Economic Zone, the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin metropolitan region and elsewhere in the PRC. Our major competitors include large national and regional property developers, including local property developers that focus on one or more of the regions in which we operate. We endeavour to further strengthen our leading position in these regions. Our competitors, however, may have a better track record, greater financial, marketing and land resources, broader name recognition and greater economies of scale than us in the regions where we operate.

We also face competition for our real estate services businesses from other real estate service providers in China as well as certain international real estate service providers. The competition in the real estate services businesses is rapidly evolving, highly fragmented and competitive, and our competitors and competitive factors differ depending on the type of services provided and the geographic market in which we provide such services. Compared to property development, real estate services businesses require a smaller commitment of capital resources and have a relatively lower barrier of entry. Our competitors may have more experience and resources than we have.

For more information on competition, see "Risk Factors — Risks Relating to Our Business — We face intense competition as to our property development business, property operation services business, property agency services business and hotel services business."

Insurance

We do not maintain insurance policies for properties that we have delivered to our customers, nor do we maintain insurance coverage against potential losses or damages with respect to our properties before their delivery to customers. In addition, our contractors typically do not maintain insurance coverage on our properties under construction. Based on industry practice in the PRC, we believe that third party contractors should bear liabilities from tortious acts or other personal injuries on our project sites, and we do not maintain insurance coverage against such liabilities. The construction companies, however, are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. To help ensure construction quality and safety, we have established a set of standards and specifications to be complied with during the construction process. Furthermore, we engage qualified supervision companies to oversee the construction process. Under PRC laws, the owner or manager of properties under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that he/she is not at fault. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe that we would generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us. To date, we have not experienced any material destruction of or damage to our property developments nor have any material personal injury-related claims been brought against us.

Our directors believe our insurance policies are adequate and in line with the industry practice in the PRC. However, we may 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 may suffer losses arising from uninsured risks."

Employees

As of March 31, 2010, we had 3,208 full time employees. The following table provides a breakdown of our employees by responsibilities as of March 31, 2010:

Management	66
Administration	122
Accounting	82
Human Resource	25
Engineering	302
Marketing and Sales	99
Property Agency	295
Property Management	2,227
Total	3,208

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 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 labour 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 our business operations.

Environmental Matters

We are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments. As required by PRC laws and regulations, each project developed by a property developer is required to undergo an environmental impact assessment, and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. 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. During the course of construction, the property developer must take measures to prevent air pollution, noise emissions and water and waste discharge. In addition, as we contract our construction works to independent third party contractors and pursuant to the terms of the construction contracts, the contractors and subcontractors are required to comply with the environmental impact assessment and the conditions of the subsequent approval granted by the relevant government authority. During construction, our project directors and project management teams will supervise the implementation of the environmental protection measures.

In addition, PRC environmental laws and regulations provide that if a construction project includes environmental facilities (including engineering 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. Our business is of such a nature that we are not required to construct environmental facilities and, therefore no approval in respect of environmental facilities from the environmental authorities is necessary.

We believe that our operations are in compliance with currently applicable national and local environmental and safety laws and regulations in all material respects. See "Risk Factors — Risks Relating to Our Business — We are subject to potential environmental liability that could result in substantial costs."

Health and Safety Matters

Under PRC laws and regulations, we, as a property developer, have very limited potential liabilities to the workers on and visitors to our construction sites, most of which rest with our contractors. 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. Under the Environmental and Hygienic Standards of Construction Work Site (建築工地現場環境和衛生標準), a contractor is required to adopt effective occupational injuries control measures, to provide workers with necessary protective devices, and to offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries. To our knowledge, there has been no material non-compliance with the health and safety laws and regulations by our contractors or subcontractors during the course of their business dealings with the Group. During the earthquake that struck Sichuan province in China in May 2008, neither our Group nor our contractors suffered any loss of lives or injury to our and their respective employees as a result of the earthquake.

In addition, our project directors and project management teams will engage in a weekly safety inspection to ensure the safety of the work environment of our construction sites.

Legal Proceedings

From time to time we are involved in legal proceedings or disputes in the ordinary course of business including claims relating to our guarantees for mortgage loans provided to our purchasers, contract disputes with our purchasers and suppliers and employment disputes.

In June 2007, Shenzhen Xingyan Investment Development Co., Ltd. filed a civil complaint in the People's Court of Futian District, Shenzhen against Shenzhen Shengfu Real Estate Management Co., Ltd. (深圳市盛孚物業管理有限公司) ("Shengfu"), the property manager of our Shenzhen Endless Blue (深圳碧雲天) project, relating to the 177 car parking spaces in such project, which we have retained for investment purposes. The complaint asserted that since December 2006, Shengfu had illegally occupied and collected parking fees from such car parking spaces without our consent. On February 6, 2009, the court awarded Shenzhen Xingyan Investment Development Co., Ltd. a total of RMB526,575 (plus RMB3,914 in interest) representing approximately 70% of the revenue collected by Shengfu for the period from December 2006 to April 2008. On the basis that (i) a single property development such as Shenzhen Endless Blue may only have one property manager at any one time, and (ii) the local government in Shenzhen has not issued rules and procedures for the registration of property rights in car parking spaces, the court declined to order Shengfu to return management of the contested parking spaces to Shenzhen Xingyan Investment Development Co., Ltd. Both parties appealed the decision. On November 27, 2009, the Intermediate People's Court of Shenzhen upheld the trial court's ruling in full and dismissed the appeals. Commerce & Finance Law Offices, our PRC legal counsel, has advised us that the Intermediate People's Court's decision is final and may not be appealed. As a result, unless (i) an agreement for the distribution of revenue is reached between Shenzhen Xingyan Investment Development Co., Ltd. and Shengfu or (ii) the Shenzhen local government issues rules and procedures for the registration of property rights in car parking spaces, Shenzhen Xingyan Investment Development Co., Ltd. has no option but to periodically sue Shengfu to recover its share of the revenue generated from such car parking spaces.

On April 21, 2009, Shenzhen Xingyan Investment Development Co., Ltd. filed a claim with the People's Court of Futian District, Shenzhen to recover the revenue generated by the contested car parking spaces for the period from May 1, 2008 until November 30, 2009. The court granted Shenzhen Xingyan Investment Development Co., Ltd.'s application to freeze RMB845,196 in Shengfu's bank accounts and a trial is currently underway. For additional information as to our Shenzhen Endless Blue (深圳碧雲天) project, see "- Our Property Development Projects — Pearl River Delta Region — Shenzhen — Shenzhen Endless Blue (深圳碧雲天)." Since the development of Shenzhen Endless Blue (深圳碧雲天), we have managed all of the other car parking spaces in our projects through the subsidiaries of Shenzhen Fantasia Colour, a subsidiary of our Group in which we own a 70% equity interest. As a result, we do not believe any of our other car parking spaces will be illegally occupied in the future.

As of the date of this document, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us. However, we cannot assure you that material legal proceedings, claims or disputes will not arise in the future. See "Risk Factors — Risks Relating to Our Business — We may be involved in legal and other proceedings arising out of our operations from time to time and may incur substantial losses and face significant liabilities as a result."

I. LEGAL SUPERVISION RELATING TO THE PROPERTY SECTION IN THE PRC

A. Establishment of a Property Development Enterprise

According to the Law of the People's Republic of China on the Administration of Urban Property (中華人民共和國城市房地產管理法) (the "Urban Property Law") promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and revised in August 2007, a property development enterprise is defined as an enterprise which engages in the development and sale of property for the purpose of making profits. Under the Regulations on Administration of Development of Urban Property (城市房地產開發經營管理條例) (the "Development Regulations") promulgated by the State Council on July 20, 1998, an enterprise which is to engage in development of property shall satisfy the following requirements: (1) its minimum registered capital shall be RMB1 million; and (2) it shall employ at least four full-time professional property/construction technicians and at least two full-time accounting officers, each of whom shall hold relevant qualification certificates. The Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the amount of registered capital of, and the qualifications of professionals retained by, property development enterprises. The following local regulations apply to our business and operations in the PRC:

a) The Regulations on Property Developments of Guangdong Province (廣東省房地產開發經營條例) revised by the Standing Committee of Guangdong Provincial People's Congress on September 22, 1997, which stipulate that the self-funded capital of a property development enterprise in the Guangdong Province shall be at least RMB3 million.

b) The Circular in Respect of the Relevant Rules Governing the Administration of Industrial and Commercial Registration and Qualification of Property Development Entities (關於房地產開發企業工商登記與資質管理有關規定的通知) promulgated by the Construction Bureau of Sichuan Province on September 2, 2004, which states that the minimum registered capital of a property development enterprise shall be RMB5 million.

c) The Regulations on Property Development in Tianjin City (天津市房地產開發企業管理規定) promulgated by the Tianjin City People's Congress on September 12, 2001, which state the minimum registered capital of a property development enterprise should be RMB10 million.

d) The Detailed Rules for the Implementation of the provisions on the Administration of Qualifications of Property Developers of Jiangsu Province (江蘇省實施《房地產開發企業資質管理規定》細則) promulgated by the Construction Bureau of Jiangsu Province on August 6, 2001, which stipulate that the minimum registered capital of a property development enterprise established in Yixing City shall be RMB4 million.

e) The Forwarding Notice of the Ministry of Construction Regulations regarding the Administration of Qualifications of Property Developers (關於轉發建設部《房地產開發企業資質管理規定》的通知), issued by the Beijing Municipal Commission of Housing and Urban Development Construction on September 4, 2000, which stipulate that the minimum registered capital of a property development enterprise in Beijing shall be RMB10 million.

f) There is no local regulation for Yunnan Province specifying more stringent requirements on the amount of registered capital and the qualifications of professionals of a property development enterprise.

Pursuant to the Development Regulations, a developer who aims to establish a property development enterprise should apply for registration with the Administration for Industry and Commerce. The property development enterprise must also report its establishment to the property development authority in the location of the registration authority, within 30 days upon the receipt of its Business License (營業執照).

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on April 26, 2004, the portion of capital funding for property projects (excluding affordable residential housing projects) has been increased from 20% to 35%.

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知) 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%.

B. Foreign-invested Property Enterprises

Under the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄) admended jointly by MOFCOM and the NDRC in October 2007 and with effect from December 1, 2007, foreign investment in enterprises engaged in the development of a whole land lot, the construction and operation of high end hotels, villas, premium office buildings, international conference centers and large theme parks, transactions in the real estate secondary market and real estate intermediary or broker services falls within the category of industries in which foreign investment is restricted, while foreign investment related to other kinds of real estate development falls within the category of industry in which foreign investment is permitted.

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.

Foreign invested property enterprises can be established in the form of a Sino-foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly foreign-owned enterprise. Prior to its registration, the enterprise must be approved by the commerce authorities, upon which a Certificate of Approval for a Foreign-Invested Enterprise (外商投資企業批准證書) will be issued.

On July 11, 2006, the MOC, MOFCOM, the NDRC, the PBOC, SAIC and SAFE jointly promulgated the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見) (the "Opinion"). According to the Opinion, the access to and management of foreign capital in the property market must comply with the following requirements:

a) Foreign entities or individuals who buy property not for their own use in China must apply for the establishment of a foreign-invested enterprise pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign entities and individuals can then carry on their business pursuant to their approved business scope.

b) Where the total investment amount of a foreign-invested property development enterprise is US$10 million or more, its registered capital shall not be less than 50 percent of the total investment amount; where the total investment amount is less than US$10 million, its registered capital shall follow the requirements of the existing regulations.

c) The commerce authorities and the Administration for Industry and Commerce are responsible for the approval and registration of a foreign-invested property development enterprise and the issuance to the enterprise of a Certificate of Approval for a Foreign-Invested Enterprise (which is only effective for one year) and the Business License. Upon full payment of the assignment price under a land grant contract, the foreign-invested property development enterprise should apply for the land use rights certificate in respect of the land. With such landuse rights certificate, it can obtain a formal Certificate of Approval for a Foreign-Invested Enterprise from the commerce authorities and an updated Business License.

d) Transfers of projects or shares in foreign-invested property development enterprises or acquisitions of domestic property development enterprises by foreign investors should strictly follow relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (1) a written undertaking of fulfillment of the contract for the assignment of State-owned land use rights; (2) a construction land planning permit and construction works planning permit; (3) land use rights certificate; (4) documents evidencing the filing for modification with the construction authorities; and (5) documents evidencing the payment of tax from the relevant tax authorities.

e) When acquiring a domestic property development enterprise by way of share transfer or otherwise, or purchasing shares from Chinese parties in a Sino-foreign equity joint venture, foreign investors should make proper arrangements for the employees, assume responsibility for the debts of the enterprise and pay the consideration in one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, those with unsound financial track records, or those that have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On August 14, 2006, The General Office of MOFCOM promulgated the Circular on the Thorough 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 (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 MOC 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:

a) 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;

b) 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 percent of the total amount of the project investment, such Real Estate FIE is not permitted to borrow foreign loans from overseas;

c) Where foreign entities and individuals purport to merge and acquire domestic real estate enterprises by way of share transfer or any other means, acquire a Chinese party's shares within an equity joint venture, such foreign entities and individuals must be capable of making a one-time payment in relation to 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 promulgated the Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which stipulated that:

a) Strict control should be imposed on the acquisition of or investment in domestic real estate enterprises by way of return investment. Foreign investors shall not acquire control of domestic enterprises for the purpose of circumventing the approval procedure related to Real Estate FIE;

b) In a Real Estate FIE, Chinese parties shall not, explicitly or implicitly provide any warranties with regard to allocating fixed returns to any party;

c) A Real Estate FIE incorporated upon approval by local approval bodies should be registered with MOFCOM on a timely basis; and

d) Foreign exchange administration bodies and designated foreign exchange banks shall not process sale and settlement of foreign exchange for capital account items for Real Estate FIEs that fail to complete filing procedures with MOFCOM or to pass joint inspection for foreign invested enterprises.

In addition, according to the Circular on Distribution of the List of the First Group of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce (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) promulgated by the General Department of SAFE on July 10, 2007, (1) local branches of SAFE shall not process any foreign debt registration application or conversion of foreign debt for any Real Estate FIE (including in respect of both newly incorporated FIREEs and FIREEs that have registered increased capital contributions) that obtained a Certificate of Approval for a Foreign-Invested Enterprise from local commerce authorities and completed the registration with a MOFCOM on or after June 1, 2007; (2) SAFE branches shall not process foreign exchange registration (or alterations to registration) or, sale and settlement of foreign exchange for capital account items, for any FIREE that has obtained a Certificate of Approval from local commerce authorities, but that has not registered with MOFCOM on or after June 1, 2007.

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本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.

C. Qualifications of a Property Development Enterprise

(i) Classifications for the qualifications of property development enterprises

Under the Development Regulations, a property development enterprise must report its establishment to the governing property development authorities in the location of the registration authority within 30 days of receiving its Business License. The property development authorities shall examine applications for classification of a property development enterprise's qualification by considering its assets, professional personnel and industrial achievements. A property development enterprise shall only engage in property development projects that come within the scope of its approved qualification.

Under the Provisions on the Administration of Qualifications of Property Developers (房地產開發企業資質管理規定) (the "Provisions on Administration of Qualifications") promulgated by the MOC and implemented on March 29, 2000, a property development enterprise shall apply for registration of its 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 shall be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to both preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established property development enterprise, after it reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days. The Provisional Qualification Certificate shall be effective for one year from its issuance and, depending on the actual business situation of the enterprise, may be extended by the property development authority for a period of no longer than two years. A property development enterprise shall apply with the property development authority for qualification classification within one month of expiry of the Provisional Qualification Certificate.

(ii) The business scope of a property development enterprise

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 property development enterprise may undertake a property development projects throughout the country without any limit on the scale of the project. A property development enterprise of class 2 or lower may undertake a project with a gross floor area of less than 250,000 square meters and the specific scopes of business shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

(iii) The annual inspection of a property development enterprise's qualification

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property development enterprise shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property development enterprise's qualification. Procedures for annual qualification inspection for developers with 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.

D. Development of a Property Project

(i) Land for property development

Under the Provisional Regulations of the People's Republic of China on the Grant and Transfer of the Land-Use Rights of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "Provisional Regulations on Grant and Transfer") promulgated 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 an assignment price to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on the Grant and Transfer and the Urban Property Law, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user to provide for the assignment of land use rights. The land user shall pay the assignment price as provided by the assignment contract. After full payment of the assignment price, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Development Regulations provide that the land use right for a land parcel intended for property development shall be obtained through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under 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) promulgated by the MLR on May 9, 2002 and implemented on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development shall be granted by means of tender, public auction or listing-for-sale. A tender of land use rights means the relevant land administration authority (the "assignor") issues a tender announcement inviting individuals, legal persons or other organizations (whether specified or otherwise) to participate in a tender for the land use rights of a particular parcel of land. The land user will be determined according to the results of the tenders. An auction for land use rights is where the assignor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. A listing-for-sale is where the assignor issues a listing-for-sale announcement specifying the land grant conditions and inviting bidders to list their payment applications at a specified land exchange within a specified period. The procedures for tender, auction and listing-for-sale may be summarized as follows (for the purpose of the summary, the participant in a tender, auction or listing for sale is referred to as a 'bidder'):

a) The land authority under the government of the city and county (the "assignor") shall announce at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars of the land parcel, qualification requirements for bidders, the methods and criteria for selection of the winning bidder and certain conditions such as the deposit for the bid.

b) The assignor shall conduct a qualification verification of the bidding applicants and inform the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale.

c) After determining the winning bidder by holding a competitive bidding, public auction or listing-for-sale, the assignor and the winning bidder shall then enter into a confirmation. The assignor should refund the other applicants their deposits.

d) The assignor and the winning bidder shall enter into a contract for the assignment of State owned land use rights at a time and venue set out in the confirmation. The deposit for the bid paid by the winning bidder will be deemed as part of the assignment price for the land use rights.

e) The winning bidder should apply to register the land registration after paying off the assignment price. The people's government at the municipality or county level or above should issue the land use rights certificate.

On June 11, 2003, the MLR promulgated the "Regulations on the Grant of State-owned Land Use Rights by Agreement" (協議出讓國有土地使用權規定). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights for business purposes including commercial, tourism, entertainment and residential commodity properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of tender, auction or listing-for-sale.

According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of the Examination and Approval of Land Use in Urban Construction (關於加強城市建設用地審查報批工作有關問題的通知) promulgated by the MLR on September 4, 2003, from the day of issuance of the Notice, the assignment of land use rights for luxurious commodity houses shall be stringently controlled, and applications for land use rights for villas are to be stopped. On May 30, 2006, the MLR issued the Urgent Notice on Rigorously Strengthening the Administration of Land (關於當前進一步從嚴土地管理的緊急通知). The Notice stated that land for property development must be granted by competitive bidding, public auction or listing-for-sale; the rules prohibiting development projects for villas should be strictly enforced; and land supply and relevant procedures of land use for villas ceased to have effect from the date of the Notice.

Under the Urgent Notice of Rigorously Strengthening the Administration of the Land, the land authority should rigidly execute the "Model Text of the State-owned Land-Use Rights Grant Contract" and "Model Text of the State-owned Land-Use Rights Grant Supplementary Agreement (for Trial Implementation)" jointly promulgated by the MLR and the SAIC. The documents relating to the assignment of land should specify the requirements for planning, construction and land use such as relevant restrictions on the dwelling size and plot ratio, and the time limit for the commencement and completion of construction. All these should be set forth in the contract for the assignment of the land.

On September 21, 2007 the MLR promulgated the Rules Regarding the Grant of State-Owned Construction Land Use Rights by Way of 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) which came into force on November 1, 2007. The rules stipulate the legal basis, principles, scope, procedures and legal liability arising from and in connection with the assignment of State-owned land use rights by competitive bidding, public auction or listing for sale. The rules clearly state that the grant of land for industrial use must also be by means of competitive bidding, public auction or listing for sale.

The Measures on the Administration of Reserved Land (土地儲備管理辦法), promulgated by the MOF, the PBOC and the 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.

In November 2009, the MLR issued a Circular on the Distribution of the Catalog for Restricted Land Use Projects (2006 Version Supplement) and the Catalog for Prohibited Land Use Projects (2006 Version Supplement) (關於印發〈限制用地項目目錄(2006年本增補本)〉和〈禁止用地項目目錄(2006年本增補本)〉的通知) as a supplement to its 2006 version. In this Circular, the 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 November 2009, the MOF, the MLR, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grants (關於進一步加強土地出讓收支管理的通知). The Notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a contract for the assignment of land, subject to limited exceptions. Any developer defaulting on any such payment may not participate in any new transactions of land grant.

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 "Notification") 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 Notification, 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.

(ii) Development of a property project

(a) Commencement of development with respect to a property project and idle land

Under the Urban Property Law, those who have obtained the land use rights by assignment must develop the land in accordance with the use and period of commencement as prescribed by the contract for the assignment of land. According to the Measures on Disposing Idle Land (閒置土地處置辦法) promulgated by the MLR on April 28, 1999, a parcel of land can be defined as idle land under any of the following circumstances:

a) After obtaining the land use rights, the development and construction of the land has not begun within the time limit for commencement of the development as stipulated in the contract for the assignment of land without the consent of the people's government that originally approved the use of the land;

b) The contract for the assignment of land does not stipulate or the "Approval Letter on Land Used for Construction" does not prescribe the starting date of the development and construction, or the development and construction of the land has not begun within one year from the date when the contract for the assignment of land became effective or the date when the relevant department of land issued the "Approval Letter on Land Used for Construction;"

c) The development and construction of the land has begun, but the area of the development and construction 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 has been continuously suspended for one year or more without approval; or

d) Other circumstances prescribed by laws and administrative regulations.

The municipality or county-level municipality administrative authority shall, with regard to an identified piece of idle land, give notice to the land user and draft a proposal for the disposal of idle land, including but not limited to, extending the time period for development and construction (provided that it shall be no longer than one year), changing the use of the land, arranging for temporary use and ascertaining the new land user by means of competitive bidding, public auction or listing-for-sale. The administrative department of land under the people's government at the municipality or county level shall, after the people's government that originally approved the use of the land approves the proposal on disposal, arrange for the implementation of the proposal. With respect to assigned land that is within the scope of city planning, if the construction work has not yet started after one year from the granting of the relevant approvals, since the duration in which construction may be commenced has elapsed, a fine for idle land which is equivalent to less than 20% of the assignment price may be imposed on the land user. If the construction work has not begun after two years have elapsed, the right to use the land can be taken back by the State without any compensation. However, the above sanctions shall not apply when the delay in commencement of construction is caused by force majeure or acts of government or indispensable preliminary work before commencement of construction.

On January 3, 2008, the State Council promulgated the Circular on Conservation of Intensive Land Use (關於促進節約集約用地的通知) (Guo Fa (2008) No. 3), which seeks to:

a) Examine and adjust all ranges of site planning and land use standards in line with the principle of economic and intensive land use. Project designs, construction and approval of construction shall all be subject to stringent land use standards.

b) Urge all localities to enforce policies for the disposal of idle land. Where a piece of land has been idle for two full years and may be retrieved unconditionally as statutorily required, such land shall be retrieved and arrangements for its use shall be made; where a piece of land has been idle for one year but less than two years, an idle land charge valued at 20 percent of the land assignment premium shall be levied on the land user.

c) Vigorously guide the use of unused and abandoned land and encourage the development and utilization of aboveground and underground space.

d) Strictly implement the tender, auction and listing-for-sale regime for land intended for industrial and business purposes. Where the total land premium is not paid in full in compliance with contractual agreement, the land use certificate shall not be issued, nor shall it be issued in proportion to the ratio between the paid-up land premium and the total land premium.

e) Make reasonable arrangements on residential land and persist on banning land supply for real estate development projects for villas. Strictly prohibit unauthorized conversion of agricultural land into construction land.

f) Strengthen supervision and inspection of intensive land use conservation.

g) Discourage financial institutions from granting loans and providing finance to property development enterprises whose real estate development project is less than one quarter invested, occupies an area less than one third and/or was commenced over one year after the project commencement date, in each case as stipulated in the contract for the assignment of land.

(b) Planning of a property project

According to the Measures for Control and Administration of the Grant and Transfer of the Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the MOC on December 4, 1992 and implemented on January 1, 1993 and the Notice of the Ministry of Construction on Strengthening the Planning Administration of the Grant and Transfer of the Right to Use State-owned Land (建設部關於加強國有土地使用權出讓規劃管理工作的通知) promulgated by the MOC on December 26, 2002, after signing the contract for the assignment of land use rights, a property development enterprise shall apply for a project survey and a construction land planning permit from the city planning authority. After obtaining a construction land planning permit, a property development enterprise shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a construction works planning permit from the city planning authority.

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 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 Ministry of Housing and Urban-Rural Development 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.

(c) Construction of a property project

According to the Measures for the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法) promulgated by the MOC on October 15, 1999 and as amended and implemented on July 4, 2010, after obtaining the construction works planning permit, a property development enterprise shall apply for a construction works commencement permit from the construction authority under the local people's government at the county level or above. 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, strictly regulates the conditions for commencing investment projects, establishes a mechanism for the coordination of government departments regarding new projects, and strengthens the statistics and information management while intensifying the supervision and inspection of new projects.

(d) Completion of a property project

According to the Development Regulations and the Regulation on the Quality Management of Construction Projects (建設工程質量管制條例) promulgated by State Council on January 30, 2000, the Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法) promulgated by the MOC in April 2000 and the Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) promulgated by the MOC on June 30, 2000, after the completion of construction of a project, the property must undergo inspection and receive relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities. Thereafter, the property development enterprise shall apply for at the property development authority under the people's government at the county level or above for a certificate of completion. Once the examination has been completed, a Record of Acceptance Examination upon Project Completion (項目竣工驗收報告) will be issued.

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 MOC on April 14, 2009, the legal regulatory framework and the supervision system in respect of quality supervision and completion acceptance examination shall be further improved.

E. Transfer and Sale of Property

(i) Transfer of property

According to the Urban Property Law and the "Provisions on Administration of Transfer of Urban Property" (城市房地產轉讓管理規定) promulgated by the MOC on August 7, 1995 and as amended on August 15, 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring the title to a building, the ownership of the building and the land use rights 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 contract for the assignment of the land and a land use rights certificate has been obtained; b) development has been carried out according to the contract for the assignment of the land and, in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

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 contract for the assignment of the land after deducting the time that has been used by the former land user(s). In the event the transferee intends to change the use of the land provided in the original contract for the assignment of the land, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the assignment contract or a new contract for the assignment of the land shall be signed in order to, amongst other matters, adjust the land use rights assignment price accordingly.

If the land use 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 by the State Council. Upon such approval, 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.

(ii) Sale of commodity buildings

Under the "Regulatory Measures on the Sale of Commodity Buildings" (商品房銷售管理辦法) promulgated by the MOC on April 4, 2001 and implemented on June 1, 2001, sale of commodity buildings can include both pre-completion sales (pre-sale) and post-completion sales.

(a) Permit for Pre-sale of Commodity Buildings

According to the Development Regulations and the Measures for Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法) (the "Pre-sale Measures") promulgated by the MOC on November 15, 1994 and as amended on August 15, 2001 and July 20, 2004, the pre-sale of commodity buildings shall be subject to a licensing system, and a property development enterprise intending to sell a commodity building before its completion shall register with the property development authority of the relevant city or county to obtain a pre-sale permit. A commodity building may be sold before completion only if: a) the assignment price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained; b) a construction works planning permit and construction works commencement permit have been obtained; c) the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and d) the pre-sale has been registered and a pre-sale permit has been obtained.

In addition, according to the Regulations on the Administration of Pre-sale of Commodity Buildings of Guangdong Province (廣東省商品房預售管理條例) promulgated by the Standing Committee of the Guangdong Provincial People's Congress on August 22, 1998 and as amended on October 14, 2000 and the Notice on Adjusting the Regulations on the Provision of Images Depicting the Progress of Construction of Pre-Sale Commodity Building Projects in Guangdong Province (廣東省關於調整商品房預售專案工程形象進度條例的通知) issued by Guangdong Provincial Construction Bureau in January 2001, the following conditions shall be fulfilled for pre-sale of commodity buildings in Guangdong: a) a real property development qualification certificate and a Business License have been obtained; b) the construction quality and safety monitoring procedures have been performed; c) the construction of the basic superstructure and the toping-out have been completed in respect of properties of not more than seven stories (including seven stories), and at least two-thirds of the basic superstructure has been completed in respect of properties of more than seven stories; d) a special property pre-sale account with a commercial bank in the place where the project is located has been opened; and e) the pre-sale properties and the land use rights for the project are free from any third party rights.

According to the Rules for the Transfer of Real Estate in the Shenzhen Special Economic Zone (深圳經濟特區房地產轉讓條例) promulgated by the Standing Committee of the Shenzhen Municipal Congress in July 1993 and amended in June 1999, the following conditions shall be fulfilled for the pre-sale of commodity buildings: a) land use rights have been lawfully registered and a real property certificate obtained; b) a construction works planning permit and a construction works commencement permit have been obtained; c) the full assignment price for the land use rights and at least 25 percent of the total project investment of the construction development must have been paid and certified by an accountant; d) the property development enterprise and the financier must have signed an agreement to supervise the receipt of funds from pre-sales; and e) the land use rights must have not been mortgaged or where a mortgage did exist it must have been discharged.

Pursuant to the Implementation Opinion in Respect of Enforcing the Administration of Presales of Urban Commodity Properties (關於加強城市商品房預售管理的實施意見) promulgated by the Construction Commission of Sichuan Province on March 10, 2000, the pre-sale of commodity property in Sichuan Province shall comply with the following conditions: a) all premiums for the assignment of the land use rights (other than land supplied by way of allocation in accordance with the State laws) must have been paid and the land use rights certificate must have been obtained; b) a construction works planning permit must have been obtained; c) for a commodity property project with six stories or less, construction of the foundation and basic superstructure must have been completed; for a non-residential project with six stories or less and a commodity property project with six stories or more, the construction of the foundation and the first story of the basic superstructure must have been completed; and the foundation and the first six stories of the superstructure works of a project without a basement must have been completed; and d) the works schedule and date of completion delivery have been determined.

According to the Tianjin City Administration Rules for Commodity Housing (天津市商品房管理條例) promulgated on October 24, 2002 and effective from December 1, 2002, the sale of commodity housing includes both pre-sales and post-completion sales. Property development enterprises applying for a permit to sell commodity housing must comply with the following conditions: a) attainment of legal person status and the requisite class of qualifications for property development; b) possession of lawful rights to the use of state owned land; c) examination and approval of an investment plan for the construction of commodity housing, a construction engineering plan and a construction license; d) payment of fees for the completion of basic installations in accordance with relevant laws; e) possession of copies of property management plans for which registration has been completed or signed agreements for future property management arrangements; f) certification from government departments that the commodity housing building development has attained requisite image standards; g) provision of a timetable for the progress of construction and the completion date; and h) provision of a sales plan.

According to the Regulations on Administration of Sales of Urban Commodity Buildings in Jiangsu Province (江蘇省城市房地產交易管理條例) promulgated by the Standing Committee of Jiangsu Provincial People's Congress on February 5, 2002, the following conditions shall be fulfilled for the pre-sale of commodity buildings: (i) the Business License for an enterprise as a legal person and a real property development qualification certificate have been obtained; (ii) the assignment price for the relevant land use rights has been paid in full and a land use rights certificate has been obtained; (iii) a construction works planning permit and a construction works commencement permit have been obtained; (iv) the funds invested in the development of commodity buildings put to presale represent 25% or more of the total investment in the project and the works schedule and the completion and delivery dates have been determined.

According to the Notice on Strengthening the Administration of Permits for the Pre-Sale of Commodity Housing (關於加強商品房預售許可證管理有關問題的通知), issued by the Beijing Municipal Bureau of Land and Resources on June 18, 2004, the following materials must be presented by a property development enterprise when applying for a pre-sale permit: (i) a Business License; (ii) the requisite qualification certificates for the relevant class of property development enterprise; (iii) a land use rights certificate; (iv) proof of full payment of the land transfer fee; (v) a construction works planning permit issued by the planning authority as well as general layout plans for the project; (vi) a construction works commencement permit; (vii) a copy of the construction contract; (viii) proof from the receiving bank that the funds invested in the development of commodity buildings put to presale represent 25% or more of the total investment in the project ; (xix) a pre-sale program as well as building plans for pre-sale commodity units; and (x) certification from a recognized entity that the project complies with relevant standards (were applicable).

According to the Regulations on the Administration of Sales of Urban Commodity Buildings in Yunnan Province (雲南省城市房地產開發交易管理條例), issued by the Standing Committee of Yunnan Province on September 22, 2000, and revised on December 2, 2005, depending on the scale of a construction project, pre-sale permits are issued by the relevant city or county construction administration authority. Funds received through pre-sales must be used for the construction of the project.

(b) Supervision of pre-sale income of commodity buildings

According to the Pre-sale Measures, the income of a property development enterprise from the pre-sale of commodity buildings must be used for the construction of the relevant project. The specific measures for the supervision of the income from the pre-sale of commodity buildings shall be formulated by the relevant property administration authorities.

(c) Conditions of the sale of post-completion commodity buildings

Under the regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: a) the property development enterprise shall have a Business License and a qualification certificate of a property development enterprise; b) the enterprise shall obtain a land use rights certificate or other approval documents for land use; c) the enterprise shall have the construction works planning permit and construction works commencement permit; d) the building shall have been completed, inspected and accepted as qualified; e) the relocation of the original residents shall have been completed; f) the provision of essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other essential utilities and public facilities shall have been made ready for use, or a date for their construction and delivery shall have been specified; g) the property management plan shall have been completed.

Before the post-completion sale of a commodity building, a property development enterprise shall submit the Property Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the property development authority.

(d) Regulations on transactions of commodity buildings

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building with the relevant property administration authorities.

Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House Prices (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) issued on May 9, 2005:

a) A buyer of a pre-sold commodity building is prohibited from conducting any further transfer of the commodity building before construction has been completed and a property ownership certificate obtained. If there is a discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the property administration authorities shall not register the application for property ownership.

b) A real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On July 6, 2006, the MOC, the NDRC and SAIC jointly promulgated the Notice on Reorganizing and Regulating Real Estate Transaction Procedures (關於進一步整頓規範房地產交易秩序的通知), the details of which are as follows:

a) A property development enterprise may start to sell the commodity buildings within 10 days after receiving a pre-sale permit. Without this permit, the pre-sale of commodity buildings is prohibited, as is the subscription to (including reservation, registration and number selecting) or acceptance of any kind of pre-sale payments.

b) The property administration authority should establish a network system for pre-sale contracts of commodity buildings. The system should include the location and basic information of the commodity building and the schedule for the sale. The buyer of a pre-sale commodity building is prohibited from conducting any further transfer of the commodity building while it is still under construction.

c) The pre-sale of commodity buildings must not be advertised without a pre-sale permit.

d) Property development enterprises with a record of serious irregularity or developers who do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in pre-sale activities.

e) Property administration authorities should strictly carry out the regulations of the pre-sale registration and apply the real name system for house purchases.

(iii) Mortgages of Property

Under the Urban Property Law, the Guarantee Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the Standing Committee of the National People's Congress on June 30, 1995 and implemented on October 1, 1995, and the Measures on the Administration of Mortgages of Property in Urban Areas (城市房地產抵押管理辦法) promulgated by the MOC in May 1997 and as amended on August 15, 2001, when a mortgage is lawfully created on a building, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights acquired through means of assignment are being mortgaged, the buildings on the land shall be simultaneously mortgaged. The land use rights of town and village enterprises cannot be mortgaged. When buildings owned by town and village enterprises are mortgaged, the land use rights occupied by the buildings shall at the same time also be mortgaged. The mortgagor and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract is signed, the parties to the mortgage shall register the mortgage with the property administration authorities 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 property in respect of which a house ownership certificate has been obtained, the registration authority shall make an entry under the "third party rights" item on the original house ownership certificate and then issue a Certificate of Third Party Rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or 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 after the issuance of certificates evidencing the ownership of the property.

(iv) Leases of buildings

Under the Urban Property Law and the Measures for Administration of Leases of Property in Urban Areas (城市房屋租賃管理辦法) promulgated by the MOC on May 9, 1995 and with effect from June 1, 1995, the parties to a lease of a building shall enter into a written lease contract. A system has been adopted to register the 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.

F. Property Credit

According to the Notice of the People's Bank of China on Regulating House Financing Businesses (中華人民共和國關於規範住房金融業務的通知) promulgated by the PBOC on June 19, 2001, all banks must comply with the following requirements before granting residential development loans, individual house mortgage loans and individual commercial flat loans:

a) Banks shall only grant housing development loans 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 self-owned capital of no less than 30% of the total investment required for a project, the project itself must have been issued with a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

b) In respect of the grant of individual mortgage backed home loans, the ratio between the loan amount and actual value of the security (the "Mortgage Ratio") must not exceed 80%. Where an individual applies for a home loan to buy a pre-sale property, the property must have achieved the stage of "topping-out of the main structure" 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 must not exceed 60% with a maximum loan period of ten years and the relevant commercial flat must have already been completed.

The PBOC issued the Circular on Further Strengthening the Management of Property Loans (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgages and individual commodity buildings as follows:

a) Property loans by commercial banks to property development enterprises shall be granted only in respect of a particular item of property development rather than to meet cash flow or other financing demands. Loans of any kind must not be granted for projects which do not obtain a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

b) Commercial banks shall not grant loans to property development enterprises to pay off land premiums.

c) Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for an individual home loan for their first residential unit, the minimum first installment remains unchanged at 20%. In respect of a loan application for any additional purchase of a residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the Guidance on Risk Management of Property Loans from Commercial Banks (商業銀行房地產貸款風險管理指引) issued by the CBRC on September 2, 2004, any property development enterprise applying for property development loans shall have at least 35% of the capital required for the development.

According to the Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits (中國人民銀行關於調整商業銀行住房信貸政策和準備金存款利率的通知) promulgated by the PBOC on March 16, 2005, from March 17, 2005, in cities and areas where there has been a rapid increase in house prices, the minimum first installment for individual house loans increased from 20% to 30%. Commercial banks can independently determine the particular cities or areas under such adjustment according to the specific situation in different cities or areas.

On May 24, 2006, the State Council issued the Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格的意見). The regulations relating to property credit are as follows:

a) Strict credit conditions shall be imposed on property development enterprises. In order to suppress the ability of property development enterprises to store up land and housing resources, commercial banks shall not provide loans to those property enterprises that fail to meet loan conditions, such as having a project capital of less than 35%. For property development enterprises that have large volumes of idle land and vacant commodity buildings, the commercial banks shall, in light of the principle of prudential operations, be stricter in controlling the renewal of loans or any form of revolving credit. The commercial banks shall not accept any commodity building that has been idle for three or more years as collateral for loans.

b) From June 1, 2006, the minimum first installment for individual home loans shall not be lower than 30%. However, considering the demands for housing by the medium and low-income population, the purchase of owner occupied housing with a gross floor area of no more than 90 square meters is still subject to the requirement to provide a deposit of 20%.

According to the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market, foreign-invested property enterprises which have not paid up their registered capital, failed to obtain a land use rights certificate, or which have less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE shall not approve the registration of foreign loans from such enterprises.

On September 27, 2007, the PBOC and the CBRC issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知) (the "Notice"). The Notice puts forward requirements for the purpose of strengthening processes for loan management, including by means of credit checks, monitoring of real estate loans and risk management, in respect of (i) real estate development, (ii) land reserves, (iii) housing consumption and (iv) the purchase of commercial buildings.

Pursuant to the Notice, commercial banks shall not grant loans in any form, to (i) projects where the capital funds (owner's equity) constitutes less than 35%, or, projects without a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit; and (ii) property development enterprises that have been hoarding land and housing resources, as detected and verified by land resources departments and construction authorities. Furthermore, commercial banks are not permitted to accept commodity buildings with a vacancy exceeding three years as collateral for a loan, and may not grant property development enterprises any loans for the payment of relevant land assignment premiums.

In respect of loans for individual housing consumption, commercial banks are only permitted to grant housing loans to individuals who purchase commodity buildings the construction of which have reached the "topping out of the main structure" stage. Where an individual purchases his or her first commodity apartment for self residence purpose, (i) of a construction area is below 90 square meters, the minimum first installment shall be fixed at no less than 20%; and (ii) if the construction area is above 90 square meters, the minimum first installment shall be fixed at no less than 30%. Where an individual has purchased a commodity apartment by means of such loan and proceeds to purchase a second (or more) home, the minimum first installment shall be no less than 40% and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during same period and in same bracket. Further, the minimum first installment and the interest rate shall both rise with the increase in the number of homes purchased, with the increased percentage rates to be determined by commercial banks, at their own discretion, according to principles of loan risk management. However, the monthly repayments for housing loans shall not exceed 50% of the individual borrower's monthly income.

In respect of commercial building loans, commercial buildings purchased by loan shall be buildings that have satisfied procedural requirements of completion inspection and acceptance. For such purchase, the minimum first installment shall be no less than 50%, the loan term shall not exceed ten years and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during the same period and in same bracket. Where a loan application is made in the name of a "commercial and residential building", the minimum first installment shall be no less than 45% and the loan term and interest rate shall be arranged according to relevant regulations.

The Supplemental Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的補充通知) (the "Supplemental Notice"), jointly issued by the PBOC and the CBRC and dated December 5, 2007, sets forth supplemental requirements in respect of strengthening housing consumption loan management, mainly including the following:

a) Assess the number(s) of housing loan with the borrower's family as the basic calculation unit.

b) Stipulate conditions under which the housing loan policy for first home buyers shall serve as the referential basis for bank loans.

c) Where a family that has already purchased a commodity apartment via housing provident fund makes a housing-loan application to commercial banks, the requirements set forth in the Notice shall be duly satisfied in accordance with the Notice.

As stipulated in the Supplemental Notice, in the event an applicant is found to have presented false information and certifications, all commercial banks shall deem the loan application unacceptable.

Since the second quarter of 2008, the PRC government has implemented a series of policies intended to strengthen and improve the sound development of the real estate market.

On May 26, 2008, the CBRC issued the Notice on Further Strengthening Risk Management in the Provision of Credit to the Real Estate Market (Yin Jian Fa No.42[2008]) (關於進一步加強房地產行業授信風險管理的通知). To combat property development enterprises who (i) "falsify mortgages" by using forged property sale contracts; (ii) process "falsified down payments" from borrowers by accepting initial repayments in the pre-sale stage, paying for buyers in advance or by other means; or (iii) mislead banks about decisions over the provision of loans by forging their sale performances or house prices as well as other problems arising in the real estate market, the Notice requires each commercial bank to:

a) strictly follow the policies and conditions related to the provision of loans to individuals;

b) improve the monitoring of the qualifications of borrowers;

c) rigorously examine the enterprise credit ratings of property development enterprises; and

d) upon discovering that a property development enterprise has engaged in the "falsification of mortgages", "falsification of down payments", "forgery of house prices" or other such behavior, terminate the individual housing loans or development loans extended to such developer. Property development enterprises suspected of committing such crimes shall be referred to the judicial organs for further investigation.

On October 22, 2008, the People's Bank of China issued the Circular on the Expansion of the Downward Adjustment Range for Interest Rates of Commercial Individual Mortgage Loans and Related Issues (中國人民銀行關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) which decreased the minimum first installment for residential property purchasers to 20% and reduced the minimum mortgage loan rates for such purchases to 70% of the benchmark interest rate starting from October 27, 2008.

On December 20, 2008, the General Office of the State Council issued Several Opinions on Promoting the Sound Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見), which provides the following regarding loans for property businesses:

a) The purchase of regular commodity houses for residential purposes is to be encouraged. In addition to extending favorable interest rates and loan policies to first time buyers of apartments for self-residential purposes, individuals with an existing home in which the per person floor area is smaller than the local average may buy a second apartment for self residential purposes under favorable loan terms similar to those that apply to first-time buyers. If individuals purchase a second apartment or more for any other purpose, the interest rate shall be determined according to potential risks by commercial banks and based on the benchmark interest rate.

b) The proper financing requirements for property development enterprises should be adhered to. Commercial banks shall increase credit financing services available to ordinary commercial housing construction projects, provide financial support and other related services to property development enterprises engaged in merger and restructuring activities, and support the approval of bond issuances by property development enterprises.

The State Council issued the Notice on Adjusting the Minimum Capital Requirement for Capital Funding for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) on May 25, 2009, which provides for the reduction of the minimum capital requirement for affordable residential housing projects and regular commodity residential houses from 35% to 20%, and for other property projects to 30%. When providing credit finance support and services, financial institutions shall determine, at their own discretion, whether to grant a loan and the amount of the loan having regard to the minimum capital requirement as determined by the state.

On June 19, 2009, the CBRC issued the Notice on Further Strengthening the Risk Management of Mortgage Loans (Yin Jian Fa No.59[2009]) (關於進一步加強按揭貸款風險管理的通知). With regard to current problems in the real estate market, particularly in the area of mortgage loans such as "falsified mortgages", "falsified down payments", "forged house prices" and the relaxed enforcement of criterion for "loans for a second house", the Notice reiterates the following requirements:

a) banking institutions shall strictly carry out pre-loan examinations and tighten the criterion for granting a loan in order to prevent the occurrence of such behavior as "falsified mortgages", "falsified down payments", and "forged house prices";

b) banking institutions shall proceed to focus on supporting the purchase by individuals of their first commodity house for self-residence purposes and shall not circumvent relevant restrictions with regard to the provision of loans for a second (or more) house by claiming that a national network for credit information collection is not available or that cross-regional investigations into the purchaser's background is difficult or onerous; and

c) banking institutions are not entitled to decide the criterion for identifying "loans for a second house" or to lower the minimum first installment indirectly by any means.

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房價過快上漲的通知), pursuant to which the State Council raised the minimum first installment for second home purchases to 50% and set a minimum 30% first installment 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 PBOC benchmark lending rate; and Interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially.

G. Insurance of a Property Project

There are no mandatory provisions in PRC laws, regulations and government rules which require a property development enterprise to take out insurance policies for its property projects. However, PRC commercial banks may require the property development enterprise to purchase insurance if the commercial bank intends to grant a development loan to the property development enterprise.

H. 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.

I. 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 and the Regulations of the Construction Safety of Shenzhen Special Economic Zone (深圳經濟特區建設工程施工安全) smulgated by the Standing Committee of the People's Congress of Shenzhen in March, 2003 and amended on June 25, 2004, 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.

J. Major Taxes Applicable to Property Development enterprises

(i) Income tax

According to the Income Tax Law of The People's Republic of China for Foreign-invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外商企業所得稅法) which was promulgated by National People's Congress on April 9, 1991 and implemented on July 1, 1991 and its detailed rules promulgated by State Council on June 30, 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 (中華人民共和國企業所得稅暫行條例) issued by the State Council on December 13, 1993 and enforced on January 1, 1994 and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅暫行條例實施細則) issued by the MOF on February 4, 1994, the income tax rate applicable to Chinese enterprises other than foreign-invested enterprises and foreign enterprises is 33%.

According to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) enacted by the National People's Congress on March 16, 2007 and enforced from January 1, 2008 onwards, a unified income tax rate of 25% will be applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. The Income Tax Law of The People's Republic of China for Foreign-invested Enterprises and Foreign Enterprises (中華人民共和國外商投資企業和外商企業所得稅法) and the Provisional Regulations of the People's Republic of China on Enterprise Income Tax (中華人民共和國企業所得稅暫行條例) were thereby annulled.

Under the EIT 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% enterprise income tax rate as to their global income.

(ii) Business Tax

Pursuant to the Interim Regulations of the People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例) promulgated by the State Council on December 13, 1993, amended on November 5, 2008, and implemented on January 1, 2009, and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例實施細則) issued by the MOF on December 25, 1993 and amended and implemented on January 1, 2009, the tax rate applicable to the transfer of real properties, their superstructures and attachments is 5%.

In accordance with Notice on the Adjustment of Business Tax for the Transfer of Individual Homes (關於調整個人住房轉讓營業稅政策的通知) promulgated by the MOF and the SAT on December 22, 2009, from January 1, 2010, individuals who purchased their house for self-residential purposes may, five or more years after the purchase, resell their house without paying business tax. Individuals who have owned their self-residential house for less than five years shall pay business tax on the net profit (the difference between the original price and the sales price). Individuals who have purchased their house for any purpose other than self-residential shall, if they have owned it for five years or more, pay business tax on the net profit or, if they have owned it for less than five years, on the full sale price.

(iii) Land Appreciation Tax

According to the requirements of the 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) (the "Land Appreciation Tax Provisional Regulations") which were promulgated on December 13, 1993 and came into effect on January 1, 1994, and the Detailed Implementation Rules on the 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) (the "Land Appreciation Tax Detailed Implementation Rules") which were promulgated and came into effect on January 27, 1995, any capital-gain from a transfer of property shall be subject to land appreciation tax. Land appreciation tax shall be charged at four levels of 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. Deductible items include the following:

a) amount paid for obtaining the land use rights;

b) costs and expenses for the development of the land;

c) costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;

d) related tax payable for the transfer of property; and

e) other deductible items as specified by the MOF.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land

Appreciation Tax Detailed Implementation Rules and the Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994 (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) issued by the MOF and the SAT on January 27, 1995, land appreciation tax shall be exempted under any of the following circumstances:

a) The construction of ordinary standard residences for sale (i.e. the residences built in accordance with the local standards for residential properties. Deluxe apartments, villas, resorts etc. do not come under the category of ordinary standard residences) where the appreciation amount does not exceed 20% of the sum of deductible items;

b) property is repossessed according to laws due to the construction requirements of the State;

c) due to redeployment of work or improvement of living standard, individuals transfer self used residential property, in which they have been living for 5 years or more, subject to tax authorities' approval;

d) transfers of real properties under property transfer contracts signed before January 1, 1994, regardless of when the properties are transferred;

e) if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and capital was injected for development in accordance with the conditions agreed, the Land Appreciation Tax shall be exempted if the properties are transferred for the first time within 5 years after January 1, 1994. The date of signing the contract shall be the date of signing the sale and purchase Agreement. The tax-free period may be prolonged subject to the approval of the MOF and the SAT for particular property projects which are approved by the government for the development of the whole lot of land and long-term development and in which the properties are transferred for the first time after the 5-year tax-free period.

On December 24, 1999, the MOF and the SAT issued the Notice in respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy (關於土地增值稅優惠政策延期的通知) which extended the period for the land appreciation tax exemption policy mentioned above to the end of 2000.

After the issuance of the Land Appreciation Tax Provisional Regulations and the Land Appreciation Tax Detailed Implementation Rules, due to the longer period for property development and transfer, many districts, while they were implementing the regulations and rules, did not require property development enterprises to declare and pay the land appreciation tax. Accordingly, the MOF, the SAT, the MOC and the MLR separately and jointly issued several notices to restate the following: after the land grant contracts are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay land appreciation tax in accordance with the amount as calculated by the tax authority. For those who fail to acquire proof of payment or exemption from land appreciation tax from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the property title certificate.

The SAT also issued the Notice on the Strict Handling of the Administration of the Collection of Land Appreciation Tax (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to: modify the management system of land appreciation tax collection; build up a sound taxpaying declaration system for land appreciation tax; and modify the methods of pre-levying tax for the pre-sale of properties. The Notice also pointed out that for property development contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the policy for exemption from land appreciation tax exemption for properties that are transferred for the first time is no longer in effect and the tax shall be levied again. This requirement is restated in the Notice on Strengthening of Administration of the Collection of Land Appreciation Tax (關於加強土地增值稅管理工作的通知) and the Notice on Further Strengthening the Administration of the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) issued on August 2, 2004 and August 5, 2004, respectively, by SAT. These two Notices also required that system for the declaration of land appreciation tax and the registration of the sources of the land appreciation tax should be further improved.

On March 2, 2006, the MOF and the SAT issued the Notice on Several Points on Land Appreciation Tax (關於土地增值稅若干問題的通知) to clarify relevant issues regarding land appreciation tax as follows:

a) Standards for the transfer of ordinary standard residential houses. Where any development project includes ordinary residential houses as well as other commercial houses, the amount of land appreciation shall be verified for both commercial and residential houses, respectively. No adjustment shall be retroactively made to any application for tax exemption for ordinary standard residential houses that were filed with the tax authority at the locality of the property prior to March 2, 2006, especially for ordinary standard residential houses which had been exempted from land appreciation tax as according to standards determined by the people's government of a province, autonomous region or municipality directly under the Central Government.

b) Standards for the collection and settlement of land appreciation tax:

(i) All regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.

(ii) As to any tax that fails to be collected in advance within the advance collection term, overdue fines shall be collected as of the day following the expiration of the prescribed advance collection term according to the provisions of relevant tax collection and administration law.

(iii) As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to settle its land appreciation tax obligation for the transferred property according to the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning.

(iv) As to any investment that uses land (property) as payment for the purchase of shares, where an enterprise involved in the investment engages in property development or where any other property development enterprise invests in commercial houses it itself builds, it shall not be governed by the regulation of the interim exemption of land appreciation tax when the property (land) is transferred to the enterprise.

On December 28, 2006, the SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (國家稅務總局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) which came into effect on February 1, 2007.

Pursuant to the Notice, a property development enterprise 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 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 (i) the property development project has been completed and fully sold; (ii) the property development enterprise transfers the whole uncompleted development project; or (iii) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may require the property development enterprise to settle the LAT if any of the following criteria is met: (i) 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 property development enterprise; (ii) the project has not been completed sold more than three years after obtaining the sale permit or pre-sale permit; (iii) the property development enterprise applies for cancellation of the tax registration without having settled the relevant LAT; or (iv) other conditions stipulated by the tax authorities.

The Notice also indicated that if any of the following circumstances applies to a property development enterprise, the tax authorities shall levy and collect LAT as per a levying rate no lower than the pre-payment 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 books required by law or administrative regulation; (ii) destroying account books without authorization or refusing to provide taxation information; (iii) the accounts have not been properly maintained or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or the 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 the local situation.

On May 12, 2009, the SAT issued the Administrative Rules for the Settlement of Land Appreciation Tax (土地增值稅清算管理規程) (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.

In accordance with the "Guangdong Regulations on the Levy and Collection of Land Appreciation Tax" (廣東省土地增值稅徵收管理辦法), property development enterprises in Guangdong should calculate the amount of LAT on the basis of the initial capital costing of the project or the overall capital cost of the project. For pre-sales of commodity houses, it is permissible to pay LAT in advance based on a calculation of the price agreed between the parties (as evidenced in the pre-sale contract) and with reference to the construction size of the house. Once the project is completed, an additional payment towards or a partial refund of the original advance payment may be necessary once the amount of LAT is finally determined.

In accordance with the "Notice from the Shenzhen Local Taxation Bureau in respect of the Provisional Regulations regarding the Property Development Industry in Shenzhen and the Levy and Collection of Land Appreciation Tax (深圳市地方稅務局關於印發《深圳市房地產開發企業土地增值稅徵收管理暫行辦法》的通知), issued in Shenzhen on November 1, 2005, property development enterprises in Shenzhen that engage in the sale of developed real estate for profit must collect LAT. Because LAT is collected in advance and calculated as a percentage of the total income to be derived from the sale of a property, after the completion and sales of a project, an additional payment towards or a partial refund of the original advance payment may be necessary once the amount of LAT is finally determined. The deemed rate of LAT is 1% for villas, resorts and serviced apartments; and 0.5% for all other types of property developments. Where more than one type of property is included in the same development, the property development enterprise should calculate the LAT in advance on the basis of the different property types. Where this is not possible, LAT should initially be paid at the higher rate. Thereafter, at the completion of the project and after verification by their accountant, the property development enterprise should immediately submit an "LAT Calculation Report" to the responsible taxation authority.

In Sichuan, the levy and collection of LAT is governed by the "Sichuan Local Tax Administration Provisional Regulations on the Levy and Collection of Land Appreciation Tax" (四川省地方稅務局土地增值稅徵收管理暫行規定). In accordance with the provisional regulations, a person who engages in the development and sale of property must pay LAT in advance. There are two main methods for determining the amount of LAT payable: (i) the first is relevant to enterprises involved in the construction and development of residential areas and the post completion installation of facilities therein. Property development enterprises should withhold an amount for LAT based on the actual cost of the project or of the installation of the facilities; (ii) the second is relevant to pre-sales of commodity houses, in respect of which an advance payment of LAT will be calculated on the basis of the difference between the income to be received by the seller under the terms of the pre-sale contract entered into between it and the buyer and the forecast capital cost of the project. Within 10 days of settling accounts after the completion of project, property development enterprises must submit an audit report to the taxation bureau. Upon verification by the taxation bureau of the amount of LAT already paid, a supplemental payment or a partial refund of LAT may be applicable.

According to the "Tianjin Taxation Bureau Notice regarding the Levy and Collection of Land Appreciation Tax" (天津市地方稅務局關於徵收土地增值稅問題的通知), the collection of LAT was introduced in Tianjin from October 1, 2005. In respect of pre-sales of commodity houses, LAT is calculated with reference to income generated from pre-sales (based on the volume of sales as indicated by the collection of sales tax). A rate of 0.5% applies to sales of regular houses, and a rate of 1% applies to sales of high-end houses, office buildings, condos, villas and holiday resorts. Property development enterprises may wait until the full completion and sales of a whole project before completing transactions for the calculation and payment of LAT.

Pursuant to the Notice on Adjustment of Regulations on the Pre-levy of Land Appreciation Tax (江蘇省關於調整土地增值稅預徵管理辦法的通知) promulgated by the Taxation Bureau of Jiangsu Province and with effect as of January 1, 2005, LAT is imposed on entities that engage in property development and construction in Yixing City. LAT is calculated on the basis of the income generated from the sales (including income produced by pre-sales) multiplied by the respective LAT rate. A rate of 3% applies to sales of high-end apartments, resorts and villas; a rate of 2% applies to sales of office buildings and business houses; and a rate of 1% applies to sales of regular houses. When more than one type of property is included in the same development, the LAT shall be, wherever possible, calculated separately based on the different property types; otherwise the higher rate (2% or 3%) shall apply. After the completion of the project and a written application has been made by the developers, an additional payment towards or a partial refund of the original advance payment may be applicable upon verification by the taxation authority.

The Notice on the Administration of the Levy and Collection of Land Appreciation Tax (關於土地增值稅徵收管理有關問題的通知), promulgated by the Beijing Local Taxation Bureau on December 19, 2006, states that as of January 1, 2007, LAT at the flat rate of 1% shall be pre-collected in respect of all revenue received by a property development enterprise from pre-sales and sales of commodity buildings, unless such commodity buildings are government approved low cost housing or fixed price housing.

According to the Notice on Strengthening the Administration of the Levy and Collection of Land Appreciation Tax (關於進一步加強土地增值稅徵收管理有關問題的通知) issued by the Yunnan Provincial Tax Bureau on August 25, 2005, a pilot program for the pre-collection of LAT in Kunming, Zhaotong, Qujing, Wenshan, Chuxiong, Dali, Baoshan and Lincang commenced on July 1, 2005. Ordinary houses are subject to LAT at a rate between 0.5% and 1%; office buildings, commercial spaces, villas, holiday resorts, high-end apartments and other such commodity buildings are subject to LAT at a rate between 1% and 2%; the transfer of land use rights over land for development is subject to LAT at a rate between 1.5% and 3%. Upon the completion of the construction and sales of a particular project, the property development enterprise must apply to the relevant local taxation bureau for a settlement of LAT, at which stage the developer will be liable to pay any amount of outstanding LAT or, as the case may be, entitled to a refund of excess LAT.

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.

(iv) Deed tax

Pursuant to the Interim Regulations of the People's Republic of China on Deed Tax (中華人民共和國契稅暫行條例) promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine their effective tax rates. Pursuant to the Implementation Provisions on Deed Tax in Guangdong Province (廣東省契稅實施辦法) promulgated by the People's Government of Guangdong on June 1, 1998, effective on October 1, 1997, the rate of deed tax within Guangdong is 3%. Pursuant to the Circular on the Adjustment of the Deed Tax Rate (關於調整契稅稅率的通告) promulgated by the Chengdu Financial Bureau and the Chengdu Local Tax Bureau on June 30, 1999, the deed tax rate for Chengdu is 3%. Pursuant to the Tianjin City Implementation Rules on Deed Tax (天津市契稅徵收實施辦法) promulgated by the Tianjin Municipal Government on October 1, 1997, the deed tax rate for Tianjin is 3%. Pursuant to the Implementation Rules of the Interim Regulations of the People's Republic of China on Deed Tax (江蘇省實施《中華人民共和國契稅暫行條例》辦法) promulgated by the People's Government of Jiangsu Province on November 20, 1998, the deed tax rate for Yixing City is 4%. According to the Beijing Administrative Rules on Deed Tax (北京市契稅管理規定), issued by the Beijing Municipal Government on June 27, 2002, a 3% deed tax applies in Beijing. According to the Administrative Rules on Deed Tax in Yunnan Province (雲南省契稅實施辦法), promulgated by the People's Government of Yunnan Province on May 18, 1998, a 3% deed tax is applicable in Yunnan Province.

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.

(v) Urban land use tax

Pursuant to the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on September 27, 1988, implemented on November 1, 1988 and amended on December 31, 2006, land use tax in respect of urban land is levied according to the area of relevant land. As of January 1, 2007, the annual tax on every square meter of urban land collected from foreign-invested enterprises shall be between RMB0.6 and RMB30.0.

(vi) Buildings tax

Under the Interim Regulations of the People's Republic of China on Building Tax (中華人民共和國房地產稅暫行條例) promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986, building tax shall be levied at 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental payments for lease of the building.

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 Ministry of Finance 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.

(vii) Stamp duty

Under the Interim Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988, for property transfer instruments, including those in respect of property ownership transfer, the stamp 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 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知) and temporarily exempted stamp duty for individuals selling or buying houses starting from November 1, 2008.

(viii) Municipal maintenance tax

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on February 8, 1985, any 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 Foreign-invested Enterprises and Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the SAT on February 25, 1994, the municipal maintenance tax shall not be applicable to foreign invested enterprises with foreign investment until further notice is issued by the State Council.

(ix) Education surcharge

Under the Interim Provisions on the Imposition of the Education Surcharge (徵收教育費附加的暫行規定) 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 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 (國務院關於籌措農村學校辦學經費的通知). Under the Supplementary Notice Concerning Imposition of Education Surcharge (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the SAT on February 25, 1994, the education surcharge shall not be applicable to enterprises with foreign investment until further notice is issued by the State Council.

K. Measures on Stabilizing Housing Price

The General Office of the State Council promulgated the Circular on Duly Stabilizing the Prices of Residential Properties (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain housing prices 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 Stabilizing the Prices of Residential Properties (關於做好穩定住房價格工作的意見), which provides that:

(i) Intensifying planning and control and improving the housing supply structure

Where there is excessive growth in housing prices and insufficient supply of medium to low priced commodity houses and affordable residential housing, housing construction should mainly involve projects for the development of medium to low priced commodity houses and affordable residential houses. The construction of low-density, high-quality houses shall be strictly controlled. With respect to projects for the construction of medium-or-low-price commodity houses, prior to the assignment of land, the municipal planning authority shall, according to control planning, set forth conditions for the plan and design of such elements as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth requirements such as sale price, type and area. Such conditions and requirements will be set up as preconditions to the assignment of land to ensure an adequate supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Housing projects that have not been commenced within two years must be re-examined, and those that turn out to be noncompliant will have their planning permits revoked.

(ii) Intensifying control over the supply of land and rigorously enforcing the administration of land

Where there is rapid excessive growth in the price of land for residential use, the proportion of land for residential use to the total land supply should be raised, and the land supply for the construction of regular commodity housing at medium or low prices and affordable residential housing should be increased. Land supply for villa construction shall be continuously suspended, and land supply for high-end housing property construction shall be restricted.

On May 24, 2006, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見). As to the adjustment of housing supply and stabilization of housing prices, the opinion provides that:

a) Adjustment to the housing supply structure

(i) The construction of medium and small-sized regular commodity houses at medium or low prices should be especially developed to satisfy the demands of local residents.

(ii) From June 1, 2006, for each and every commodity building newly examined and approved for the commencement of construction, the proportion of the area of housing (including economically affordable housing) with a unit floor area less than 90 square meters must reach 70% of the total development and construction area. In case of adjustment of the above-mentioned proportion, if required in special cases, the municipalities directly under the central government, separately planned cities and provincial capital cities must submit the special request for adjusting proportion to the MOC for approval. The projects that have been examined and approved but have not received a construction works commencement permit shall where necessary adjust the set style of housing according to the above-mentioned requirements.

b) Adjustment to tax, credit and land policies

(i) Commencing June 1, 2006, business tax applicable to the transfer of a residential property by an individual within five years from the date of purchase will be levied on the basis of the full amount of the sale proceeds. For an individual transferring an ordinary residential property five years or more from the date of purchase, business tax will be exempted. For an individual transferring a house other than an ordinary residential house for five years or more from purchasing, the business tax will be levied on the basis of the balance between the income from selling the house and the purchase price;

(ii) In order to restrain property development enterprises from purchasing land and buildings with bank credits, any developer applying for loans shall have at least 35% of capital required for the project development. Commercial banks should restrict the grant or extension of revolving credit facilities in any form to property development enterprises with a large amount of idle land and/or vacant commodity buildings. Commodity buildings which are vacant for more than 3 years should not be accepted as a guarantee by the commercial banks;

(iii) From June 1, 2006, the first installment of individual house loans should be no less than 30%. When a borrower applies for individual house loans for his own use and the floor area of the unit is less than 90 square meters, the first installment remains at 20%;

(iv) At least 70% of the land supply for residential property developments must be used for low-to-medium-cost and small to medium-size units and low-cost rental properties. On the basis of the restriction of price and housing style, the land supply shall adopt the method of competitive bidding of land price and housing price to determine the property development enterprise. 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 prohibited;

(v) When construction has not yet started one year after the construction commencement date agreed in the land use rights assignment contract has elapsed, charges for idle land should be collected at a higher level; when the construction has not started two years after the construction commencement date agreed in the land use rights assignment contract have elapsed, the right to use land can be taken back without compensation. The land will be regarded as idle land if: the development and construction of the land has started on time, but the developed area 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 has been continuously suspended for no less than one year without approval.

c) Further rectifying and regulating the property market

(i) Any project with a Construction Land Planning Permit which has not started construction should be re-evaluated. If the project is not in accordance with the controlling requirements of the plan, especially the requirements of the set style structure, the construction works planning permit, the construction works commencement permit and the pre-sale permit should not be issued. Projects which have been altered or the construction of which have exceeded the provisions shall be disposed of or confiscated according to law.

(ii) The property administration authority and the administration of industry and commerce should investigate any illegal conduct such as contract fraud. Illegal conduct involving commodity building pre-completion sales without the necessary conditions should be ordered to stop and punished. With respect to the property enterprises that store up housing and maliciously manipulate and raise housing prices, the competent authorities shall enforce monetary punishment according to laws and regulations, and the responsible persons concerned may have their Business Licenses revoked and/or shall be investigated and prosecuted.

To implement the Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices, the MOC promulgated Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

a) From June 1, 2006, in any city (including counties), housing with a floor area of less than 90 square meters should reach 70% of the total floor area of commercial commodity buildings newly approved or constructed.

b) The governments should guarantee the conditions of planning and design of newly-built commodity buildings conform to the requirements of structure and proportion. Any digression from the above-mentioned requirements without authorization is forbidden and a construction works planning permit should not be issued by municipal planning and authorities. If there is any noncompliance with the planning permit, a construction works commencement permit should not issued by the construction authority and a permit for pre-sale of commodity buildings should not be issued by property development authority.

According to Several Opinions of the General Office of the State Council on Providing Financial Support for Economic Development (No.126 [2008]) (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 (i) implemented and promulgated relevant credit policies and measures to support people's purchase of their first ordinary home or improved ordinary home; (ii) 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 (iii) 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.

II. LEGAL SUPERVISION RELATING TO THE PROPERTY MANAGEMENT SECTOR IN THE PRC

A. Foreign-invested Property Management Enterprises

According to the Foreign Investment Industrial Guidance Catalogue, property management falls within the category of industries in which foreign investment is permitted. Foreign invested property management enterprises can be set up as a Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly foreign owned enterprise according to the Catalogue and the relevant requirements of the laws and administrative regulations regarding foreign-invested enterprises. Foreign invested property management enterprises should obtain approval from the commercial authority and obtain an Approval Certification for a foreign-invested enterprise before registering with the Administration for Industry and Commerce.

B. The Qualification of a Property Management Enterprise

According to the Regulation on Property Management (物業管理條例) enacted by the State Council on June 8, 2003, implemented on September 1, 2003 and amended on August 26, 2007, a qualification system for enterprises engaging in property management activities is adopted. According to the Measures for the Administration on Qualifications of Property Management Enterprises (物業管理企業資質管理辦法) enacted by the MOC on March 17, 2004, implemented on May 1, 2004 and amended on November 26, 2007, a newly established property management enterprise shall, within 30 days from the date of receiving its Business License, apply for qualifications to the competent property departments of the people's governments of the municipalities directly under the central government and cities divided into districts in the locality of industry and commerce registration. The departments of qualification examination and approval shall check and issue property management qualification certificates to enterprises meeting conditions for the corresponding qualification class.

According to the Measures for the Administration on Qualifications of Property Management Enterprises, the qualifications of a property management enterprise shall be classified into first, second and third classes. The competent construction department of the State Council shall be responsible for the issuance and administration of the qualification certificate of the first class property management 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 second class property management enterprises, and the competent property administration departments of the people's governments of municipalities directly under the central government shall be responsible for issuance and administration of the qualification certificate of the second and third class property management 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 third class property management enterprises.

The property management enterprises with the first class qualification may undertake any realty management projects. The property management enterprises with the second class qualification may undertake the realty management business of residential projects of under 300,000 square meters and the non-residential projects of under 80,000 square meters. The property management enterprises with the third class qualification may undertake the realty management business of residential projects under 200,000 square meters and non-residential projects under 50,000 square meters. An annual inspection system on the qualifications of property management enterprises is adopted.

C. Appointment of a Property Management Enterprise

According to the Regulation on Property Management, the general meeting of owners in a property can appoint and dismiss the property management enterprise with affirmative votes of owners holding more than 2/3 of the voting rights. Before the formal appointment of a property management enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a property development enterprise) and a property management enterprise.

III. LEGAL SUPERVISION RELATING TO REAL ESTATE INTERMEDIARY SERVICES IN THE PRC

A. Foreign Investment in the Real Estate Intermediate Services Sector

Under the Foreign Investment Industry Guidance Catalogue amended jointly by MOFCOM and the NDRC in October 2007 and with effect from December 1, 2007, transactions in the real estate secondary market and the real estate intermediary or broker companies falls within the category of industries in which foreign investment is subject to restrictions.

The Regulations on Guiding the Orientation of Foreign Investment (指導外商投資方向規定) promulgated by the State Council on February 21, 2002 and effective from April 1, 2002, stipulate that projects with foreign investment that are classified as restricted projects shall be subject to the examination and approval of the corresponding competent departments of the people's governments of the provinces, autonomous regions, municipalities directly under the Central Government and municipalities. At the time of examination and approval, the project must also be reported to the competent departments and administrative authorities at the next highest level. The power to conduct examination and approval for this kind of project may not be granted to any lower level authority.

B. Qualifications for the Real Estate Intermediary Services Sector

The Provisions on the Administration of Urban Real Estate Intermediary Services (城市房地產中介服務管理規定) promulgated by the MOC on January 8, 1996 and amended on August 15, 2001 define real estate intermediary services as including consulting, price evaluation and brokerage services that relate to real estate. A person wishing to provide real estate intermediary services must attain appropriate qualifications.

The conduct of real estate intermediary services should only be carried our by an organization that meets the following criteria: a) it must have its own name and organizational structure; b) it must have a fixed place of business; c) it must have a stipulated amount of assets and funds; and d) (i) in the case that it provides real estate consultancy services, a minimum of fifty percent of its personnel must have intermediate level or above specialist qualifications relevant to the real estate sector, or elementary level specialist qualifications in the area of technology; (ii) in the case that it provides real estate evaluation services, it must have a stipulated amount of qualified evaluation personnel; and (iii) in the case that it provides real estate brokerage services, it must have a stipulated amount of qualified brokers.

Organizations that provide real estate intermediary services in more than one province, autonomous regions and municipalities directly under the Central Government should register with the relevant administrative departments in charge of construction of the people's government of the province and the autonomous regions, or the administrative departments in charge of real estate administration of the people's government of the municipalities directly under the Central Government where the operations are to be carried out. Application for the establishment of the enterprise must be made with the local branch of the SAIC. Within one month of receiving a Business License, the enterprise must register with the real estate administration department of the same local government at the county level or above.

MANAGEMENT

Our board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of our board:

Name	Age	Position
PAN Jun (潘軍)	39	Chairman, executive director and chief executive officer
ZENG Jie (曾寶寶)	39	Executive director
FENG Hui Ming (馮輝明)	39	Executive director
CHAN Sze Hon (陳思翰), ACCA, CPA	36	Executive director, chief financial officer and company secretary
HO Man (何敏)	39	Independent non-executive director
LIAO Martin Cheung Kong, JP (廖長江)	52	Independent non-executive director
HUANG Ming (黃明)	46	Independent non-executive director
XU Quan (許權)	67	Independent non-executive director

Directors

Executive Directors

Mr. PAN Jun (潘軍), aged 39, is the chairman of our board, an executive director, the chief executive officer, and a member of each of our Company's remuneration committee and nomination committee, respectively. He joined our Group in 1999 and is responsible for the overall operation of our Group's projects, the formulation of our development strategies, as well as supervising the project planning, business and operation management of our Group. He is also currently the president of Fantasia Group (China) Co., Ltd., the chairman of Xingyan Property Consultancy, the general manager of Shenzhen Xingyan Investment Development Co., Ltd. and the director of a number of the Group's subsidiaries. Mr. Pan has over 14 years of experience in the real estate development industry in China and prior to joining our Group, Mr. Pan was the project manager, the manager of the marketing department, the manager of the valuation department and the assistant to the general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問(深圳)有限公司). Mr. Pan obtained a Bachelor's degree in conservancy and hydropower engineering from Chengdu University of Science and Technology (成都科技大學) in 1992 and holds an EMBA degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會). Mr. Pan was appointed as a director on October 17, 2007.

Ms. ZENG Jie (曾寶寶), aged 39, is an executive director of our Company. She is also the Chairlady of our Company's nomination committee. She has been involved in the property industry since 1995. After her 14 years of experience in senior management, entrepreneurship and management, she was recognized as one of "the leading figures of artistic property" (藝術地產掌門人) in 2001. From 1994 to 1996, Ms. Zeng was the general manager of Shenzhen Kingkey Property Development Company Limited (深圳京基房地產開發有限公司) and was responsible for the overall operations of property projects and the management of the company. In 1996, Ms. Zeng established Fantasia Group (China) Co., Ltd., and gradually became involved in property development, property management and agency services businesses. Since 2006, Ms. Zeng has been the chairlady of Fantasia Group (China) Co., Ltd. and Shenzhen Xingyan Investment Development Co., Ltd. ("Shenzhen Fantasia Investment"). She is also the director of a number of the Group's subsidiaries. She is one of the controlling shareholders and the largest Shareholder of the Company. Ms. Zeng is currently studying for an EMBA degree with Cheung Kong Graduate School of Management (長江商學院). Ms. Zeng was appointed as a director on October 17, 2007.

Mr. FENG Hui Ming (馮輝明), aged 39, is an executive director of our Company. He is also the vice president of Fantasia Group (China) Co., Ltd. and the director of a number of the Group's subsidiaries. Mr. Feng joined our Group in 2005 as a deputy general manager of Shenzhen Fantasia Investment and is primarily responsible for the investment management of our Group. Prior to joining our Group, he was the manager of the investment department and later the chief financial officer of Jia Zhao Ye Properties (Shenzhen) Co., Ltd. (佳兆業地產(深圳)有限公司) from 2003 to 2004 and the general manager of Suzhou Fuyin Investment Development Co., Ltd. (蘇州市富銀投資發展有限公司) from 2004 to 2005. Mr. Feng received a Bachelor's degree in forestry economics and management from Northeast Forestry University (東北林業大學) in 1993 and a Master's degree in economics from Zhongnan University of Economics and Law (中南財經大學) in 1996. Mr. Feng was appointed as a director on November 4, 2008.

Mr. CHAN Sze Hon (陳思翰), ACCA, CPA, aged 36, is an executive director and the chief financial officer of our Group. Mr. Chan joined our Group in March 2008 and is responsible for supervising the financial reporting, corporate finance, treasury, tax and other finance related matters of our Group. Mr. Chan is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. Mr. Chan holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a Master Degree in Corporate Finance from the Hong Kong Polytechnic University. He has over 14 years of experience in accounting and financial management and had worked for an international accounting firm in Hong Kong for over 8 years. He is currently a non-executive director of Greater China Holdings Limited (中華實業控股有限公司) ("Greater China"), a company listed on the Main Board of the Stock Exchange. During the period from July 18, 2005 to October 12, 2008, Mr. Chan was an executive director of Greater China. Mr. Chan is also an independent non-executive director of China Mining Resources Group Limited (中國礦業資源集團有限公司), a company listed on the Main Board of the Stock Exchange, and an independent non-executive director of each of China AU Group Holdings Limited (中國金豐集團控股有限公司) and ERA Holdings Global Limited (年代國際控股有限公司) respectively, both of which are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Chan was appointed as a director on November 4, 2008.

Independent Non-executive Directors

Mr. HO Man (何敏), aged 40, is an independent non-executive director. He is also the chairman of our Company's audit committee and a member of each of our Company's remuneration committee and nomination committee, respectively. Mr. Ho holds an EMBA degree from Tsinghua University, a Master of Science degree in Finance from the London Business School and is a Chartered Financial Analyst and Certified Public Accountant. Mr. Ho has over 13 years of experience in private equity and financial industry. He joined Chepstow Capital Advisers Limited, a HK based mid-market private equity house, as Managing Director in January 2010 and is responsible for deal sourcing, evaluation and structuring, negotiation, post investment monitoring and realization, with particular emphasis on Hong Kong and the PRC. Prior to this, Mr. Ho joined CLSA Capital Partners (HK) Limited ("CLSA") in August 1997 and until October 2009 was the Managing Director, Head of China Growth and Expansion Capital of CLSA. Mr. Ho was a non-executive director and a member of the audit committee of SCUD Group Limited (飛毛腿集團有限公司), a company listed on the Main Board of the Stock Exchange, and a non-executive director and an audit committee member of Shanghai Tonva Petrochemical Co., Ltd. (上海棟華石油化工股份有限公司), a company listed on the Growth Enterprise Market of the Stock Exchange, until October 2009. Mr. Ho was appointed as an independent non-executive director on October 12, 2009.

Mr. LIAO Martin Cheung Kong, JP (廖長江), aged 52, is an independent non-executive director. He is also a member of each of our Company's audit committee, remuneration committee and nomination committee, respectively. Mr. Liao was appointed a Justice of the Peace in 2004. He is also a Deputy (representing Hong Kong) to the 11th National People's Congress of the People's Republic of China and a Member of the 11th Shanghai Municipal Committee of the Chinese People's Political Consultative Conference. In Hong Kong, Mr. Liao serves as Vice Chairman of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. Mr. Liao chairs the Appeal Board (Amusement Game Centres) and serves as a Council member of the University of Hong Kong and a member of the board of directors of the Hong Kong Sports Institute Limited. He also sits on a number of other statutory and advisory bodies set up by the Hong Kong SAR Government and is active in community service. Mr. Liao graduated with a Bachelor of Economic Science (Hons) degree and a Master of Laws degree from University College London. Mr. Liao was Called to the Bar in England and Wales in 1984 and was Called to the Bar in Hong Kong in 1985 and has been a practising barrister in Hong Kong since 1985. Mr. Liao is also an advocate and solicitor admitted to the Supreme Court of Singapore since 1992. Mr. Liao was appointed as an independent non-executive director on October 12, 2009.

Mr. HUANG Ming (黃明),aged 46, is an independent non-executive director. He is also the chairman of the Company's remuneration committee and a member of each of our Company's audit committee and nomination committee, respectively. He has been a Professor of Finance at the Johnson Graduate School of Management at Cornell University since July 2005 and the Head of School of Financeof Shanghai University of Finance & Economics from 2006 to April 2009. Mr. Huang was an Assistant Professor of Finance at Stanford University, Graduate School of Business from 1998 to 2002. Mr. Huang was also the Associate Dean and visiting Professor of Finance and the Professor of Finance at the Cheung Kong Graduate School of Business (長江商學院) from 2004 to 2005 and since 2008 respectively. Mr. Huang graduated from Peking University in 1985 majoring in Physics. Mr. Huang then obtained a Ph.D in Physics and a Ph.D in Business from Cornell University and Stanford University respectively. Mr. Huang is a non-executive director of the Annuity Fund Management Board of China National Petroleum Corporation (中國石油天然氣集團年金理事會) and Aegon-Industrial Fund Management Co., Ltd. (興業全球人壽基金管理有限公司) since 2007 and 2008 respectively. Mr. Huang is currently on the editorial board of the American Economics Review (美國經濟評論). Mr. Huang was appointed as an independent non-executive director on October 12, 2009.

Mr. XU Quan (許權), aged 67, is an independent non-executive director. He is also a member of each of our Company's audit committee, remuneration committee and nomination committee, respectively. Mr. Xu is a qualified real estate senior engineer and real estate valuer. Mr. Xu had later obtained a Postgraduate Programme Diploma in Shenzhen Real Property at Jinan University (暨南大學) in 1992. In 1993, Mr. Xu qualified as a real estate senior engineer (房地產高級工程師) and later in 1995, obtained his qualification as an individual member (個人會員) in the Guangdong Real Property Valuer Association (廣東省房地產估價師學會). Since 2003, Mr. Xu has been the Chairman of Shenzhen Real Estate Association (深圳市房地產業協會). Mr. Xu was appointed as an independent non-executive director on October 12, 2009.

Senior Management

Mr. WANG Liang (王亮) aged 40, is the chief financial officer of Fantasia Group (China) Co., Ltd. Mr. Wang joined our Group in 2006 and is primarily responsible for financial reporting, corporate financial administration, tax and other financial related affairs of the Group, except for Hong Kong subsidiaries. Prior to joining our Group, he was the director of the financial management department of Huafu HK Co. Limited (香港華孚集團) and the general manager of the financial management department of one of its subsidiaries from 2005 to 2006, the assistant to general manager of the financial management department of Shenzhen Feishang Industry Group Co., Ltd. (深圳市飛尚實業發展(集團)有限公司 in 2005 and the deputy manager of the finance department of Shenzhen Southern Zhongji Containers Manufacture Co. Ltd. (深圳南方中華集裝箱製造有限公司) from 1994 to 2001. Mr. Wang received a Bachelor's degree in business economics (商業經濟學) from Yangzhou Normal University (揚州師範學院) in 1992.

Mr. TANG Xue Bin (唐學斌), aged 41, is the general manager of Shenzhen Fantasia Management. Mr. Tang joined our Group in 2002 and is responsible for the operation of Shenzhen Fantasia Management. Prior to joining our Group, he was the deputy general manager of China Overseas Property Management Ltd. (中海物業管理有限公司) from 1997 to 2001. Mr. Tang obtained a Bachelor's degree in industrial electrical automation (工業電氣自動化) from Tongji University (同濟大學) in 1993. Mr. Tang is currently studying for an EMBA degree in China Europe International Business School (中歐國際工商學院).

Ms. LU Ying (路瑩), aged 54, is the general manager of Xingyan Property Consultancy. Ms. Lu joined our Group in 2002 and is responsible for the operation of Xingyan Property Consultancy. Prior to joining our Group, she was the operation director of Shenzhen Centaline Property Consultancy Limited (深圳中原物業顧問有限公司) from 1997 to 2002. Ms. Lu received a Bachelor's degree in computer science from Jilin University (吉林大學) in 1980. Ms. Lu is currently studying for an EMBA degree with China Europe International Business School (中歐國際工商學院).

Mr. LIU Zongbao (劉宗保), aged 41, is the general manager of Chengdu Tonghe Real Estate Co., Ltd. Mr. Liu joined our Group in 2005 and is responsible for the operation of Chengdu Tonghe Real Estate Co., Ltd. Prior to joining our Group, he was the deputy general manager of Shenzhen Zhonglian Real Estate Development Co., Ltd. (深圳市中聯房地產企業發展有限公司) from 2004 to 2005 and the manager of the marketing and sales department of Shenzhen Xinghe Real Estate Development Co., Ltd. (深圳市星河房地產開發公司) from 2001 to 2003. Mr. Liu received his Bachelor's degree in construction management engineering from Southeast University (東南大學) in 1991.

Mr. JIN Jianglin (金江林), aged 45, is the general manager of Dongguan Fantasia Real Estate Investment Co., Ltd. Mr. Jin joined our Group in 2001 and is currently responsible for the operation of Dongguan Fantasia Real Estate Investment Co., Ltd. From 2001 to 2006, he was the manager of theengineering division, manager of the business division and an assistant to the general manager of Shenzhen Xingyan Investment Development Co., Ltd. Prior to joining our Group, he was a chief supervisor of Shenzhen Huaxi Construction Supervision Co., Ltd. (深圳市華西建設監理有限公司) from 1993 to 2001. Mr. Jin received his Bachelor's degree in conservancy and hydropower engineering from Jiangxi Industrial University (江西工業大學) in 1987.

Ms. SONG Xiangmei (宋湘梅), aged 39, is the general manager of Fantasia Chengdu Ecological Tourism Development Co., Ltd. . She is also currently the operation director of Shenzhen Xingyan Investment Development Co., Ltd. and the deputy general manager of Fantasia (Chengdu) Development Co., Ltd. Ms. Song joined our Group in 2001 and is primarily responsible for the operation of Fantasia Chengdu Ecological Tourism Development Co., Ltd. Prior to joining our Group, she was the director of sales department and the manager of development department of Chengdu Sinde Enterprises Ltd. (成都信德實業有限公司) from 1996 to 2001 and a designer of Chengdu Seamless Steel Pipe Factory (currently known as Chengdu Pancheng Steel Metallurgical Engineering Technology Co., Ltd.) (成都無縫鋼管廠設備設計研究所) (currently known as 成都攀成鋼冶金工程技術有限公司)) from 1992 to 1996. Ms. Song obtained her Bachelor's degree in civil engineering from Chengdu University of Technology and Science (成都科技大學) in 1992. Ms. Song is currently studying for an EMBA degree with Tsinghua University.

Mr. FENG Zhe (馮哲) aged 39, joined our Group in 2008 as the vice president of Fantasia Group (China) Co., Ltd. and the deputy executive general manager of Shenzhen Xingyan Investment Development Co., Ltd. and was redesignated as the general manager of Tianjin Songjiang-Fantasia Real Estate Co., Ltd in March 2009. Prior to joining our Group, he was a partner of Adfaith Management Consulting Inc. (北京正略鈞策管理諮詢有限公司) from 2002 to 2007, a vice president of Beijing Landsky Engineering Co., Ltd. (北京良業照明工程有限公司) from 2001 to 2002, and an engineer of China Architecture Design & Research Group (中國建築設計研究院) from 1993 to 2001. Mr. Feng received a Bachelor's degree in industrial electrical automation from Tongji University (同濟大學) in 1993 and an MBA degree from the School of Business of Renmin University of China (中國人民大學商學院) in 2002.

Mr. CHEN Geng (陳耕), aged 39, is the operational manager of Shenzhen Xingyan Investment Development Co., Ltd. Mr. Chen joined our Group in 2001 and is currently responsible for the operation of Shenzhen Xingyan Investment Development Co., Ltd. From 2001 to 2008, he was the manager of business division, assistant to the general manager and deputy general manager of Chengdu Tonghe Real Estate Co., Ltd., and from 2008 to 2009 the manager of construction management division of Shenzhen Xingyan Investment Development Co., Ltd. Prior to joining our Group, he was an engineer of Sichuan Water Conservation and Hydropower Survey and Design Institute (四川省水利水電勘測設計研究院) from 1992 to 2001. Mr. Chen obtained his Bachelor's degree in conservancy and hydropower engineering from Chengdu University of Science and Technology (成都科技大學) in 1992.

Qualified Accountant and Company Secretary

Mr. CHAN Sze Hon (陳思翰), ACCA, CPA, aged 36, joined our Group as the chief financial officer in March 2008 and as the Qualified Accountant and the Company Secretary of our Group on a full time basis. For details regarding Mr. Chan's experience, see the paragraph entitled "Directors" above in this section.

Board Committees

Audit Committee

Our Company established an audit committee on October 12, 2009 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Company.

The audit committee comprises four members, namely, Mr. HO Man (何敏), Mr. LIAO Martin Cheung Kong, JP (廖長江), Mr. HUANG Ming (黃明) and Mr. XU Quan (許權). They are all independent non-executive directors. The audit committee is chaired by Mr. HO Man (何敏).

Remuneration Committee

Our Company established a remuneration committee on October 12, 2009 with written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to evaluate and make recommendations to our Board regarding the compensation of the chief executive officer and other executive directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of our senior management.

The remuneration committee comprises five members, namely, Mr. HUANG Ming (黃明), Mr. HO Man (何敏), Mr. LIAO Martin Cheung Kong, JP (廖長江), Mr. XU Quan (許權) and Mr. PAN Jun (潘軍). The remuneration committee is chaired by Mr. HUANG Ming (黃明).

Nomination Committee

Our Company established a nomination committee on October 12, 2009 with written terms of reference in compliance with the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board.

The nomination committee comprises six members, namely, Ms. ZENG Jie (曾寶寶), Mr. HO Man (何敏), Mr. LIAO Martin Cheung Kong, JP (廖長江), Mr. HUANG Ming (黃明), Mr. XU Quan (許權) and Mr. PAN Jun (潘軍). The nomination committee is chaired by Ms. ZENG Jie (曾寶寶).

Compensation of Directors and Senior Management

The Group's remuneration policies are formulated based on qualifications, years of experiences and the performance of individual employees and are reviewed regularly. The same policies will be adopted after Listing Date.

The aggregate amount of compensation (including any salaries, fees, discretionary bonuses and other allowances and benefits in kind) paid by us during the years ended December 31, 2007, 2008 and 2009, to those persons who have been or are our directors, was approximately RMB3,206,000, RMB4,675,000 and RMB5,380,000, respectively.

The five highest paid individuals of the Group for the year ended December 31, 2007 included two directors while for the year ended December 31, 2008 and 2009 included three directors. The aggregate amount of fees, salaries, discretionary bonuses and contributions to retirement benefit plans of the remaining three individuals for the year ended December 31, 2007, the remaining two individuals for the years ended December 31, 2008 and 2009 was approximately, RMB2,298,000, RMB2,236,000 and RMB2,538,000, respectively.

Except as disclosed above, no other payments have been paid or are payable, in respect of the three years ended December 31, 2007, 2008 and 2009 by us or any of our subsidiaries to our directors or the five highest paid individuals of our group.

PRINCIPAL SHAREHOLDERS

As of 31 December 2009, so far as the Directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, Cap 571 of the Laws of Hong Kong, or who is directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Nature of Interest	Number of shares	Approximate percentage of interest in our Company as at December 31, 2009
Fantasy Pearl	Beneficial interest[1]	3,174,795,000	65.14%
	Short Position	470,205,000	9.65%
Ice Apex	Interest of controlled corporation[2]	3,174,795,000	65.14%
	Short Position	470,205,000	9.65%
Ms. Zeng Jie	Interest of controlled corporation	3,174,795,000	65.14%
	Short Position	470,205,000	9.65%
Fantasia (Cayman) Ltd ("Fantasia (Cayman)")	Beneficial interest[3]	170,403,750	3.50%
	Security Interest[3]	470,205,000	9.68%
Goldman Sachs RE Investments Holdings Limited	Interest of controlled corporation[4]	640,608,750	13.18%
The Goldman Sachs Group, Inc ("Goldman Sachs")	Interest of controlled corporation	639,311,438	13.12%
Fantasia Holding (Cayman) Ltd	Interest of controlled corporation[5]	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A.	Interest of controlled corporation[6]	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Coopertief U.A	Interest of controlled corporation[7]	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Company	Interest of controlled corporation[8]	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Company Voteco, LLC	Interest of controlled corporation[9]	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Partners (US), L.P.	Interest of controlled corporation[10]	640,608,750	13.18%
Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC	Interest of controlled corporation[11]	640,608,750	13.18%
Goldman, Sachs & Co	Interest of controlled corporation[12]	640,608,750	13.18%
Wellluck Properties Ltd ("Wellluck")	Beneficial Interest[13]	56,801,250	1.16%
	Security Interest[13]	470,205,000	9.68%
Rich Fame Investments Ltd	Interest of controlled corporation[14]	527,006,250	10.84%
HSBC NF China Real Estate Fund L.P.	Interest of controlled corporation[15]	527,006,250	10.84%
HSBC NF China Investors Limited	Interest of controlled corporation[16]	527,006,250	10.84%

Name of shareholder	Nature of Interest	Number of shares	Approximate percentage of interest in our Company as at December 31, 2009
HSBC NF China Holdings Limited . . .	Interest of controlled corporation[17]	527,006,250	10.84%
HSIL Investments Limited	Interest of controlled corporation[18]	527,006,250	10.84%
HSBC Property Funds (Holdings) Limited	Interest of controlled corporation[19]	527,006,250	10.84%
HSBC Specialist Investments Limited .	Interest of controlled corporation[20]	527,006,250	10.84%
HSBC Global Asset Management Limited	Interest of controlled corporation[21]	527,006,250	10.84%
HSBC Investment Bank Holdings plc .	Interest of controlled corporation[22]	527,006,250	10.84%
HSBC Holdings plc	Interest of controlled corporation	527,006,250	10.84%
Nan Fung Consolidated Investments Ltd	Interest of controlled corporation[23]	527,006,250	10.84%
Nan Fung China Development Holdings Limited	Interest of controlled corporation[24]	527,006,250	10.84%
Nan Fung Enterprises Limited	Interest of controlled corporation[25]	527,006,250	10.84%
Crosby Investment Holdings Inc	Interest of controlled corporation[26]	527,006,250	10.84%
CHEN Wai Wai Vivien	Interest of controlled corporation	527,006,250	10.84%
Golden Success Profits Limited	Interest of controlled corporation[27]	527,006,250	10.84%
Sheng Fung Company Limited	Interest of controlled corporation[28]	527,006,250	10.84%
CHEN Din Hwa.	Interest of controlled corporation	527,006,250	10.84%
CHEN Yang Foo Oi	Family interest[29]	527,006,250	10.84%

Notes:

(1) Fantasy Pearl is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is deemed to be interested in the shares held by and short position of Fantasy Pearl for the purpose of Part XV of the SFO. Graceful Star is entitled to a pre-emptive right over shares in the capital of Fantasy Pearl pursuant to an agreement made between, among others, Ms. Zeng Jie, Mr. Pan Jun, Ice Apex and Graceful Star.

(2) Ice Apex is wholly owned by Ms. Zeng Jie. Ms. Zeng Jie is deemed to be interested in the shares held by Ice Apex for the purpose of Part XV of the SFO.

(3) Fantasia (Cayman) is owned as to 46.67% by Fantasia Holding (Cayman) Ltd and as to 53.33% by Goldman Sachs RE Investments Holdings Limited. Fantasia Holding (Cayman) Ltd and Goldman Sachs RE Investments Holdings Limited are each deemed to be interested in the shares in which Fantasia (Cayman) is interested for the purpose of Part XV of the SFO.

(4) Goldman Sachs RE Investments Holdings Limited is a wholly owned subsidiary of Goldman Sachs. Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs RE Investments Holdings Limited is interested for the purpose of Part XV of the SFO.

(5) Fantasia Holding (Cayman) Ltd is owned as to 36.0508% by Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A. and as to 57.8879% by Goldman Sachs Developing Markets Real Estate Coopertief U.A. Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A. and Goldman Sachs Developing Markets Real Estate Coopertief U.A. are each deemed to be interested in the shares in which Fantasia Holding (Cayman) Ltd is interested for the purpose of Part XV of the SFO.

(6) Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A. is owned as to more than one-third by Goldman Sachs Developing Markets Real Estate Partners (US), L.P. and as more than one-third by Goldman Sachs. Each of Goldman Sachs Developing Markets Real Estate Partners (US), L.P. and Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Partners (US) Coopertief U.A. is interested for the purpose of Part XV of the SFO.

(7) Goldman Sachs Developing Markets Real Estate Coopertief U.A. is owned as to more than one-third by Goldman Sachs Developing Markets Real Estate Company and as to more than one-third by Goldman Sachs. Each of Goldman Sachs Developing Markets Real Estate Company and Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Coopertief U.A. is interested for the purpose of Part XV of the SFO.

(8) All of the voting shares of Goldman Sachs Developing Markets Real Estate Company are owned by Goldman Sachs Developing Markets Real Estate Company Voteco, LLC. Goldman, Sachs & Co, a wholly-owned subsidiary of Goldman Sachs held by Goldman Sachs directly and indirectly through intermediate subsidiaries, is the investment manager to Goldman Sachs Developing Markets Real Estate Company. Each of Goldman Sachs Developing Markets Real Estate Company Voteco, LLC and Goldman, Sachs & Co is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Company is interested for the purpose of Part XV of the SFO.

(9) Goldman Sachs Developing Markets Real Estate Company Voteco, LLC is wholly owned by Goldman Sachs. Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Company Voteco, LLC is interested for the purpose of Part XV of the SFO.

(10) The general partner of Goldman Sachs Developing Markets Real Estate Partners (US), L.P. is Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC. Goldman, Sachs & Co., a wholly-owned subsidiary of Goldman Sachs, held by Goldman Sachs directly and indirectly through intermediate subsidiaries, is the investment manager to Goldman Sachs Developing Markets Real Estate Partners (US), L.P. Each of Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC. and Goldman, Sachs & Co. is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Partners (US), L.P. is interested for the purpose of Part XV of the SFO.

(11) Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC is wholly owned by Goldman Sachs. Goldman Sachs is deemed to be interested in the shares in which Goldman Sachs Developing Markets Real Estate Partners (US) GP, LLC is interested for the purpose of Part XV of the SFO.

(12) Goldman, Sachs & Co., is a wholly-owned subsidiary of Goldman Sachs, held by Goldman Sachs directly and indirectly through intermediate subsidiaries. Goldman Sachs is deemed to be interested in the shares in which Goldman, Sachs & Co., is interested for the purpose of Part XV of the SFO.

(13) Wellluck is wholly owned by Rich Fame Investment Ltd. Rich Fame Investment Ltd is deemed to be interested in the shares in which Wellluck is interested for the purpose of Part XV of the SFO.

(14) Rich Fame Investment Ltd is owned as to 80% by HSBC NF China Real Estate Fund LP. HSBC NF China Real Estate Fund LP is deemed to be interested in the shares in which Rich Fame Investment Ltd is interested for the purpose of Part XV of the SFO.

(15) The general partner of HSBC NF China Real Estate Fund LP is HSBC NF China Investors Ltd. HSBC NF China Investors Ltd is deemed to be interested in the shares in which HSBC NF China Real Estate Fund LP is interested for the purpose of Part XV of the SFO.

(16) HSBC NF China Investors Ltd is wholly owned by HSBC NF China Holdings Ltd. HSBC NF China Holdings Ltd is deemed to be interested in the shares in which HSBC NF China Investors Ltd is interested for the purpose of Part XV of the SFO.

(17) HSBC NF China Holdings Ltd is owned as to 50% by HSIL Investments Ltd and as to 50% by Nan Fung Consolidated Investments Ltd. Each of HSIL Investments Ltd and Nan Fung Consolidated Investments Ltd is deemed to be interested in the shares in which HSBC NF China Holdings Ltd is interested for the purpose of Part XV of the SFO.

(18) HSIL Investments Ltd is wholly owned by HSBC Property Funds (Holding) Ltd. HSBC Property Funds (Holdings) Ltd is deemed to be interested in the shares in which HSIL Investments Ltd is interested for the purpose of Part XV of the SFO.

(19) HSBC Property Funds (Holdings) Ltd is wholly owned by HSBC Specialist Investments Ltd. HSBC Specialist Investments Ltd is deemed to be interested in the shares in which HSBC Property Funds (Holdings) Ltd is interested for the purpose of Part XV of the SFO.

(20) HSBC Specialist Investments Ltd is wholly owned by HSBC Global Asset Management Ltd. HSBC Global Asset Management Ltd is deemed to be interested in the shares in which HSBC Specialist Investments Ltd is interested for the purpose of Part XV of the SFO.

(21) HSBC Global Asset Management Ltd is wholly owned by HSBC Investment Bank Holdings plc. HSBC Investment Bank Holdings plc is deemed to be interested in the shares in which HSBC Global Asset Management Ltd is interested for the purpose of Part XV of the SFO.

(22) HSBC Investment Bank Holdings plc is wholly owned by HSBC Holdings plc. HSBC Holdings plc is deemed to be interested in the shares in which HSBC Investment Bank Holdings plc is interested for the purpose of Part XV of the SFO.

(23) Nan Fung Consolidated Investments Ltd is owned by 50% by Nan Fung China Development Holdings Ltd and as to 50% by Golden Success Profits Ltd. Each of Nan Fung China Development Holdings Ltd and Golden Success Profits Ltd is deemed to be interested in the shares in which Nan Fung Consolidated Investments Ltd is interested for the purpose of Part XV of the SFO.

(24) Nan Fung China Development Holdings Ltd is wholly owned by Nan Fung Enterprises Ltd. Nan Fung Enterprises Ltd is deemed to be interested in the shares in which Nan Fung China Development Holdings Ltd is interested for the purpose of Part XV of the SFO.

(25) Nan Fung Enterprises Ltd is wholly owned by Crosby Investment Holdings Inc. Crosby Investment Holdings Inc is deemed to be interested in the shares in which Nan Fung Enterprises Ltd is interested for the purpose of Part XV of the SFO.

(26) Crosby Investment Holdings Inc is wholly owned by CHEN Wai Wai Vivien. CHEN Wai Wai Vivien is deemed to be interested in the shares in which Crosby Investment Holdings Inc is interested for the purpose of Part XV of the SFO.

(27) Golden Success Profits Ltd is wholly owned by Sheng Fung Co. Ltd. Sheng Fung Co. Ltd is deemed to be interested in the shares in which Golden Success Profits Ltd is interested for the purpose of Part XV of the SFO.

(28) Sheng Fung Co. Ltd is wholly owned by CHEN Din Hwa. CHEN Din Hwa is deemed to be interested in the shares in which Sheng Fung Co. Ltd is interested for the purpose of Part XV of the SFO.

(29) CHEN Yang Foo Oi is the spouse of CHEN Din Hwa and is deemed to be interested in the shares in which CHEN Din Hwa is interested for the purpose of Part XV of the SFO.

Except as disclosed above, as of December 31, 2009, no other shareholder, other than directors or chief executives, of the Company had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

In addition to the above, the following table sets forth certain information regarding persons (other than members of the Group) who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our subsidiaries:

Name of Company's subsidiary	Substantial shareholder of such subsidiary	Nature of Interest	Amount of paid up registered capital	Percentage of registered capital
Xingyan Property Consultancy . . .	Lu Ying (路瑩)	Beneficial	RMB3,000,000	15%
Huizhou Xingyan Property Consultancy Co., Ltd.	Lu Ying (路瑩)	Corporate	RMB500,000	15%
Dongguan Xingyan Property Property Co., Ltd.	Lu Ying (路瑩)	Corporate	RMB500,000	15%
Shenzhen Xinyanhang Property Co., Ltd.	Lu Ying (路瑩)	Beneficial	RMB4,000,000	15%
Shenzhen Fantasia Colour	Tang Xue Bin (唐學斌)	Beneficial	RMB10,000,000	13%
Shenzhen Fantasia Management . .	Tang Xue Bin (唐學斌)	Corporate	RMB5,000,000	13%
Shenzhen Colour Life Network . . .	Tang Xue Bin (唐學斌)	Corporate	RMB10,000,000	13%
Shenzhen Kaiyuan	Tang Xue Bin (唐學斌)	Corporate	RMB5,000,000	13%
Shenzhen Liantang Management . .	Tang Xue Bin (唐學斌)	Corporate	RMB3,000,000	13%
Shenzhen Caiyue Hotel Management	Tang Xue Bin (唐學斌)	Corporate	RMB100,000	13%
Shenzhen Caiyue Hotel	Tang Xue Bin (唐學斌)	Corporate	RMB100,000	13%
Yixing Jiangnan Shuixiang Tourism Resort Co., Ltd.	Jing Liu (敬柳)	Beneficial	RMB28,000,000	40%
Shenzhen Xingyan Investment Development Co., Ltd.	Qiu Qiong Ming (邱瓊明)	Beneficial	RMB100,000,000	48%

Name of Company's subsidiary	Substantial shareholder of such subsidiary	Nature of Interest	Amount of paid up registered capital	Percentage of registered capital
Fantasia (Chengdu) Development Co., Ltd.	Qiu Qiong Ming (邱瓊明)	Corporate	RMB50,000,000	31.2%
Fantasia (Chengdu) Development Co., Ltd.	Sichuan Zhong Xu	Beneficial	RMB50,000,000	10%
Tianjin Songjiang-Fantasia Real Estate Co., Ltd.	Tianjin Songjiang Group	Beneficial	RMB50,000,000	40%
Chengdu Fantasia Property Service	Tang Xue Bin (唐學斌)	Corporate	RMB650,000	13%
Shenzhen Huigang Property Management	Tang Xue Bin (唐學斌)	Corporate	RMB292,500	9.75%
Shenzhen Huigang Property Management	Ai Yong (艾永)	Beneficial	RMB750,000	25%
Yixing Yunhaijian Hotel	Jiang Xu (蔣旭)	Beneficial	RMB400,000	40%
Huaqianli Investment (Beijing) . . .	Huizhou City Guosheng Tushifang Engineering Co., Ltd. (深圳市梅江南投資發展有限公司)	Beneficial	RMB4,000,000	24%
Dongguan Zuoting Youyuan Industry Investment Co., Ltd. . .	Shenzhen City Meijiangnan Investment Development Co., Ltd. (深圳市梅江南投資發展有限公司)	Beneficial	RMB11,250,000	62.5%

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on The Stock Exchange of Hong Kong Limited, we are subject to the requirements of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which require certain "connected transactions" with "connected persons" be approved by a company's independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

The table below sets forth certain material transactions between us and our related parties during the three years ended December 31, 2009.

Transaction	Related relationship	Goods/services provided	Duration of agreement
Loan provided by Fantasia Group (China) Co., Ltd. to Dongguan Zuoting Youyuan Industry Investment Co., Ltd. (the "DZY Loan")	Financial assistance to an associate of Tianjin Songjiang Group, a connected person)	Loan to an associate of a connected person	Agreement dated October 31, 2006 and until after designated sales target has been achieved
Tenancy agreement between Shenzhen Xingyan Investment Development Co., Ltd. and Xi Fu Hui in relation to a community club (Unit 101) at Self Life (趣園), Shenzhen	Ms. Zeng, a director and one of our Controlling Shareholders as one of the ultimate owners of the connected party	Lease of a community club (Unit 101) at Self Life (趣園), Shenzhen	From August 31, 2008 until December 31, 2012
Management services agreement in relation to San Jiao Zhou Island made between San Jiao Zhou and Shenzhen Colour Life Network	Ms. Zeng, a director and one of our Controlling Shareholders as one of the ultimate owners of the connected party	Advertising, consultancy and management services in respect of the operation of San Jiao Zhou	From January 1, 2008 until December 31, 2010
Design agreement in relation to Shenzhen Love Forever (深圳花都) between Shenzhen Xingyan Investment Development Co., Ltd. and Cube Architecture	Ms. Zeng, a director and one of our Controlling Shareholders as the ultimate owner of 31% of the related party	Architectural design services in respect of Shenzhen Love Forever (深圳花都)	Agreement dated May 15 2009 and until the end of project
Guarantees for mortgage loans granted to employees	Financial assistance to certain directors and directors of our subsidiaries	Guarantees for mortgages	N.A.

Below is a brief description of our major ongoing related party transactions.

DZY Loan

On October 31, 2006, Shenzhen Tiankuo Investment Co., Ltd. ("Shenzhen Tiankuo") and Shenzhen Meijiangnan Investment Development Co., Ltd. ("Shenzhen Meijiangnan"), as lenders, entered into an agreement (the "DZY Loan Agreement") with Dongguan Zuoting Youyuan Industry Investment Co., Ltd. ("DZY"), as borrower, under which Shenzhen Tiankuo provided DZY with a loan of RMB55,000,000 (the "DZY Fantasia Loan") and Shenzhen Meijiangnan provided DZY with a loan of RMB93,750,000. The proceeds of such loans were to be used to fund the construction and development of the Zuoting Youyuan (左庭右院) project. On December 31, 2006, Shenzhen Tiankuo assigned the DZY Fantasia Loan to Shenzhen Huaqianli Real Estate Development Co., Ltd. ("Shenzhen Huaqianli"), which in turn assigned such loan to Fantasia Group (China) Co., Ltd., a wholly-owned subsidiary of the Group, on June 18, 2008.

DZY is a project company established to develop the Zuoting Youyuan project. DZY is 37.5%-owned by one of the Group's wholly owned subsidiaries and 62.5%-owned by Shenzhen Meijiangnan. Shenzhen Meijiangnan is an independent third-party. Shenzhen Tiankuo is an entity 80%-owned by Ms. Zeng Jie, our controlling shareholder and one of our executive directors, and 20%-owned by Mr. Pan Jun, our Chairman, CEO and one of our executive directors.

Pursuant to the DZY Loan Agreement, the principal amount of both loans are re-payable within 7 days from the day where 90% of the GFA of the Zuoting Youyuan (左庭右院) project has been sold, which is expected to be around the end of 2012. Based on a confirmation by Shenzhen Huaqianli, the amount of interest on the DZY Fantasia Loan was subsequently fixed at RMB14,338,800 for the term of the loan and this amount is payable within 15 days after the day of completion of the above project, which is expected to be around 2011. Our directors are of the view that the DZY Loan Agreement is on fair and commercially reasonable terms.

Xi Fu Hui Tenancy Agreement

On August 31, 2008, Shenzhen Xingyan Investment Development Co., Ltd., as landlord, entered into a tenancy agreement (the "Xi Fu Hui Tenancy Agreement") with Shenzhen Xi Fu Hui Private Club Management Co., Ltd. ("Xi Fu Hui") for the rental of unit 101 of the Self Life (趣園) building, located in Shenzhen, PRC, with a total gross floor area of approximately 1,252.3 square meters to be used as a community club.

Shenzhen Xingyan Investment Development Co., Ltd. is a 52%-owned subsidiary of the Group while Xi Fu Hui is indirectly owned by Ms. Zeng Jie, our controlling shareholder and one of our executive directors, and Mr. Pan Jun, our Chairman, CEO and one of our executive directors.

Under the Xi Fu Hui Tenancy Agreement Xi Fu Hui is required to pay Shenzhen Xingyan Investment Development Co., Ltd. a monthly rent of RMB25,046 (US$44,031), exclusive of management and utility fees. For each of the years ended December 31, 2008 and 2009 Xi Fu Hui paid Shenzhen Xingyan Investment Development Co., Ltd. a total aggregate rent in the amount of RMB300,552, which represented 0.026% and 0.012%, respectively, of the Group's total revenues for such years. The Xi Fu Hui Tenancy Agreement will terminate on December 31, 2012.

The Xi Fu Hui Tenancy Agreement was entered into on an arm's length basis and our directors are of the view that such agreement was entered into on fair and commercially reasonable terms with reference to the market value and location of the rental premises at the time of the signing.

San Jiao Zhou Agreement

On January 1, 2008, Shenzhen Colour Life Network Services Company Limited ("Shenzhen Colour Life Network"), a 70%-owned subsidiary of the Group, and Huidong Dayawan San Jiao Zhou Recreation Company limited ("San Jiao Zhou"), an entity indirectly owned by Ms. Zeng Jie and Mr. Pan Jun entered into a management services agreement in relation to San Jiao Zhou Island (三角洲海島) the "San Jiao Zhou Agreement") pursuant to which Shenzhen Colour Life Network has agreed to provide certain advertising, consultancy and management services to San Jiao Zhou in connection with the operation of San Jiao Zhou Island (三角洲海島).

Under the San Jiao Zhou Agreement San Jiao Zhou has agreed to pay Shenzhen Colour Life Network an annual fee equal to either (i) HK$300,000 or (ii) 10% of San Jiao Zhou's net cash flow if greater or equal to a specified annual net cash flow target for such year, subject to certain specified limits. For each of the years December 31, 2008, 2009 and 2010, the annual net cash flow target under the San Jiao Zhou agreement is equal to RMB1 million, RMB1.2 million and RMB1.4 million, respectively, while the maximum fee payable to Shenzhen Colour Life Network for each such year is HK$780,000, HK$880,000 and HK$980,000, respectively. The San Jiao Zhou Agreement will terminate on December 31, 2010.

For each of the years ended December 31, 2008 and 2009, San Jiao Zhou paid Shenzhen Colour Life Network fees under the San Jiao Zhou Agreement equal to approximately RMB400 thousand and RMB500 thousand, respectively, which represented 0.034% and 0.043%, respectively, of the Group's total revenue for each such year.

Cube Architecture Design Agreement

On May 15, 2009, Shenzhen Cube Architecture Design and Consultancy Co., Ltd. ("Cube Architecture") entered into design services agreement dated May 15, 2009 (the "Cube Architecture Design Agreement") with Shenzhen Xingyan Investment Development Co., Ltd., pursuant to which Cube Architecture has agreed to provide architectural design services to Shenzhen Xingyan Investment Development Co., Ltd. in connection with the development of Shenzhen Love Forever (深圳莊郡), a residential community project. The Cube Architecture Design Agreement will terminate once the design has been approved by the engineers of Shenzhen Xingyan Investment Development Co., Ltd.

Shenzhen Xingyan Investment Development Co., Ltd. is a 52%-owned subsidiary of the Group. Cube Architecture is 31% owned by Shenzhen Tiankuo which is, in turn, 80% owned by Ms. Zeng Jie and 20% owned by Mr. Pan Jun.

For each of the years ended December 31, 2008 and 2009, Shenzhen Xingyan Investment Development Co., Ltd. paid Cube Architecture fees under the Cube Architecture Design Agreement equal to approximately RMB2,451 thousand and nil, respectively, which represented 0.21% and nil, respectively, of the Group's total revenue for each such year.

The Cube Architecture Design Agreement was entered into on an arm's length basis and our directors are of the view that such agreement was entered into on fair and commercially reasonable terms with reference to the market value of such services.

Guarantees for mortgage loans granted to employees

As of December 31, 2009, we had sold properties to employees of the Group, including our directors and certain directors of our subsidiaries. Such sales were on normal commercial terms save that a discount of not more than 4% was applied in line with policies applicable to all employees of the Group. In line with industry practice, our Company provides guarantees in favour of the banks that grant mortgage financing to the purchasers of our properties. In some cases where our related parties have purchased properties from us and we have guaranteed their mortgages.

Previous transactions with related parties

On September 5, 2007, the Group disposed of its 31% equity interest in Cube Architecture to Ms. Zeng Jie, a director of the Company, for a consideration of approximately RMB667,000, which was determined with reference to our initial investment cost.

On September 5, 2007, the Group disposed of its entire 30% equity interest in Shanghai Tiankuo to Shenzhen Tiankuo for a consideration of approximately RMB9,000,000, which was determined with reference to the registered capital.

On September 17, 2007, the Group disposed of its 20% equity interest in Shenzhen Qiaozhi to Shenzhen Jingrui Investment Development Company Limited (深圳京鋭投資發展有限公司) for a consideration of approximately RMB1,900,000, which was determined with reference to the initial investment cost.

On November 14, 2007, the Group disposed of its entire 25% equity interest in Xi Fu Hui to Sunyeer Properties Holdings Company Limited for a consideration of approximately RMB2,500,000, which was determined with reference to the registered capital.

On November 22, 2007, the Group acquired additional 40% equity interest in Shenzhen Kangnian from Shenzhen Tiankuo for a consideration of approximately RMB65,000,000.

In March 2008, we disposed of a residential property in Hong Kong to Ms. Zeng Jie at a consideration of HK$9.6 million (RMB8.4 million), being the cost of acquisition. This Hong Kong property that is for the sole use of our directors was transferred to Ms. Zeng Jie because it is not our principal business to invest in private residential property in Hong Kong. Other subsidiaries transferred to related parties during the three year period ended December 31, 2009, were not considered as core to our principal businesses. The majority of such companies had marginal losses for the financial year prior to their disposal.

During each of the years ended December 31, 2007, 2008 and 2009, we had sold properties to certain of our key management personnel at a total aggregate consideration of approximately RMB1,038 thousand, RMB4,496 thousand and RMB6,738 thousand, respectively.

On or about October 12, 2009, Shenzhen Xingyan Investment Development Co., Ltd. entered into an advertising agreement with our associate, Beijing Tonglu Tiandi, in relation to television advertisements on the Chinese Channel (中文台) and InfoNews Channel (資訊台) of Phoenix TV, operated by the subsidiaries of Phoenix Satellite Television Holdings Limited. Beijing Tonglu Tiandi is 51% indirectly owned by Shenzhen Tiankuo, and the remaining 49% equity interest is owned by Lv Lin (呂磷), Ms. Zeng Jie's mother. The service provided by Beijing Tonglu Tiandi is on a one-off basis and have ended. The directors are of the view such services were on fair and commercially reasonable terms.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing agreements with various financial institutions and enterprises. As of December 31, 2009, our total borrowings amounted to RMB3,440.1 million. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with local branches of various PRC banks and financial institutions, including Industrial and Commercial Bank of China, China Construction Bank, The Agricultural Bank of China, Huaxia Bank, SPD Bank, China Everbright Bank, Bank of Chengdu, Bohai International Trust Co., Ltd., China Railway Trust Co., Ltd. and China Resources SZITIC Trust Co., Ltd. These loans include project loans to finance the construction of our projects and loans to finance our working capital requirements. They have terms ranging from 3 months to 96 months, which generally correspond to the construction periods of the particular projects. As of December 31, 2009, the aggregate outstanding amount under these loans totaled approximately RMB3,440.1 million (US$504.0 million), RMB1,266.3 million (US$185.5 million) of which was due within one year and RMB2,014.0 million (US$295.1 million) of which was due between one and three years. Our PRC loans are typically secured by land use rights and properties as well as guaranteed by certain of our other PRC subsidiaries.

Interest

The principal amounts outstanding under the PRC loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual or quarterly review by the lending banks. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2009, the weighted average interest rate on the aggregate outstanding amount of our PRC loans was 4.96% per annum.

Covenants

Under these PRC loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;
- granting guarantees to any third parties that may adversely affect their ability to repay their loans;
- making any major changes to their corporate structures, such as entering into joint ventures, mergers, acquisitions and reorganizations;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of their liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing of assets; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

Events of Default

The PRC loan agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, and material breach of the terms of the loan agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks and financial institutions in connection with some of the PRC loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, as of December 31, 2009, RMB3,044.1 million of the PRC loans were secured by land use rights and properties held by the subsidiary borrowers and/or our other PRC subsidiaries.

Hong Kong Loan Agreement

On October 28, 2009, our wholly owned subsidiary, Hong Kong Kangnian Trading Company Limited, entered into a term loan facility with the China Construction Bank (Asia) Corporation Limited. The term of the facility is one year from the first drawdown date, the total amount of the facility is not to exceed US$100 million, and the interest is calculated on a daily basis and is equal to 1% per annum above the London Interbank Offered Rate for lending US dollars. The full amount available under the facility was drawndown on October 30, 2010 and as of December 31, 2009, such amount remained outstanding. The term loan facility is secured by a standby letter of credit issued by China Construction Bank Corporation, Shenzhen Branch for US$104.2 million with a term of 13 months. The standby letter of credit is guaranteed by Fantasia Group (China) Co., Ltd. with a pledge of RMB102 million provided by Shenzhen Kangnian Technology Co., Ltd., as well as a mortgage over property rights.

In April 2010, our wholly owned subsidiary, Fantasia Investment Holding Company Limited, entered into a loan agreement with The Hongkong and Shanghai Banking Corporation Limited for a loan of HK$165 million (US$21.3 million) and a revolving credit facility of up to HK$85 million (US$11.0 million) for working capital purposes. Both facilities carry an interest rate of Hong Kong inter-bank offered rate plus 2% per annum and are subject to reviews by the bank at any time and in any event a review by April 1, 2011 and subject to the bank's overriding right of repayment on demand. These facilities are secured by a limited guarantee of up to HK$250 million by Fantasia Holdings Group Co., Limited and a cash deposit in RMB or other currency in an amount equivalent to Fantasia Investment Holdings Company Limited's outstanding loan balance in its bank accounts at HSBC Bank (China) Company Limited. In addition, Fantasia Group Holdings Co., Ltd. is required to maintain a consolidated net external gearing (i.e., ratio of total interest bearing debt to consolidated tangible net worth plus non-redeemable preference shares and minority interest) of not more than 0.9 and a consolidated tangible net worth of not less than RMB3,000 million at all times and to advise the bank of any major changes in shareholdings from HSBC NF China Investors Ltd. or its subsidiaries.

Third Party Shareholder Entrusted loans

On April 10, 2009, Tianjin Songjiang-Fantasia Real Estate Co., Ltd. and its shareholder Tianjin Songjiang Group Co., Ltd. (an independent third party to Fantasia Group) entered into an entrusted loan agreement according to which Tianjin Songjiang Group Co., Ltd. entrusted RMB99,340,000 to the Bank of Beijing Co., Ltd., Tianjin Development Zone Branch to be loaned to Tianjin Songjiang-Fantasia Real Estate Co., Ltd. The term of the entrusted loan is from April 10, 2009 until April 9, 2011. Interest is calculated at a rate equal to 130% of the benchmark rate. The entrusted loan proceeds are to be used on the Tianjin Hailrun Plaza (天津喜年廣場) project. No guarantee has been provided in respect of the entrusted loan.

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 December 31, 2009, the aggregate outstanding amount guaranteed was RMB1,626.3 million.