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恒盛地產
GLORIOUS PROPERTY

Glorious Property Holdings Limited
恒盛地產控股有限公司

(於開曼群島註冊成立的有限公司)

(股份代號：845)

建議的優先票據發行

本公司擬進行建議的票據發行，並將於二零一零年四月十五日起向亞洲、歐洲及美國的機構投資者展開連串路演簡介會。有關這次建議的票據發行，本公司將向若干機構投資者提供有關本集團的最新企業及財務信息，包括已更新風險因素、本公司業務的及本集團承辦項目的概況、管理層就財務狀況及經營業績的討論與分析、近期發展、關聯方交易及債務資料。除本公司已在二零一零年四月十二日公布的本公司截至二零零九年十二月三十一日的財務業績外，該等信息自本公司二零零九年十月二日首次公開發售以來尚未公開過。該等最新信息摘要隨附於本公告並在向機構投資者發放的相若時間，可於本公司網址*www.gloriousphl.com.cn*瀏覽。

建議的票據發行的完成須受市況及投資者反應規限。建議的票據的定價，包括總本金金額、發售價及息率將由聯席牽頭經辦人及聯席賬簿管理人德意志銀行、J.P. Morgan及渣打銀行透過使用入標定價的方式釐定。在落實最終票據條款後，德意志銀行、J.P. Morgan、渣打銀行及本公司等將訂立購買協議。倘票據予以發行，本公司現擬使用票據收益對新增及現有項目提供資金(包括建造費用及土地成本)及供作一般公司用途。本公司或會因應變動中的市況及情況調整其收購及發展計劃，並因此可能重新分配建議的票據發行的收益。

本公司已申請票據於新加坡交易所上市。票據是否獲納入新加坡交易所並不視為本公司或票據價值之指標。本公司將不會尋求票據於香港上市。

由於於本公告日期尚未就建議的票據發行訂立具約束力的協議，故建議的票據發行不一定會落實。投資者及本公司股東於買賣本公司證券時，務須審慎行事。倘購買協議獲予訂立，本公司將就建議的票據發行作進一步公告。

建議的票據發行

緒言

本公司擬進行建議的票據發行，並將於二零一零年四月十五日起向亞洲、歐洲及美國的機構投資者展開連串路演簡介會。有關這次建議的票據發行，本公司將向若干機構投資者提供有關本集團的最新企業及財務信息，包括已更新風險因素、本公司業務及本集團承辦項目的概況、管理層就財務狀況及經營業績的討論與分析、近期發展、關聯方交易及債務資料。除本公司已在二零一零年四月十二日公布的本公司截至二零零九年十二月三十一日的財務業績外，該等信息自本公司二零零九年十月二日首次公開發售以來尚未公開過。該等最新信息摘要隨附於本公告並在向機構投資者發放的相若時間，可於本公司網址*www.gloriousphl.com.cn*瀏覽。

建議的票據發行的完成須受市況及投資者反應規限。建議的票據的定價，包括總本金金額、發售價及息率將由聯席牽頭經辦人及聯席賬簿管理人德意志銀行、J.P. Morgan及渣打銀行透過使用入標定價的方式釐定。除非根據票據的條款予以提前贖回，票據(倘獲發行)將具有一次性還款。於本公告日期，尚未釐定建議的票據發行的款額、條款及條件。在落實最終票據條款後，德意志銀行、J.P. Morgan、渣打銀行及本公司等將訂立購買協議，據此，德意志銀行、J.P. Morgan及渣打銀行將為票據的初步買方。倘購買協議獲予簽署，本公司將在簽立購買協議時就建議的票據發行作進一步公告。

建議的票據發行將僅供德意志銀行、J.P. Morgan及渣打銀行以要約形式(i)於美國發售，根據證券法第144A條獲豁免註冊規定向合資格機構買家發售，以及(ii)於美國境外遵照證券法項下的S規例發售。概無票據將於香港公開發售，及概無票據將配售予本公司的任何關連人士。

進行建議的票據發行的原因

本集團是專注在中國主要經濟城市發展及銷售優質物業的最大的房地產發展商之一。於二零零九年十二月三十一日，本集團在全中國10個主要城市，包括3個直轄市(上海、天津及北京)、4個省會城市(合肥、瀋陽、哈爾濱及南京)及3個位於長三角主要區域的經濟城市(無錫、蘇州及南通)有多個項目處於已開發或正在開發階段。本集團提供各類產品，包括一般洋房、排屋、零售性物業、辦公室及酒店。本集團發展並銷售優質住宅物業，同時尋求揀選保留若干商用物業的長期擁有權以圖潛在資本升值利益及將本集團的未來收入來源多元化。

進行建議的票據發行乃為令本公司為下列用途募資。

集資的擬定用途

建議的票據發行的淨集資額將由本公司用作就其新增及現有項目提供資金(包括建造費用及土地成本)及供作一般公司用途。

本公司或會因應變動中的市況調整其收購及發展計劃，並因此可能重新分配建議的票據發行的收益。

上市

本公司已申請票據於新加坡交易所上市。票據是否獲納入新加坡交易所並不視為本公司或票據價值之指標。本公司將不會尋求票據於香港上市。

一般事項

由於於本公告日期尚未就建議的票據發行訂立具約束力的協議，故建議的票據發行不一定會落實。投資者及本公司股東於買賣本公司證券時，務須審慎行事。

倘購買協議獲予訂立，本公司將就建議的票據發行作進一步公告。

釋義

本公告中，除文義另有規定外，下列詞彙的含義如下：

「董事會」	指	董事會
「本公司」	指	恒盛地產控股有限公司，一家於開曼群島註冊成立的有限公司，其股份於聯交所上市
「關連人士」	指	具有上市規則所賦予的涵義
「德意志銀行」	指	Deutsche Bank AG, London Branch，為有關建議的票據發行的聯席牽頭經辦人及聯席賬簿管理人之一
「董事」	指	本公司董事
「本集團」	指	本公司及其子公司
「香港」	指	中國香港特別行政區

「J.P. Morgan」		指J.P. Morgan Securities Ltd.，為有關建議的票據發行的聯席牽頭經辦人及聯席賬簿管理人之一
「上市規則」	指	聯交所證券上市規則
「票據」	指	本公司將發行的優先票據
「發售價」	指	將發售票據的最終價格
「中國」	指	中華人民共和國
「建議的票據發行」	指	本公司建議進行的票據發行
「購買協議」	指	由(其中包括)本公司、德意志銀行、J.P. Morgan與渣打銀行就建議的票據發行擬簽訂的協議
「證券法」	指	經修訂的1933年美國證券法
「新加坡交易所」	指	新加坡證券交易所有限公司
「渣打銀行」	指	渣打銀行，為有關建議的票據發行的聯席牽頭經辦人及聯席賬簿管理人之一
「聯交所」	指	香港聯合交易所有限公司
「美元」	指	美元

承董事會命
恒盛地產控股有限公司
主席
張志熔

香港，二零一零年四月十四日

於本公告日期，執行董事為張志熔先生、丁向陽先生、程立雄先生、夏景華先生、劉寧先生、李曉斌先生和嚴志榮先生；獨立非執行董事為嚴炳權先生、廖舜輝先生、沃瑞芳先生和韓平先生。

Extract of Operating and Financial Data of Glorious Property Holdings Limited (As at April 14, 2010)

RISK FACTORS

RISKS RELATING TO OUR BUSINESS

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

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

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

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

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

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

Substantially all our construction work during the three years ended December 31, 2009 was performed by Shanghai Ditong Construction (Group) Co., Ltd. (上海地通建設(集團)有限公司) ("Shanghai Ditong"), a company 98.7% owned by Mr. Zhang Zhi Rong's parents and 1.3% owned by Mr. Zhang Zhi Rong, and such construction work constituted substantially all the overall construction services performed by Shanghai Ditong during such periods. In addition, in connection with our IPO and the satisfaction of the Hong Kong Stock Exchange requirements, we agreed that the annual construction fees payable to Shanghai Ditong with respect to new development projects for each of the three years ending December 31, 2009, 2010 and 2011 will not exceed more than 40%, 30% and 20%, respectively, of the total construction fees payable by us with respect to such projects. As a result, our business relationship with Shanghai Ditong may be affected, and there can be no assurance that

Shanghai Ditong will continue to provide us with construction services on terms comparable to those provided to us prior to our IPO. For the year ended December 31, 2009, the total construction costs related to construction services provided to us by Shanghai Ditong amounted to RMB816.8 million (US$119.7 million), accounting for 33.5% of our total purchases during such period.

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

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

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

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

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

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

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

As of December 31, 2009, we had entered into master agreements with PRC government entities for projects with a total planned GFA of 5,683,608 sq.m., representing 33.5% of our total Land Bank. Notwithstanding such master agreements, we are still required by the relevant PRC laws and regulations to go through the public tender, auction or listing for bidding process, and, if successful, enter into a land grant contract and pay the relevant land premium before we may obtain land use rights certificates relating to such projects. We cannot assure you that these master agreements will be implemented as agreed and that we will be successful in securing the relevant land grant contracts and obtaining the relevant land use rights certificates in respect of such projects.

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

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

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

As of December 31, 2009, our borrowings amounted to RMB6,847.9 million (US$1,003.2 million), of which RMB1,806.9 million (US$264.7 million) was due within one year, and RMB4,495.1 million (US$658.5 million) was due within a period of more than one year but not exceeding five years, and the remaining balance of RMB545.9 million (US$80.0 million) was due after more than five years.

We obtain commercial bank financing for our projects through credit lines extended on a case-by-case basis. Our ability to secure sufficient financing, including for land use rights acquisition and property development and repayment of our existing onshore and offshore debt obligations, depends on a number of factors that are beyond our control, including lenders' perceptions of our creditworthiness, market conditions in the capital markets, investors' perception of our securities, the PRC economy and the PRC government regulations that affect the availability and cost of financing for real estate companies. We cannot assure you that we will be able to obtain bank loans or other third party financing, or that we will be able to repay or renew existing credit facilities granted by financial institutions or repay or refinance other third party financings in the future on reasonable terms or at all, or that any fluctuation in interest rates will not affect our ability to fund our property developments.

Since 2003, commercial banks have been prohibited under guidelines of the PBOC from advancing loans to fund the payment of land use rights and generally no more than 70% of a project can be funded with debt. In addition, for projects under the affordable housing program, no more than 40% of the project can be funded with debt. In January 2010, the PRC State Council issued a circular to control the recent rapid increase in housing prices. The circular instructed the PBOC and the China Banking Regulatory Commission to tighten the supervision of bank lending to the real estate sector. The PBOC raised the reserve requirement ratio for large commercial banks by 0.5% on January 12, 2010, the first increase since June 2008, and raised the reserve requirement ratio again for large commercial banks by 0.5% on February 12, 2010. The increase in the reserve requirement ratio may reduce the amount of commercial bank credit available to businesses in China, including ours.

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

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

We have incurred and will incur a significant amount of interest expense in relation to our existing financing, particularly the promissory notes issued to certain pre-IPO investors and the Shanghai Bay Arrangement. See "Description of Other Material Indebtedness". Substantially all of this interest expense has been or will be capitalized as properties under development rather than being expensed in our consolidated income statement at the time it is incurred. The amounts of capitalized interest under completed properties held for sale were RMB7.4 million, RMB57.3 million and RMB95.0 million as of December 31, 2007, 2008 and 2009, respectively. The amounts of capitalized interest under properties under development were RMB608.7 million, RMB1,488.5 million and RMB2,520.3 million as of December 31, 2007, 2008 and 2009, respectively. In future periods, such capitalized interest expense will be expensed in the consolidated income statements as a portion of cost of sales upon the sale of such properties. As a result, such capitalized interest expense may adversely affect our gross profit margin upon the sales of such properties in future periods. The capitalized interest included in cost of sales for the years ended December 31, 2007, 2008 and 2009 were RMB34.0 million, RMB74.7 million and RMB135.8 million (US$19.9 million), respectively.

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

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

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

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

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

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

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

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

We had net cash outflows from operating activities of RMB2,726.4 million in the year ended December 31, 2008, and RMB3,035.8 million (US$444.7 million) in the year ended December 31, 2009. Due to the nature of the property development business, we may from time to time experience net operating cash outflow, when imbalances occur between the timing of our cash inflows relating to the pre-sale of properties and our cash outflows relating to the construction of properties and the purchases of land. Our historical net cash outflows from operating activities were primarily due to the increase in properties under development and projects held for future development while other major developments were being prepared for pre-sale.

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

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

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

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

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

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

Property developments typically require substantial capital outlays during construction periods, and it may take months or years before positive cash flows, if any, can be generated by pre-sales of properties to be completed or sales of completed properties. The time and cost required to complete a property development may increase substantially due to many factors beyond our control, including the shortage, or increased cost of material, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities, delays in relocation which may result in increased relocation compensation, and other unforeseen problems or circumstances. Any of these factors, individually or in the aggregate, may lead to a delay in, or the failure of, the completion of a property development and may result in costs that substantially exceed those costs originally forecasted. Failure to complete a property development according to its original plan, if at all, may have an adverse effect on our reputation and could give rise to potential liabilities. As a result, our returns on investments, if any, may not be recognized in a timely manner or may be lower than originally expected.

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

For the years ended December 31, 2008 and 2009, we recorded fair value gains on our investment properties amounting to RMB846.1 million and RMB1,027.0 million (US$150.5 million), respectively, in our consolidated income statements, representing 40.6% and 27.9% of our profit before tax for those periods, respectively. Prospective investors should be aware that these upward fair value adjustments reflect primarily unrealized capital gains in the value of our investment properties at the relevant reporting dates, are not profit generated from day-to-day rental income from our investment properties and are largely dependent on the conditions prevailing in the property markets. These fair value gains do not generate cash inflow to us and will not unless such investment properties are actually sold at or above such estimated fair values. Moreover, prospective investors should be aware that property values are subject to market fluctuations and we cannot assure you that we will be able to continue to record favorable fair value adjustments on investment properties in similar amounts, or at all, in the future or that the fair value of our investment properties will not decrease in the future. Any such decrease in the fair value of our investment properties will reduce our profits and could have a material adverse effect on our results of operations.

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

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

In accordance with industry practice, we do not conduct independent credit checks on our customers, but rely instead on the credit checks conducted by the mortgage banks. As of December 31, 2007, 2008 and 2009, our outstanding guarantees over the mortgage loans of our customers amounted to RMB1,860.8 million, RMB2,662.1 million and RMB2,749.8 million (US$402.8 million), respectively.

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

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

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

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

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

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

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

We only prepay a portion of such provisions each year as required by the local tax authorities. For the years ended December 31, 2007, 2008 and 2009, we made provisions for LAT in the amount of RMB114.6 million, RMB363.1 million and RMB722.0 million (US$105.8 million), respectively. In the event that the LAT we have provided for is actually collected by the PRC tax authorities, our cash flow and financial position will be adversely affected. Furthermore, in the event that LAT eventually collected by the PRC tax authorities (due to changes in local practices and interpretations of related regulations of local tax authorities) exceeds the amount we have provided for, our net profits after tax and financial position will be adversely affected.

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

Under the new PRC Enterprise Income Tax Law that took effect on January 1, 2008, enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. In accordance with the new implementation rules relating to the new PRC Enterprise Income Tax Law, "de facto management body" is defined as the institution which has substantial overall management and control of the daily operation, personnel, financial accounts and properties of an enterprise. Substantially all of our management is currently based in China, and may remain in China after the effectiveness of the new PRC Enterprise Income Tax Law. Therefore, we may be treated as a Chinese resident enterprise for enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on how local tax authorities apply or enforce the new PRC Enterprise Income Tax Law or the implementation regulations.

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

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

The interests of our controlling shareholders may differ from yours.

Mr. Zhang Zhi Rong indirectly holds 64.9% of our issued share capital as of March 31, 2010, and is our largest shareholder. Accordingly, subject to our memorandum of association and our articles of association and the laws of the Cayman Islands, Mr. Zhang Zhi Rong, by virtue of his significant ownership of our share capital as well as his position on our Board, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and our other shareholders by voting at the general meetings of shareholders and at the Board of Directors' meetings. The interests of Mr. Zhang Zhi Rong may differ from yours and from the interests of our public shareholders.

Potential liability for environmental problems could result in substantial costs.

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

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

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

Property developers in the PRC are typically required to deliver to each purchaser the relevant state-owned land use rights certificate and property ownership certificate within 90 days after delivery of the relevant property or such other time period provided in the sales contract. Under our sales contracts, we are required to compensate our customers for delays in completing our deliverables. Pursuant to a typical sales and purchase agreement, if we fail to deliver the property on the delivery day stipulated in the sale and purchase agreement, we will, depending on the length of delay, be liable to pay a monetary penalty ranging from 0.005% to 0.02% of the property price on a daily basis until the delivery of the property. For the years ended December 31, 2008 and 2009, we incurred penalties of RMB35.0 million and RMB59.8 million (US$8.8 million) due to late deliveries. If the delay in delivering a property exceeds a certain number of days, which, depending on the particular contract ranges from 30 days to 180 days, the relevant purchaser may have the right to repudiate the contract in addition to claiming the penalty fee. There may also be factors beyond our control that cause delay in the delivery of property ownership certificates, such as examination and approval processes conducted by various government agencies. In the case of serious delays on one or more property projects, our business and reputation may be materially and adversely affected.

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

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

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

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

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

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

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

Our joint venture partners or project development partners may:

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

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

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

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

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

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

We do not maintain insurance coverage on our properties developed for sale except for those developments over which our lending banks have security interests, or for which we are required to maintain insurance coverage under the relevant loan agreements. In addition, we generally do not carry insurance against personal injuries that may occur during the construction of our properties except for our own employees. The general contractors and construction companies we contract with are responsible for safety control during the course of construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations.

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

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

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

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

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

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

Our remittance of offshore funds into China is subject to approval by the PRC government.

In recent years, in an effort to stabilize the growth of its economy, the PRC government has introduced a series of austerity measures, including measures aimed at controlling the inflow of offshore funds into the property development industry or for property speculative activities. In particular, as advised by Commerce and Finance Law Offices, our PRC legal counsel, the notice issued on May 23, 2007 jointly by MOFCOM and SAFE “Notice 50”, requires that foreign invested real estate companies newly approved and established after the date of issuance of the Notice must comply with certain registration requirements of MOFCOM. In addition, Notice 50 also requires that foreign invested real estate companies with property projects or property business newly added must also comply with the relevant approval requirements. As advised by Commerce and Finance Law Offices, none of our foreign invested real estate companies involved in the Reorganization was newly approved and established after May 23, 2007, and therefore Commerce and Finance Law Offices is of the view that such requirements stipulated by the Notice 50 do not apply to us in this regard. As advised by Commerce and Finance Law Offices, our PRC legal counsel, all of our current existing ten foreign invested real estate companies have obtained the relevant approvals in respect of their newly added projects and businesses or increase of paid-up capital, and have also obtained the updated Foreign Invested Enterprises Approval Certificates, therefore Commerce and Finance Law Offices is of the view that we have also complied with such relevant approval requirement. In light of a further notice issued by SAFE on July 10, 2007, “Notice 130”, if we propose to establish new foreign-invested real estate enterprises in the PRC going forward, and/or intend to use offshore funds to increase the paid up capital of existing foreign invested real estate enterprises or establish new foreign-invested real estate enterprises, we must complete the requisite filing procedures with MOFCOM before we can apply for foreign exchange registration to allow the proceeds to be remitted into the PRC for such purposes. Furthermore, if we intend to use the offshore funds to provide shareholder loans to such foreign-invested enterprises, local branches of SAFE will no longer be permitted to register such foreign-invested loans or allow the proceeds to be remitted into the PRC as a foreign loan.

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

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

RISKS RELATING TO THE PROPERTY SECTOR IN THE PRC

Oversupply of real estate could drive down property prices.

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

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

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

Our business is subject to extensive governmental regulation. Like other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, foreign exchange, property financing, taxation and foreign investment.

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

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

- charging idle land fees for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed for two years or more;

- prohibiting any onward transfer of pre-sold properties before the ownership certificate is obtained;

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;

- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 consist of units with a unit floor area of less than 90 sq.m. per unit, and that projects which have received project approvals prior to this date but have not obtained construction permits to adjust their construction plan in order to be in compliance with this new requirement, with the exception of municipalities under direct administration of the PRC central government, provincial capitals and certain cities which may deviate from this ratio under special circumstances upon the approval by the Ministry of Construction ("70:90 rule");

- tightening availability of bank loans to property developers and purchasers of developed properties and increasing the reserve requirements for commercial banks;

- imposing or increasing taxes on short-term gains from second-hand property sales; and

- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons.

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

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

For example, on December 22, 2009, the Ministry of Finance and State Administration of Taxation issued "The Notice on the Business Tax Policies on Individual Housing Transfer" (Cai Shui [2009] No.157) 《關於調整個人住房轉讓營業稅政策的通知》(財稅[2009]157號) (the "Notice"). The Notice requires anyone selling an ordinary residential apartment or house within five years of its purchase to pay a sales tax of 5.5%, extending the taxable period from the previous two years. The Notice became effective on January 1, 2010. On January 7, 2010, the State Council General Affairs Office issued the "Notice on Promoting Smooth and Sound Development of the Real Estate Market" 《關於促進房地產市場平穩健康發展的通知》, which encourages the construction of "low-to-medium-level price" or "small-to-medium-sized" ordinary commercial housing, and mandates that any homeowner seeking to purchase another property would need a minimum down payment of 40%, if the family (including the borrower, his spouse and his children under 18 years old) already has an outstanding mortgage loan on a first residential property. See "Regulation". Currently, it is unclear what impact these measures will have on the prices of the residential prices. We cannot assure you that such prices will not decline due to these measures. These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional or more stringent measures, which could further slow down property development in China and adversely affect our business and prospects.

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

Under PRC law, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premiums, demolition and resettlement costs and other fees, specified use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, and/or order us to forfeit the land. Specifically, under current PRC law, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose a land idle fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years, the land is subject to forfeiture to the PRC government without compensation unless the delay in development is caused by PRC government's actions, preparation work or force majeure. In accordance with the Opinions on Housing Supply Structure and Stabilization of Property Prices (《關於調整住房供應結構穩定住房價格的意見》) which became effective in May 2006, even though the commencement of the land development is in line with the land use rights grant contract, if the developed GFA on the land is less than one-third of the total GFA of the project or the total capital invested is less than one-fourth of the total investment in the project and the suspension of the development of the land is over one year without government approval, the land will be treated as idle land. For the three years ended December 31, 2009, we incurred a total of RMB3.4 million, on an aggregate basis, as penalties to the relevant local governments in respect of late payments of land premiums. There can be no assurance that circumstances leading to forfeiture or significant delays in the development schedule will not arise in the future. If the land is forfeited to the government, we may not be able to recover the costs incurred for the initial acquisition of the forfeited land or recover part or whole of our development costs incurred up to the date of forfeiture, including the land premiums paid, which could in turn have a material adverse effect on our business, financial condition, results of operations or reputation.

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

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

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

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

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

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

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

Substantially all purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. Under current PRC laws and regulations, purchasers of first homes generally must pay a minimum of 20% to 30% of the purchase price of the properties before they can finance their purchases through mortgages. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan exceeds 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. In addition, pursuant to the Notice on the Further Decrease in the Interest Rates of Commercial Mortgage Loans for Individual Residential Property promulgated by PBOC (《中國人民銀行關於擴大商業性個人住房貸款利率下調幅度等有關問題的通知》) in October 2008, the minimum down payment for individual purchasers of residential property through mortgage financing is 20% of the total purchase price. In addition, the monthly payment of the anticipated mortgage loan is still restricted to a maximum of 50% of the individual borrower's monthly income. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be materially adversely affected.

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

Changes of laws and regulations with respect to pre-sales may adversely affect our cash flow position and financial performance.

We depend on cash flows from pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance their developments. Based on the local regulations on the supervision of pre-sale proceeds, the proceeds from the pre-sales of our properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the money deposited in these escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities. On August 5, 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report," in which it recommended the discontinuance of the practice of pre-selling uncompleted properties as it creates significant market risks and generates transactional irregularities. At the "two meetings" (the plenary session of the National People's Congress and that of the Chinese People's Political Consultative Conference) held in March 2006, a total of 33 delegates to the National People's Congress, including Bai Hexiang, head of the Nanning Central Sub-Branch of the People's Bank of China, put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of China published an article pointing out that the way to perfect the system for China's commodity housing pre-sale is to abolish the financing of pre-sale. On July 24, 2007, the National Development and Reform Commission ("NDRC") proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. There can be no assurance that the PRC government will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Any such measure will adversely affect our cash flow position and force us to seek alternative sources of funding for much of our property development business.

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

RISKS RELATING TO THE PRC

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

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

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

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

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

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

However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws and regulations involves some uncertainty, which may lead to additional restrictions and uncertainty for our business and uncertainty with respect to the outcome of any legal action taken against us in the PRC.

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

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

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

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

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

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

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

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

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

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

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

The PRC legal system has inherent uncertainties that would affect our business and results of operations.

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

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

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

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

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

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

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

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

Substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. In May 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the

PBOC. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by 18.8% from July 21, 2005 to December 31, 2009. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible. If such reforms are implemented and result in a devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar-denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. We may enter into foreign exchange or interest rate hedging agreements in respect of our U.S. dollar-denominated liabilities. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments.

CAPITALIZATION

The following table sets forth on an actual basis of our consolidated cash and cash equivalents, short-term borrowings and capitalization as of December 31, 2009, and as adjusted to give effect to (i) the repayment on March 1, 2010 of the remaining outstanding promissory notes issued to certain pre-IPO investors, (ii) the repayment on March 19, 2010 of the US$28.0 million bridge loan from Yes Plus Limited, (iii) the RMB1.0 billion drawdown of the two entrusted loan agreements entered into with CITIC on February 1, 2010, (iv) the RMB1.0 billion drawdown of the two entrusted loan agreements entered into with Bohai International Entrustment Company Ltd. on March 5, 2010, (v) the RMB925.0 million drawdown of the two entrusted loan agreements entered into with Huabao Entrustment Company Ltd. on March 29, 2010 and (vi) the RMB1.0 billion drawdown of the two entrusted loan agreements entered into with Bohai International Entrustment Company Ltd. on April 13, 2010. The following table should be read in conjunction with the selected consolidated financial and other data and the audited consolidated financial statements and related notes included elsewhere in this document. Except as otherwise disclosed herein, there has been no material adverse change in our capitalization since December 31, 2009.

	As of December 31, 2009			
	Actual	Actual	As Adjusted	As Adjusted
	RMB'000	US$'000	RMB'000	US$'000
Cash and cash equivalents (1)	5,013,296	734,452		
Short-term borrowings (2)				
Bank borrowings-secured	1,161,388	170,144		
Other short-term borrowings	645,472	94,562		
Total short-term borrowings	1,806,860	264,706		
Long-term borrowings (3)(4)(5)				
Bank borrowings-secured	2,970,149	435,129		
Other long-term borrowings-secured	2,070,935	303,394		
Notes to be issued	—	—		
Total long-term borrowings	5,041,084	738,523		
Capital and reserves attributable to the equity owners				
Issued capital (HK$0.01 par value per share, 7,792,645,623 shares issued and fully paid)				
Share capital	68,745	10,071		
Share premium	7,822,982	1,146,074		
Reserves	3,462,125	507,204		
Total capital and reserves attributable to the Company's equity owners	11,353,852	1,663,349		
Total capitalization (6)	18,201,796	2,666,578		

Notes:

(1) Cash and cash equivalents exclude restricted cash of RMB1,039.1 million (US$152.2 million). See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Restricted cash".

(2) Short-term borrowings include the current portion of long-term borrowings.

(3) As of December 31, 2009, our consolidated capital commitments were RMB15,381.3 million (US$2,253.4 million) and our contingent liabilities, all of which were in the form of guarantees that we have provided to our customers in relation to their purchase of our properties, amounted to approximately RMB2,749.8 million (US$402.8 million). See "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Indebtedness and Contingent Liability Statements" and "— Contractual Commitments".

(4) Long-term borrowings exclude the current portion of long-term borrowings.

(5) See "Description of other Material Indebtedness".

(6) Total capitalization equals total short-term borrowings and total long-term borrowings plus total capital and reserves attributable to the equity owners.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present our summary consolidated financial and other data. The summary consolidated financial information and other data as of and for each of the fiscal years ended December 31, 2007, 2008 and 2009 (except for Adjusted EBITDA data) is derived from our audited consolidated financial statements included elsewhere in this document.

The financial information has been prepared and presented in accordance with HKFRS, which differ in certain material respects from U.S. GAAP. For a discussion of these differences, see "Summary of Certain Differences between HKFRS and U.S. GAAP". The summary financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial information and the related notes included elsewhere in this document.

Selected consolidated income statement information

	For the year ended December 31,			
	2007	2008	2009	2009
	RMB'000	RMB'000	RMB'000	US$'000
Revenue	1,791,942	3,948,959	6,171,127	904,075
Cost of sales	(1,164,818)	(2,293,339)	(3,201,760)	(469,060)
Gross profit	627,124	1,655,620	2,969,367	435,015
Other income	17,194	21,405	27,366	4,009
Other gains, net[(1)]	(34,513)	825,563	1,218,817	178,558
Selling and marketing expenses	(77,426)	(150,494)	(151,333)	(168,671)
Administrative expenses	(105,666)	(214,818)	(351,397)	(51,480)
Finance costs	(97,225)	(54,479)	(27,068)	(3,966)
Profit before income tax	329,488	2,082,797	3,685,752	539,966
Income tax expenses	(221,394)	(827,806)	(1,319,608)	(193,324)
Profit for the year attributable to the Company's equity holders	108,094	1,254,991	2,366,144	346,642
Other comprehensive income:				
Gain/loss recognized directly in equity	—	—	—	—
Total comprehensive income for the year attributable to the Company's equity holders	108,094	1,254,991	2,366,144	346,642
Other Financial Data				
Adjusted EBITDA[(2)]	434,873	1,300,710	2,571,593	376,742
Adjusted EBITDA Margin[(3)]	24.3%	32.9%	41.7%	41.7%

Note:

(1) Other gains, net included fair value gains on investment properties of RMB846.1 million and RMB1,027.0 million (US$150.5 million) for the years ended December 31, 2008 and 2009, respectively. These fair value gains are unrealized. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Our Results of Operations — Changes in fair value of investment properties." Other gains, net also included gain on extinguishment of financial liability of RMB198.7 million (US$29.1 million) for the year ended December 31, 2009.

(2) Adjusted EBITDA consists of net profit for the year plus finance costs, income tax expenses, share-based compensation expenses, depreciation and amortization and minus fair value gains on investment properties and gain on extinguishment of financial liability. Adjusted EBITDA is not a standard measure under U.S. GAAP or HKFRS. Adjusted EBITDA is a widely used financial indicator of a company's ability to service and incur debt. Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Adjusted EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating Adjusted EBITDA, we believe that investors should consider, among other things, the components of Adjusted EBITDA such as sales and operating expenses and the amount by which Adjusted EBITDA exceeds capital expenditures and other charges. We have included Adjusted EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to service debt and pay taxes. Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our Adjusted EBITDA to Adjusted EBITDA presented by other companies because not all companies use the same definition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP financial measures" for a reconciliation of our net profit for the year/period under HKFRS to our definition of Adjusted EBITDA.

(3) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue.

Selected consolidated balance sheet information

	As of December 31,			
	2007	2008	2009	2009
	RMB'000	RMB'000	RMB'000	US$'000
ASSETS				
Non-current assets				
Property, plant and equipment	16,400	392,313	497,653	72,907
Investment properties	—	1,103,500	2,485,200	364,084
Intangible assets	—	—	2,087	306
Investment in an associate	—	4,500	4,500	659
Deferred income tax assets	58,960	26,820	202,970	29,735
	75,360	1,527,133	3,192,410	467,691
Current assets				
Properties under development	5,829,489	7,345,976	11,130,003	1,630,555
Completed properties held for sale	357,893	1,201,268	1,390,132	203,655
Inventories	—	—	6,165	903
Trade and other receivables and prepayments	3,107,299	2,595,899	4,538,191	664,849
Prepaid taxes	71,378	106,257	58,430	8,560
Financial assets at fair value through profit or loss	21,091	—	—	—
Restricted cash	66,690	84,468	1,039,058	152,238
Cash and cash equivalents	3,199,105	297,221	5,013,296	734,452
	12,652,945	11,631,089	23,175,275	3,395,197
Total assets	12,728,305	13,158,222	26,367,685	3,862,888
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	962	962	68,745	10,071
Share premium	—	—	7,822,982	1,146,074
Reserves	(336,935)	918,056	3,462,125	507,204
	(335,973)	919,018	11,353,852	1,663,349
Minority interest	—	—	492,825	72,199
Total (deficit)/equity	(335,973)	919,018	11,846,677	1,735,548
LIABILITIES				
Non-current liabilities				
Borrowings	2,317,730	537,000	5,041,084	738,523
Deferred income tax liabilities	—	172,937	486,037	71,205
Obligation under finance lease	—	—	17,074	2,501
	2,317,730	709,937	5,544,195	812,229
Current liabilities				
Advanced proceeds received from customers	4,480,950	3,742,816	3,627,603	531,447
Trade and other payables	1,438,661	1,185,235	1,871,174	274,129
Income tax payable	277,782	664,091	1,670,365	244,710
Borrowings	4,549,155	5,937,125	1,806,860	264,706
Obligation under finance lease	—	—	811	119
	10,746,548	11,529,267	8,976,813	1,315,111
Total liabilities	13,064,278	12,239,204	14,521,008	2,127,340
Total equity and liabilities	12,728,305	13,158,222	26,367,685	3,862,888
Net current assets	1,906,397	101,822	14,198,462	2,080,086
Total assets less current liabilities	1,981,757	1,628,955	17,390,872	2,547,777

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

The following discussion should be read in conjunction with our consolidated financial information together with the accompanying notes included elsewhere in this document. Our consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from U.S. GAAP. See "Summary of Certain Differences between HKFRS and U.S. GAAP".

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

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

OVERVIEW

We are one of the leading property developers focused on the development and sale of high quality properties in key economic cities in the PRC. Our Land Bank is highly diversified and is located in prime locations. As of December 31, 2009, it comprised a total planned GFA of 16,947,667 sq.m. Approximately 16.7% of our total planned GFA was located in Shanghai, 27.1% was located in Tianjin and Beijing as of December 31, 2009 and the remaining 56.2% of our total planned GFA was located in seven other key economic cities in the PRC.

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

Since we commenced our business in 1996, we have been dedicated to developing property in key economic cities in China. During the past 14 years, we have developed, sold and delivered more than 3.3 million sq.m. of GFA in China. As of December 31, 2009, we had developed or were developing projects in ten different cities across the PRC: three municipalities (Shanghai, Tianjin, Beijing), four provincial capitals (Hefei, Shenyang, Harbin, Nanjing) and three key regional economic cities in the Yangtze River Delta (Wuxi, Suzhou, Nantong). From 2007 through 2009, the GDP growth rates of each of these cities except Shanghai exceeded the national average, and the combined economic contribution of these ten cities to national GDP was 19.4%, 18.7% and 18.9% in 2007, 2008 and 2009, respectively. In 2008, the average per capita GDP of these cities was approximately three times the PRC per capita GDP. The urbanization rates in 2009 in each of these cities also exceeded the urbanization rate of the PRC.

During the past 14 years, we have developed, sold and delivered more than 2.1 million sq.m. of GFA in Shanghai. As of December 31, 2009, we had nine projects in Shanghai in various stages of development. Our flagship project, Shanghai Bay, is situated along the west bank of the Huangpu River and faces the Shanghai World Expo site. Shanghai Bay was among the top three real estate development projects in Shanghai in terms of total sales contract value achieved in 2008, based on sales data collected and compiled by www.soufun.com (a leading real estate portal in China), and was recognized as a 2009-2010 Real Estate New Landmark in China Shanghai City by China Index Research Institute and China Real Estate Association in 2009.

For the year ended December 31, 2009, our total revenue was RMB6,171.1 million (US$904.1 million). For the same period, our Adjusted EBITDA (as defined herein) was RMB2,571.6 million (US$376.7 million). Our shares have been listed on the Hong Kong Stock Exchange since October 2, 2009 under stock code 845.HK. Our market capitalization as of April 12, 2010 was HKD25,949.5 million.

We have financed our projects primarily through proceeds from bank borrowings, other third party financings, capital contributions from our shareholders, proceeds from our IPO, internal cash flows, and proceeds from the pre-sale of our properties. We typically follow a financing model under which project start-up costs are mainly financed by bank and other borrowings as well as shareholders' contributions. This financing model supports our projects until the pre-sales stage, when we are able to repay our borrowings with pre-sale proceeds. The following points summarize our main sources of funds for our projects.

- **Bank borrowings.** As of December 31, 2009, we had total secured bank borrowings of RMB4,131.5 million (US$605.3 million) and no unsecured bank borrowings. Our bank borrowings are usually project-specific and secured by our properties under development and our land use rights. We usually repay such borrowings using a portion of the pre-sale proceeds from the project funded by the relevant bank borrowings.

- **Pre-sale proceeds of properties.** Pre-sale proceeds are proceeds we receive when we enter into contracts to sell properties prior to their completion. Under PRC law, the following conditions must be fulfilled before the pre-sale of a particular property can commence: (i) the land premium must be paid in full and the land use rights certificate must have been obtained; (ii) the construction works planning permit and the work commencement permit must have been obtained; (iii) the funds contributed as equity to the development of the project must amount to at least 25% of the total amount to be invested in the project and the project progress and the date of completion of the project for use must have been ascertained; and (iv) the pre-sale permit must have been obtained. Upon obtaining a pre-sale permit from the relevant government authorities, we generally enter into pre-sale contracts with our customers. We typically receive an initial payment of at least 20%-30% of the unit purchase price at the execution of the pre-sale contract and the balance typically within 30 days of the execution of the pre-sale contract, by which time the customer is required to have obtained a bank mortgage or otherwise paid in full.

- **Transfer of Blocks Nos. 2, 8, 9 and 10 of Shanghai Bay and Related Arrangements.** In August 2009, pursuant to the Shanghai Bay Arrangement, we transferred our legal ownership interests in Blocks Nos. 2 and 8 of Shanghai Bay, with a total planned GFA of 56,202 sq. m., to Shanghai Industrial Group. In return, we received a payment of approximately US$190.2 million (equivalent to RMB1.3 billion) which we used to partially redeem the original promissory notes in connection with their restructuring. In December 2009, we received a second payment in an amount equal to the US$ equivalent of RMB0.7 billion when we pledged 30% of the equity interest in our subsidiary, Shanghai Xintai Property Development Co., Ltd. (上海鑫泰房地產發展有限公司) ("Shanghai Xintai"), and agreed to transfer, prior to December 31, 2011, our legal interests in additional Blocks Nos. 9 and 10 of Shanghai Bay with a total planned GFA of 53,984 sq. m., to Shanghai Industrial Group.

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

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

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

- **Shareholders' contributions**. Prior to our IPO, we relied in part on capital contributions from our shareholders in exchange for equity interests to finance our projects.

- **IPO Proceeds.** In October 2009, we received approximately RMB6,893.3 million (US$1,009.9 million) in net proceeds from our IPO. We used the net proceeds from our IPO to fund projects (including the acquisition and development of new projects), to repay a portion of the promissory notes issued to the pre-IPO investors and for general corporate purposes.

We expect to fund our projects by using a combination of sources, including internally generated cash flow, bank loans and other funds raised from the capital markets from time to time. As of December 31, 2009, our total contracted capital commitments amounted to RMB15,381.3 million (US$2,253.4 million). Our access to funds may be affected by various factors, including the factors discussed under the section headed "Risk Factors" in this document and "— Factors Affecting Our Results of Operations" in this section.

BASIS OF PRESENTATION

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

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

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

Our consolidated financial information as of and for the years ended December 31, 2007, 2008 and 2009 was audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. We have prepared our consolidated financial information in accordance with HKFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, such as U.S. GAAP. See "Summary of Certain Differences between HKFRS and U.S. GAAP."

RECENT DEVELOPMENTS

On October 15, 2009, we signed an agreement with Nanjing Jiaotong Investment Development Limited ("Nanjing Jiaotong"), an independent third party, for the formation of a project company in which our Company will own a 60% equity interest upon closing. On November 17, 2009, Nanjing Jiaotong assigned its land use rights contract with respect to a parcel of land located in Nanjing, Jiangsu, which occupies a total site area of approximately 109,244 sq.m., to a subsidiary which will be the project company. The subsidiary has obtained the relevant land use rights certificate and we have made an aggregate investment of RMB1,835.0 million into such entity to acquire a 60% equity interest in the project company, Nanjing Jiangxu Property Development Co., Ltd. (南京江旭房地產開發有限公司) ("Nanjing Jiangxu") (the "Nanjing Jiangxu Acquisition"). Nanjing Jiangxu plans to develop the parcel into a large-scale residential project with a total planned GFA of approximately 387,138 sq.m.

On November 20, 2009, we entered into a purchase agreement with Jiangsu Rongsheng Shipbuilding Co., Ltd. ("Jiangsu Rongsheng"), a company in which our chairman, Mr. Zhang Zhi Rong, holds a controlling stake, to acquire 100% of the equity interests in one or more subsidiaries of Jiangsu Rongsheng (the "Target Companies") that are expected to acquire the land use rights for two parcels of land located in Xuhui District, Shanghai for a total consideration of RMB2.0 billion (the "Xuhui Acquisition"). Jiangsu Rongsheng successfully tendered for the two parcels on November 11, 2009 and signed a land grant contract with respect to the parcels on December 2, 2009. The completion of this transaction is conditioned on, among other things, the Target Companies obtaining valid land use rights certificates to the two parcels and approval of the transaction by our independent shareholders. We obtained the approval of our independent shareholders for this transaction on December 15, 2009. Upon closing of the acquisition, we will own a 100% equity interest in the Target Companies. The total consideration is RMB2,000.0 million. We have paid RMB1,950.0 million of the consideration and expect to pay the remaining RMB50.0 million before the end of April 2010. The two parcels in aggregate occupy a total site area of approximately 41,225 sq.m. with a total planned GFA of approximately 193,662 sq.m. We expect the transaction to close in the first half of 2010. We plan to develop the parcels, which are not adjacent to each other, into large-scale commercial projects, comprising high quality office buildings, serviced apartments, a hotel and ancillary facilities.

On December 18, 2009, we entered into a share purchase agreement with Sparkle International Holding Limited to acquire the entire equity interest in Highest Reach Limited and an outstanding shareholder loan owed to Sparkle International Holding Limited by Fast Right Limited ("Fast Right") in the amount of approximately HK$386.8 million for a total consideration equal to the US$ equivalent of RMB1,149.4 million, of which the US$ equivalent of RMB869.3 million has been paid to date and the remainder is payable in installments after certain milestones are met. Subject to satisfaction of the milestones, we are committed to pay the US$ equivalent of RMB80.0 million on or before June 4, 2010, and two installments aggregating RMB200.0 million on or before January 5, 2011. Highest Reach Limited ("Highest Reach") indirectly owns a 70% equity interest in Tianjin Dong'an Construction Co. Ltd. ("Tianjin Dong'an"), which owns a parcel of land in Tianjin with a total site area of approximately 1,196,000 sq.m. The land use rights certificate for the parcel has been obtained and the land premium has been fully paid. The remaining 30% equity interest in Tianjin Dong'an is owned by an independent third party. We intend to develop this project into residential properties, including villas and low-rise apartments, with a total GFA of approximately 1.57 million sq.m.

On December 30 and 31, 2009, we successfully won auctions and entered into land grant contracts for two parcels of land in Nantong, Jiangsu for which we agreed to pay a total consideration of RMB4,141.6 million. The two parcels occupy a total site area of approximately 359,592 sq.m. With respect to one of the the two parcels, the Tongmian Second Factory Project, we have paid RMB802.4 million and owe a remaining balance of RMB2,547.6 million payable in various installments through February 25, 2011. With respect to the other parcel, the East Chongchuan Project, we have made payments of RMB356.2 million and owe a remaining balance of RMB435.5 million payable in two installments through July 1, 2010. We are in the process of applying for the land use rights certificates for these two parcels. We plan to develop the Tongmian Second Factory Project into a mixed-use project for residential, business and office use with a total planned GFA of approximately 694,439 sq.m. and plan to develop the East Chongchuan Project into a large-scale residential project with a total planned GFA of approximately 307,500 sq.m.

On January 5, 2010, we entered into a strategic cooperation agreement with the Bank of China, Nantong Branch ("BOC Nantong"), pursuant to which BOC Nantong expressed its intent to extend to us a RMB8.0 billion line of credit. The amount and terms and conditions of such credit facilities are still subject to approval by BOC Nantong. BOC Nantong has undertaken to offer us a full range of financial services. In exchange, we have expressed our interest in selecting BOC Nantong as our main banking partner and to give priority consideration to BOC Nantong for selection to handle deposit accounts for us and to provide us financial products and services.

On February 1, 2010, our subsidiaries Wuxi Wangjiarui Co., Ltd. (無錫旺佳瑞有限公司) ("Wuxi Wangjiarui") and Shanghai Yijing Property Development Co., Ltd. (上海意景房地產開發有限公司) ("Shanghai Yijing") borrowed an aggregate of RMB1.0 billion under two entrusted loan agreements with CITIC for the specific purpose of funding the purchase price for the Xuhui Acquisition. See "Description of Other Material Indebtedness."

On February 10, 2010, we successfully completed the public tender process for a parcel of land in the Rugao Economic Development District (如皐經濟開發區), Nantong, Jiangsu Province for which we agreed to pay a total consideration of RMB278.3 million. The parcel occupies a total site area of approximately 523,066 sq.m. We had previously signed a master agreement for Rongsheng Garden which encompasses this parcel of land and has a total planned GFA of 759,343 sq.m. We expect to develop Phases II of Rongsheng Garden on this parcel of land.

On March 1, 2010, we redeemed the entire outstanding principal amount of the promissory notes of US$73.4 million, together with accrued interest with internal cash flows. In connection with this redemption, all security pledged to service the promissory notes was released.

On March 5, 2010, Shanghai Xintai borrowed an aggregate of RMB1.0 billion under two entrusted loan agreements with Bohai International Entrustment Company Ltd. for the specific purpose of funding development of Phases I, II and III of Shanghai Bay. See "Description of Other Material Indebtedness."

On March 19, 2010, we repaid the US$28.0 million bridge loan that we obtained from Yes Plus Limited.

On March 29, 2010, Shanghai Xintai borrowed an aggregate of RMB925.0 million under two entrusted loan agreements with Huabao Entrustment Company Ltd. to finance the Nanjing Jiangxu Acquisition. See "Description of Other Material Indebtedness."

On April 13, 2010, Shanghai Xintai borrowed an aggregate of RMB1.0 billion under two entrusted loan agreements with Bohai International Entrustment Company Ltd. for the specific purpose of funding development of Phases I, II and III of Shanghai Bay. See "Description of Other Material Indebtedness."

We expect to enter into separate credit facilities for an aggregate total of up to US$170.0 million with one or more international banks, including Standard Chartered Bank (Hong Kong) Limited and JP Morgan Chase Bank, N.A. The principal amounts outstanding under the credit facilities are expected to bear interest at a floating rate calculated by reference to LIBOR plus a margin. Each of the credit facilities are also expected to be guaranteed by our Subsidiary Guarantors, constitute Permitted *Pari Passu* Secured Indebtedness and be secured by the Collateral. These facility agreements are also expected to contain various covenants and events of default including a cross default.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

- **Economic growth, speed of urbanization and demand for residential and commercial properties in China.** China's economic growth has been primarily concentrated in China's urban cities, economic growth, higher standards of living, population growth and urbanization are primary drivers of demand for the purchase or rental of residential and commercial properties. As we focus on the development of properties in Shanghai, Tianjin, Beijing and other cities in the PRC, China's economic growth, population growth and urbanization are important to our operations. The PRC property industry is dependent on the overall economic growth in the PRC and the resultant demand for residential and commercial properties. Developments in the private sector, urbanization and the resultant demand for properties in China have in the past resulted in increases in sales of our properties. We expect these factors to continue to have a significant impact on our results of operations.

- **Policies in the PRC that affect the development of the real estate industry.** A number of PRC policies heavily impact the real estate industry, including tax policies (including the government incentive grant policy, the preferential income tax policy and the LAT policy), land grant policies, pre-sale policies, policies on interest rates, the availability of mortgages and loans, and other macro-economic policies designed to control the growth of the PRC property market. On May 27, 2009, the State Council issued a Notice on Adjusting Capital Ratios of Fixed Asset Investment Projects ("國務院關於調整固定資產投資項目資本金比例的通知") which lowered the minimum capital ratio for ordinary commodity housing projects and affordable housing projects from 35% to 20%. The minimum capital ratio for all other property development projects has been lowered from 35% to 30%. This policy is expected to enhance property developers' ability to procure project financing. Property developers are exposed to interest rate risks resulting from fluctuations in interest rates on their outstanding debt. The PBOC cut rates five times in the last quarter of 2008, reducing the one-year benchmark lending rate by a total of 189 basis points and the deposit rate by a total of 216 basis points. By the end of 2008, the one-year benchmark lending and deposit rates were 5.31% and 2.25%, respectively. See "Risk Factors — Risk Relating to Our Business — Our business may be adversely affected by future increases in interest rates".

- **Our ability to identify and acquire suitable land for development.** Our success depends on our ability to secure quality land at prices that enable us to generate reasonable returns. In general, land prices in the PRC have increased in recent years. As the PRC economy and property development industry mature and demand for residential and commercial properties grows, we expect that competition among developers to acquire land that is suitable for property development will intensify, which may drive up land prices. Implementation of public tender, auction and listing-for-sale practices in respect of the grant of state-owned land use rights has contributed to increased competition for land use rights and increased land acquisition costs. The PRC government has introduced macro-economic policies over the past several years at both the central and local levels to further regulate the property market in the PRC, with a view to tightening and controlling the supply of land, including in prime locations in the PRC. Due, in part, to the above, our average land costs per sq.m. as recognized in our cost of sales were RMB960.0, RMB1,165.0 and RMB1,015.0 (US$148.7) for the three years ended December 31, 2009, respectively. Increases in average land costs per sq.m. will increase our cost of sales, and consequently will have a negative impact on our gross profit margin. Our gross profit margin is also dependent on other factors, including our recognized average selling price and our construction costs. For a more detailed analysis of our gross profit margin, see "Consolidated Results of Operations".

- **Interim fluctuations in results of operations.** Our revenue and cost of sales are recognized after our properties have been sold and delivered. We typically pre-sell our properties prior to their completion in accordance with the PRC pre-sale regulations. We do not, however, recognize the proceeds from pre-sales of properties until we have completed the construction of these properties and the risk and rewards of the properties have been delivered to the purchasers and the collectability of related receivables is reasonably assured. There is typically a time gap of a year or two between the time we commence pre-sale of properties under development and the delivery of the properties. See "— Critical Accounting Policies — Recognition of revenue from and costs of sale of properties" for further information. Because the timing of delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA and timing of delivery of the properties we sell. Periods in which we deliver more GFA typically generate a higher level of revenue. Periods in which we pre-sell a large amount of GFA, however, may not generate a correspondingly high level of recognized revenue if the properties pre-sold are not delivered. The effect on our results of operations of the timing of delivery of projects is magnified by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisitions and construction costs as well as our limited supply of land. Our ability to complete a project in accordance with the delivery schedule and to recognize revenue after completion depends on the timetable of the construction phase, which in turn depends on various factors such as the availability of construction materials, labor efficiency, weather conditions, the availability of suitable land and the timing of acquisition of such land. In addition, variation in our sales schedules also caused our selling and marketing expenses to fluctuate throughout the three years ended December 31, 2009. Furthermore, given our presence and expansion, our business is, and will continue to be, subject to seasonality. Consequently, our cash flows and results of operations may be subject to significant fluctuations.

- **Access to and cost of financing.** Bank and other borrowings have been, and we expect will continue to be, an important source of funding for our property developments. Our access to capital and cost of financing will be affected by the prevailing interest rates on bank loans, which is linked to the PBOC benchmark lending rate, the restrictions imposed by the PRC government on bank lending for property development, and the general condition of the domestic and global capital markets. We may not always be able to obtain or renew financing on favorable terms. Our outstanding bank borrowings amounted to RMB2,521.7 million, RMB2,167.1 million and RMB4,131.5 million (US$605.3 million) as of December 31, 2007, 2008 and 2009, respectively. The weighted average effective interest rates for our bank borrowings as of December 31, 2007, 2008 and 2009 were 8.60%, 6.33% and 7.89%, respectively. Our interest costs relating to our bank borrowings amounted to RMB303.4 million, RMB213.5 million and RMB223.6 million (US$32.8 million) for the years ended December 31, 2007, 2008 and 2009, respectively. In November and December, 2007, we issued promissory notes with a combined aggregate principal amount of US$500.0 million to certain pre-IPO investors for an aggregate subscription price of RMB3,717.4 million (US$544.6 million). The promissory notes were restructured in August 2009 and the restructured promissory notes were fully redeemed in March 2010. The interest expenses we incurred with respect to these notes for the years ended 2007, 2008 and 2009 were RMB136.0 million, RMB995.7 million and RMB817.9 million (US$119.8 million), respectively.

- **Effects of substantial capitalized interest on future periods.** Substantially all of the borrowing costs, including interest expense, related to the promissory notes issued to the pre-IPO investors and the borrowing costs related to the Shanghai Bay Arrangement have been or will be capitalized as a part of the cost of acquiring or constructing the projects to which the proceeds of such financing arrangements were applied. These capitalized borrowing costs will not be recognized in our consolidated income statements until construction of such projects is completed and these projects are delivered and sold. The borrowing costs associated with the promissory notes issued to the pre-IPO investors and with the Shanghai Bay Arrangement are significantly higher than the borrowing costs associated with our previous bank borrowings, which, prior to these financings, constituted substantially all of our capitalized borrowings. As a result, to the extent projects have been funded with proceeds from the promissory notes or the Shanghai Bay Arrangement, the associated capitalized borrowing costs may be significantly higher than the capitalized borrowing costs we have previously recognized in our consolidated income statements, which were generally associated with bank borrowings, and this may adversely affect our gross profit margin upon the sales of such projects in 2010 and future periods.

- **The performance of and the terms and conditions of our arrangements with external contractors, including designers, constructors, sub-constructors and sales and marketing firms with which we do business.** We engage external construction constructors, service providers and suppliers to provide us with construction services, various types of construction materials as well as other services such as design and interior decoration. Our primary general construction contractor throughout the three years ended December 31, 2009 was Shanghai

Ditong. While we work closely with Shanghai Ditong and retain overall control over the quality and progress of the construction process, working with Shanghai Ditong and other general contractors entails performance risks which can impact the results of our operations.

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

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

- **Product Mix.** In the years ended December 31, 2008 and 2009, we began to sell a higher proportion of high quality properties. Sales of high quality properties yield higher average selling prices than other properties. In addition, as high quality properties require a higher level of raw material costs, design costs and fees paid to contractors for additional amounts of work, the overall cost of sales on a per sq.m. basis for high quality properties is higher than for other properties.

- **Expansion into other cities.** Our expansion into new markets may increase demands on our management's resources and affect our results of operations and financial condition. The PRC real estate industry is highly competitive and localized. Each locality typically has its own local property developers which may have better access to information and knowledge of the market than we have.

- **Changes in fair value of investment properties.** Our results of operations have in the past been affected by adjustments in the estimated fair value of our investment properties and may continue to be affected by such adjustments in the future. For the years ended December 31, 2008 and 2009, we recognized fair value gains on our investment properties in the amounts of RMB846.1 million and RMB1,027.0 million (US$150.5 million), respectively, which represented 40.6% and 27.9% of our profit before income tax in those periods, respectively. In accordance with HKFRS, we are required to reassess the fair value of our investment properties on each reporting date, and we include the gains or losses arising from changes in the estimated fair value of such investment properties in our consolidated income statements in the period in which they arise. Pursuant to HKAS 40, our investment properties may be recognized by using either the fair value model or the cost model. We recognize investment properties at their estimated fair value because we are of the view that periodic estimated fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties. The fair values of our investment properties are based on valuations of such properties conducted by our property valuer, Jones Lang LaSalle Sallmanns, using property valuation techniques involving certain assumptions about market conditions, including the assumptions that property interests held under development by us in the PRC will be developed and completed in accordance with our latest development proposals and that we sell the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement. In determining the fair value, the valuer has utilized property valuation techniques which involve estimations of, among other things, comparable sales in the relevant market, current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. Investors should be aware that the fair value gains on investment properties included in our consolidated income statements reflect unrealized capital gains in the estimated fair value of our investment properties at the relevant reporting date and do not constitute profit generated from our operations or generate any actual cash inflow to us unless and until such investment properties are sold at or above such estimated fair values. Favorable or unfavorable changes in the assumptions and estimations used by the property valuer would result in changes to the fair value of our investment properties and corresponding adjustments to the amount of gains or losses reported in our consolidated income statements in the future. As of December 31, 2009, our investment properties primarily consist of the Shanghai Bay office building and certain other retail properties that we hold for long-term rental yields.

- **LAT.** Our property developments are subject to LAT with respect to the appreciated value of the related land and improvements on such land. LAT applies to both domestic and foreign investors of property in China, irrespective of whether they are corporate entities or individual investors. Our provisions for LAT expenses for each of the years ended December 31, 2007, 2008 and 2009 were RMB114.6 million, RMB363.1 million, and RMB722.0 million (US$105.8 million). We are required to prepay a portion of LAT equal to a specified percentage of our pre-sales proceeds set by local tax authorities, which is generally assessed at a rate of approximately 1.0%.

CRITICAL ACCOUNTING POLICIES

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

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

Recognition of revenue from and costs of sale of properties

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

Completed properties held for sale and properties under development

Completed properties held for sale and properties under development are recorded at the lower of cost and net realizable value. We make estimates of the net realizable value of completed properties by reference to the available market data including the most recent sale transactions and market survey reports available from independent property valuers, after taking into account the anticipated costs of selling these properties. Properties under development are classified as current assets on our consolidated balance sheets unless the construction period of the relevant property development project is expected to be completed beyond our normal operating cycle. Our initial payments for leasehold land and land use rights included in this category of assets are measured at amortized cost less accumulated impairment losses.

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

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

In respect of properties under development for future use as investment properties, we have adopted the amendment to Hong Kong Accounting Standard 40 for the year ended December 31, 2008. Pursuant to the adoption of the amendment, property that is under construction or development for future use as investment property is measured at fair value under the fair value method and the gains or losses arising from changes in the fair value are accounted for as gains or losses upon revaluation in our consolidated income statements. Upon the adoption of the amendment, there was no impact on our financial information as of and for the year ended December 31, 2007. Fair value gains of RMB846.1 million and RMB1,027.0 million (US$150.5 million), and the related deferred taxation expense of RMB211.5 million and RMB256.7 million (US$37.6 million), were recognized in our consolidated income statements for the years ended December 31, 2008 and 2009, respectively.

Borrowing costs

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

Substantially all of the borrowing costs, including interest expense, related to the promissory notes issued to the pre-IPO investors and the Shanghai Bay Arrangement have been or will be capitalized as a part of the cost of acquiring or constructing the projects to which the proceeds of such financing arrangements were applied. These capitalized borrowing costs will not be recognized in our consolidated income statements until construction of such projects is completed and these projects are sold and ready for delivery. The borrowing costs associated with the promissory notes and the Shanghai Bay Arrangement are significantly higher than the borrowing costs associated with our previous bank borrowings, which, prior to these financings, constituted substantially all of our capitalized borrowings. As a result, to the extent projects have been funded with proceeds from the promissory notes or the Shanghai Bay Arrangement, our capitalized borrowing costs may be significantly higher than the capitalized borrowing costs we have previously recognized in our income statements, which were generally associated with bank borrowings, and this may adversely affect our gross profit margin upon the sales of such projects in future periods.

Provision for the PRC Land Appreciation Tax (“LAT”)

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

Deferred income tax

Significant judgment is required in determining our provisions for deferred income tax. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in our consolidated financial information. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of such transaction, affects neither the accounting nor taxable profit or loss, such as goodwill. Deferred income tax is determined using the tax rates that have been applicable or substantially enacted by the balance sheet date and may apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

SELECTED INCOME STATEMENT ITEMS

Revenue

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

The table below sets forth, for the year indicated and on a project basis, our revenue.

	For the year ended December 31,									
	2007			2008			2009			
	Revenue	GFA Sold and Delivered	Recognized Average Selling Price[1]	Revenue	GFA Sold and Delivered	Recognized Average Selling Price[1]	Revenue		GFA Sold and Delivered	Recognized Average Selling Price[1]
	RMB'000	sq.m.	RMB per sq.m.	RMB'000	sq.m.	RMB per sq.m.	RMB'000	US$'000	sq.m.	RMB per sq.m.
Properties sold and delivered										
Sunshine Venice (Phase II)	—	—	—	5,785	681	8,495	—	—	—	—
Sunshine Venice (Phase IIIA)	389,268	57,026	6,826	17,710	2,078	8,523	3,961	580	429	9,233
Sunshine Venice (Phase IIIB)	—	—	—	548,517	61,490	8,920	1,226,578	179,695	122,728	9,994
Chateau De Paris (Phase I) (retail)	—	—	—	167,214	4,778	35,000	—	—	—	—
Chateau De Paris (Phase I)	—	—	—	1,400	113	12,403	11,722	1,717	755	15,526
Chateau De Paris (Phase II)	—	—	—	958,020	43,807	21,869	279,171	40,899	9,166	30,457
Shanghai Bay (Phase I)	—	—	—	—	—	—	2,214,913	324,487	77,443	28,601
Sunglow Xinjing	10,857	1,119	9,702	—	—	—	—	—	—	—
Sunshine Holiday (Phase I)	3,701	471	7,858	860	144	5,972	—	—	—	—
Sunshine Holiday (Phase II)	—	—	—	978,376	159,303	6,142	2,413	354	392	6,156
Sunshine Holiday (Phase III)	—	—	—	—	—	—	592,374	86,783	78,029	7,592
Shanghai Park Avenue	574,716	26,869	21,390	641,714	22,379	28,675	611,154	89,535	26,118	23,400
No. 1 City Promotion (Phase I)	680,313	156,036	4,360	10,488	2,419	4,336	3,135	459	756	4,147
No. 1 City Promotion (Phase II)	—	—	—	—	—	—	621,911	91,110	134,373	4,628
Sunny Town (Phase I)	133,087	36,831	3,613	290,157	74,835	3,877	3,707	543	895	4,142
Sunny Town (Phase II)	—	—	—	93,684	20,486	4,573	97,851	14,335	22,741	4,303
Classical Life (Phase I)	—	—	—	114,699	16,964	6,761	97,756	14,321	13,524	7,228
Classical Life (Phase II)	—	—	—	120,335	27,430	4,387	7,975	1,168	1,748	4,562
Sunshine Bordeaux (Phase I)	—	—	—	—	—	—	389,172	57,014	81,500	4,775
Total Property Sales Revenue	1,791,942	278,352	6,438	3,948,959	436,907	9,038	6,163,793	903,000	570,597	10,802
Other Revenue	—	—	—	—	—	—	7,334	1,075	—	—
Total	1,791,942	278,352	6,438	3,948,959	436,907	9,038	6,171,127	904,075	570,597	10,802

Notes:

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

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

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

In 2009, we delivered 570,597 sq.m. of GFA at an overall recognized average selling price of RMB10,802 (US$1,583) per sq.m., an increase of 19.5% over the recognized average selling price in 2008. Shanghai Bay (Phase I) began to recognize revenue in 2009 at a recognized average selling price of RMB28,601 (US$4,190) per sq. m. and accounted for 35.9% of our total revenue in 2009. Sunshine Venice (Phase III B) continued to record sales in 2009 at a recognized average selling price of RMB9,994 (US$1,464) per sq. m. and accounted for 19.9% of our total revenue in 2009. No. 1 City Promotion (Phase II) began to recognize revenue in 2009 at a recognized average selling price of RMB4,628 (US$678) per sq. m. and accounted for 10.1% of our total revenue in 2009. Shanghai Park Avenue continued to record sales in 2009 at a recognized average selling price of RMB23,400 (US$3,428) per sq. m. and accounted for 9.9% of our total revenue in 2009. Sunshine Holiday (Phase III) started to recognize revenue in 2009 at a recognized average selling price of RMB7,592 (US$1,112) per sq. m. and accounted for 9.6% of our total revenue in 2009.

Cost of sales

Our cost of sales consists primarily of the costs incurred directly from our property development activities which include construction costs, land costs, capitalized interest, and business taxes and other levies. We recognize cost of sales with respect to a property when we recognize our revenue from such property, which generally occurs when construction is completed and the property is delivered. Our average cost of sales per sq.m. increased by 25.5% to RMB5,249 (US$769) for the year ended December 31, 2008 from RMB4,184 for the year ended December 31, 2007 due to the higher proportion of high quality properties sold and delivered. Our average cost of sales per sq.m. for the year ended December 31, 2009 increased by 6.7% to RMB5,599 (US$820), from RMB5,249 for the year ended December 31, 2008 because we began to sell a higher proportion of high quality properties which both increased our average selling prices and average cost of sales on a per sq.m. basis.

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

	For the year ended December 31,								
	2007		2008		2009			07-08	08 - 09
	RMB'000	RMB'000 Per sq.m.	RMB'000	RMB'000 Per sq.m.	RMB'000	US$'000	RMB'000 Per sq.m.	Total RMB % change	Total RMB % change
Construction costs	764,392	2,746	1,489,035	3,408	2,129,105	311,916	3,731	94.8%	43.0%
Land costs	267,228	960	508,943	1,165	579,149	84,846	1,015	90.5%	13.8%
Capitalized interest	34,023	122	74,668	171	135,811	19,897	238	119.5%	81.9%
Business taxes and other levies	99,175	356	220,693	505	350,791	51,391	615	122.5%	58.9%
Sub-total	1,164,818	4,184	2,293,339	5,249	3,194,856	468,049	5,599	96.9%	39.3%
Cost of sales of other business	—	—	—	—	6,904	1,011	—	—	—
Total	1,164,818	4,184	2,293,339	5,249	3,201,760	469,060	5,599	96.9%	39.6%

Construction costs. Construction costs represent costs incurred for the design and construction of property projects. Such costs consist primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, construction installation, infrastructure expenses, raw material costs, design costs, and salary-related expenses for on-site staff. In 2008, our construction costs were RMB1,489.0 million, representing an increase of 94.8% from RMB764.4 million in 2007. The increase was primarily due to an increase in the proportion of our construction of high quality residential properties and the increase in GFA sold and delivered in 2008. Our construction costs in 2009 were RMB2,129.1 million, representing an increase of 43.0% from 2008, which was primarily due to the increase in GFA sold and delivered and the increase in proportion of high quality residential properties sold and delivered. Our average construction cost for the three years ended December 31, 2009, calculated as our construction costs recognized divided by GFA sold and delivered during the relevant period, was RMB2,746, RMB3,408 and RMB3,731 (US$547), respectively. The increases in average construction cost from 2007 to 2008 and from 2008 to 2009 were primarily due to increases in the proportion of our construction of high quality buildings, which is also reflected in the increases in our recognized average selling price per sq.m. Our construction costs are affected by a number of factors such as:

- the differences in the location and type of project, including the requirements relating to the design and interior decoration for different property types, which may result in differences in the construction costs incurred;

- fluctuations in the prices of construction materials, including steel and cement. Market prices of such items fluctuate and thus impact our costs. See "Key Factors Affecting Our Results of Operations — Price volatility of construction materials"; and

- design and construction decisions relating to ancillary facilities, including whether to supplement our properties with playgrounds, gymnasiums, and other recreational facilities.

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

Land costs. Land costs include costs relating to the acquisition of the rights to occupy, use and develop land, including land premiums, demolition and resettlement costs, and land-related taxes. Our land costs in 2008 were RMB508.9 million, representing an increase of 90.5% from RMB267.2 million in 2007, primarily due to the 57.0% increase in GFA sold and delivered from 278,352 sq.m. in 2007 to 436,907 sq.m. in 2008 and the increase in average land costs per sq.m. by 21.4%. Our land costs in 2009 were RMB579.2 million (US$84.9 million), representing an increase of 13.8% from RMB508.9 million in 2008. The increase was primarily attributable to the 30.6% increase in GFA sold and delivered from 436,907 sq.m. in 2008 to 570,597 sq.m. in 2009. Our average land costs per sq.m. decreased in 2009 by 12.9% as 35.9% of our total revenue in 2009 came from the sale of Shanghai Bay (Phase I), whose average land costs per sq.m. were lower than the land costs of Shanghai Park Avenue and Chateau De Paris, the aggregate sale of which represented 44.8% of our total revenue in 2008.

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

Our capitalized interest included in cost of sales for 2008 was RMB74.7 million, representing an increase of 119.5% from RMB34.0 million in 2007. The increase in capitalized interest included in cost of sales in 2008 were due in part to the increase in GFA sold and delivered because capitalized interest included in cost of sales is recognized when the property financed is sold and delivered. Our capitalized interest included in cost of sales in 2009 was RMB135.8 million (US$19.9 million), representing an increase of 81.9% from RMB74.7 million in 2008. The increase was primarily due to an increase in GFA sold and delivered in 2009 as compared to 2008. The amounts of capitalized interest under properties under development were RMB608.7 million, RMB1,488.5 million and RMB2,520.3 million (US$369.2 million) as of December 31, 2007, 2008 and 2009. The amounts of capitalized interest under completed properties held for sale were RMB7.4 million, RMB57.3 million and RMB95.0 million (US$13.9 million) as of December 31, 2007, 2008 and 2009, respectively. The increase in capitalized interest under properties under development and under completed properties for sale as of December 31, 2009 in part reflected properties constructed or under development that were financed pursuant to the Shanghai Bay Arrangement or the pre-IPO Notes.

Business taxes and other levies. Business taxes and other levies in 2008 totaled RMB220.7 million, representing an increase of 122.5% from RMB99.2 million in 2007, which was primarily due to a significant increase in our sales. Our business taxes and other levies in 2009 were RMB350.8 million (US$51.4 million), representing an increase of 58.9% as compared to RMB220.7 million in 2008 as a result of an increase in GFA sold and delivered.

Gross profit

Gross profit represents revenue less cost of sales. Our gross profit in 2008 was RMB1,655.6 million, an increase of 164.0% from RMB627.1 million in 2007. Our gross profit in 2009 increased by 79.4% to RMB2,969.4 million (US$435.0 million) from RMB1,655.6 million in 2008. Our gross profit margins were 35.0%, 41.9% and 48.1% for the years ended December 31, 2007, 2008 and 2009, respectively. The increase in our gross profit margin from 35.0% in 2007 to 41.9% in 2008 was primarily due to an increase in sales of high quality residential properties in Shanghai and Tianjin, which were sold at a much higher average selling price. The increase in our gross profit margin from 41.9% in 2008 to 48.1% in 2009 was due to increased sales in Shanghai, where our recognized average selling prices were higher, as a percentage of our total sales.

Other income

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

Other gains/(losses)

Other gains, net, in 2008 were RMB825.6 million, which were primarily due to a fair value gain relating to our investment properties in Shanghai. Other gains, net, in 2009 were RMB1,218.8 million (US$178.6 million), primarily due to a fair value gain relating to our investment properties in Shanghai including the Shanghai Bay-Binjiang Center (North block), Sunshine Venice Phase I-III (commercial portion) and Chateau De Paris Phase II (commercial portion) and a gain on extinguishment of financial liability in connection with the restructuring of the original promissory notes.

Selling and marketing expenses

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

Administrative expenses

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

Finance costs

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

Income tax expense

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

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

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

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

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

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

CONSOLIDATED RESULTS OF OPERATIONS

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

	For the year ended December 31,						
	2007	% of Revenue	2008	% of Revenue	2009		% of Revenue
	RMB'000		RMB'000		RMB'000	US$'000	
Revenue	1,791,942	100.0%	3,948,959	100.0%	6,171,127	904,075	100.0%
Cost of sales	(1,164,818)	(65.0%)	(2,293,339)	(58.1%)	(3,201,760)	(469,060)	(51.9%)
Gross profit	627,124	35.0%	1,655,620	41.9%	2,969,367	435,015	48.1%
Other income	17,194	1.0%	21,405	0.5%	27,366	4,009	0.4%
Other gains, net[1]	(34,513)	(1.9%)	825,563	20.9%	1,218,817	178,558	19.8%
Selling and marketing expenses	(77,426)	(4.3%)	(150,494)	(3.8%)	(151,333)	(22,170)	(2.5%)
Administrative expenses	(105,666)	(5.9%)	(214,818)	(5.4%)	(351,397)	(51,480)	(5.7%)
Finance costs	(97,225)	(5.4%)	(54,479)	(1.4%)	(27,068)	(3,966)	(0.4%)
Profit before income tax	329,488	18.4%	2,082,797	52.7%	3,685,752	539,966	59.7%
Income tax expenses							
- PRC corporate income tax	(100,066)	(5.6%)	(259,627)	(6.6%)	(460,619)	(67,481)	(7.5%)
- LAT	(114,551)	(6.4%)	(363,102)	(9.2%)	(722,039)	(105,780)	(11.7%)
- Deferred income tax	(6,777)	(0.4%)	(205,077)	(5.2%)	(136,950)	(20,063)	(2.2%)
Total income tax expenses	(221,394)	(12.4%)	(827,806)	(21.0%)	(1,319,608)	(193,324)	(21.4%)
Profit for the year attributable to the Company's equity owners	108,094	6.0%	1,254,991	31.8%	2,366,144	346,642	38.3%

Note:

(1) Other gains, net included fair value gains on investment properties of RMB846.1 million and RMB1,027.0 million (US$150.5 million) for the years ended December 31, 2008 and 2009, respectively. These fair value gains are unrealized. See "— Factors Affecting Our Results of Operations — Changes in fair value of investment properties". Other gains, net for the year ended December 31, 2009 also included gain on extinguishment of financial liability of RMB198.7 million (US$29.1 million).

The following discussion is based on our consolidated financial information.

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

Revenue. Our revenue for 2009 was RMB6,171.1 million (US$904.1 million), representing an increase of 56.3% compared to RMB3,949.0 million in 2008, primarily due to an increase in aggregate GFA sold and delivered from 436,907 sq.m. in 2008 to 570,597 sq.m. in 2009 in accordance with our project development cycle as well as a 19.5% increase in our recognized average selling price from RMB9,038 per sq.m. in 2008 to RMB10,802 per sq.m. in 2009. The increase in GFA sold and delivered was due in part to the completion of Shanghai Bay (Phase I) in December 2009, which contributed 35.9% of our revenue in 2009, and other new projects, including No. 1 City Promotion (Phase II) and Sunshine Holiday (Phase III) as well as sales from existing projects such as Sunshine Venice (Phase III B) and Shanghai Park Avenue. The increase in our recognized average selling price per sq.m. was largely due to the sales from Shanghai Bay (Phase 1), which had an average recognized selling price of RMB28,601 (US$4,190) per sq.m.

Cost of sales. Our cost of sales in 2009 was RMB3,201.7 million (US$469.1 million), representing an increase of 39.6% compared to RMB2,293.3 million in 2008. This was primarily due to the increase in aggregate GFA delivered as well as higher construction costs due to an increase in the proportion of high quality residential properties sold and delivered in 2009.

Gross profit. We recorded a gross profit of RMB2.969.4 million (US$435.0 million) in 2009, representing an increase of 79.4% compared to RMB1,655.6 million in 2008. Our gross profit margin increased from 41.9% in 2008 to 48.1% in 2009. The increase in our gross profit margin resulted primarily from an increase in the recognized average selling price per sq.m. due to the increased proportion of sales of high quality properties.

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

Other gains/(losses). Our other gains, net, in 2009 were RMB1,218.8 million (US$178.6 million), primarily included revaluation gains on our investment properties of RMB1,027.0 million (US$150.5 million) and a gain on extinguishment of financial liability of RMB198.7 million (US$29.1 million) in connection with the restructuring of the original promissory notes. Our other gains, net, of RMB825.6 million in 2008 primarily included the fair value gain of our investment properties in Shanghai, including the Shanghai Bay office building.

Selling and marketing expenses. Our selling and marketing expenses were RMB151.3 million (US$22.2 million) in 2009, representing a slight increase of 0.6% from RMB150.5 million in 2008.

Administrative expenses. Our administrative expenses were RMB351.4 million (US$51.5 million) in 2009, representing an increase of 63.6% from RMB214.8 million in 2008, primarily due to recognition of share-based compensation expenses of RMB69.9 million (US$10.2 million) with respect to our pre-IPO share option scheme and penalty charges of RMB59.8 million (US$8.8 million) due to late deliveries of Sunshine Venice properties.

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

Profit before income tax. As a result of the foregoing, our profit before income tax in 2009 was RMB3,685.8 million (US$540.0 million), representing an increase of 77.0% compared to RMB2,082.8 million in 2008.

Income tax expenses. Our income tax expenses increased by 59.4% to RMB1,319.6 million (US$193.3 million) in 2009 from RMB827.8 million in 2008 primarily as a result of the increase in our profit before income tax. Our effective income tax rate decreased to 35.8% in 2009, compared to 39.7% in 2008. This was primarily due to the inclusion of the gain on extinguishment of financial liability, which was not taxable.

Profit for the year attributable to our equity owners. As a result of the foregoing, our profit for the year attributable to our equity owners in 2009 was RMB2,366.1 million (US$346.6 million), representing an increase of 88.5% compared to RMB1,255.0 million in 2008. Profit for the year attributable to our equity owners as a percentage of revenue was 38.3% in 2009, compared to 31.8% in 2008.

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

Revenue. Our revenue for 2008 was RMB3,949.0 million (US$578.5 million), representing an increase of 120.4% compared to RMB1,791.9 million in 2007, primarily due to an increase in GFA sold and delivered from 278,352 sq.m. in 2007 to 436,907 sq.m. in 2008 and an increase in sales of high quality residential properties, resulting in an increase in average selling price from RMB6,438 per sq.m. in 2007 to RMB9,038 per sq.m. in 2008. This increase in GFA sold and delivered was primarily from new projects, including Chateau De Paris (Phase II), Sunshine Holiday (Phase II) and Sunshine Venice (Phase IIIB) as well as existing projects such as Shanghai Park Avenue.

Cost of sales. Our cost of sales in 2008 was RMB2,293.3 million (US$336.0 million), representing an increase of 96.9% compared to RMB1,164.8 million in 2007. This increase was primarily due to an increase in GFA sold and delivered in 2008 and higher average construction cost per sq.m. for our high quality residential properties.

Gross profit. Our gross profit was RMB1,655.6 million (US$242.5 million) in 2008, representing an increase of 164.0% from RMB627.1 million in 2007. Our gross profit margin increased from 35.0% in 2007 to 41.9% in 2008. This increase was primarily due to an increase in sales of high quality residential properties, such as Shanghai Park Avenue and Chateau De Paris (Phase II), which were sold at a much higher average selling price and margin.

Other income. Our other income in 2008 was RMB21.4 million (US$3.1 million), representing an increase of 24.5% compared to RMB17.2 million in 2007, primarily due to rental income arising from certain properties in Chateau De Paris (Phase II) and Sunshine Venice and interest income generated by increased bank balances.

Other gains/(losses). Our other gains, net, in 2008 were RMB825.6 million (US$121.0 million), which were primarily due to fair value gain on our investment properties in Shanghai, including the Shanghai Bay office building. Other losses, net, in 2007 were RMB34.5 million, which were primarily due to foreign exchange losses as a result of RMB appreciation on the promissory notes issued to pre-IPO investors.

Selling and marketing expenses. Our selling and marketing expenses were RMB150.5 million (US$22.1 million) in 2008, representing an increase of 94.4% from RMB77.4 million in 2007. This increase was primarily due to an increase in promotion activities intended to improve our corporate image and marketing activities connected to the pre-sale of our properties, including Shanghai Bay.

Administrative expenses. Our administrative expenses were RMB214.8 million (US$31.5 million) in 2008, representing an increase of 103.3% from RMB105.7 million in 2007. This increase was primarily due to an increase in our headcount and corresponding salaries and welfare costs.

Finance costs. Our finance costs in 2008 were RMB54.5 million (US$8.0 million), representing a decrease of 44.0% from RMB97.2 million in 2007. This decrease was primarily due to an increase in the proportion of interest capitalized as a result of an increase in the number of projects under construction and development.

Profit before income tax. Our profit before income tax in 2008 was RMB2,082.8 million (US$305.1 million), representing an increase of 532.1% compared with RMB329.5 million in 2007. This increase was primarily due to an increase in sales of high quality residential properties, such as Shanghai Park Avenue and Chateau De Paris (Phase II), which were sold at a higher average selling price, and a fair value gain on our investment properties in 2008.

Income tax expenses. Our income tax expenses in 2008 increased by 273.9% to RMB827.8 million (US$121.3 million) from RMB221.4 million in 2007. This increase was primarily due to an increase in our profit and an increase in land appreciation tax and deferred income tax liability as a result of fair value gain on our investment properties in 2008. Our effective income tax rate, with LAT included in income tax expense, was 39.7% in 2008, representing a decrease from 67.2% in 2007. This decrease in the effective tax rate was due, in part, to the change of PRC corporate income tax from 33% in 2007 to 25% in 2008. The recognition of deferred income tax liability at 25% in respect of the fair value gain on investment properties, which accounted for 40.6% of the total profit before income tax for the year ended December 31, 2008, also contributed to the decrease in our effective tax rate in 2008.

Profit for the year attributable to our equity owners. Profit for the year attributable to our equity owners in 2008 was RMB1,255.0 million (US$183.9 million), representing an increase of 1,061.0% compared with RMB108.1 million in 2007 primarily due to an increase in gross profit margin arising from high quality residential properties and a fair value gain on our investment properties. Profit for the year attributable to our equity owners as a percentage of revenue increased from 6.0% in 2007 to 31.8% in 2008.

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

Completed properties held for sale[(1)]

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

Properties under development[(1)]

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

Pre-sale proceeds from customers

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

Investment properties

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

Notes:

(1) In this "Management's Discussion and Analysis of Financial and Other Data" section, the classification of properties into "completed properties held for sale" and "properties under development" is on the same basis as adopted in the preparation of the consolidated financial statements beginning on page F-1 of this document.

(2) Land costs of Royal Mansion Phase II are included.

LIQUIDITY AND CAPITAL RESOURCES

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

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

	For the year ended December 31,			
	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	US$'000
Net cash generated from (used in) operating activities	1,960,823	(2,726,410)	(3,035,813)	(444,749)
Net cash generated from (used in) investing activities	1,769,325	783,437	(149,057)	(21,837)
Net cash generated from (used in) financing activities	(606,515)	(935,672)	7,902,583	1,157,735
Net increase (decrease) in cash and cash equivalents	3,123,633	(2,878,645)	4,717,713	691,149
Cash and cash equivalents	3,199,105	297,221	5,013,296	734,452

Cash flow from operating activities

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

In 2009, we had a net cash outflow from operating activities of RMB3,035.8 million (US$444.7 million), compared to a net cash outflow of RMB2,726.4 million in 2008. This outflow primarily consisted of cash outflows from changes in operating assets and liabilities of RMB5,007.4 million (US$733.6 million) and income tax payments of RMB128.6 million (US$18.8 million) and interest payments of RMB476.1 million (US$69.7 million) partially offset by net cash inflow from operation before changes in working capital of RMB2,576.3 million (US$377.4 million). Our cash outflows from changes in operating assets and liabilities were primarily due to an increase of RMB1,970.1 million (US$288.6 million) in trade and other receivables and prepayments and an increase of RMB2,544.9 million (US$372.8 million) in properties under development and completed properties held for sale, partially offset by an increase in trade and other payables of RMB583.6 million (US$85.5 million).

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

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

Cash flow from investing activities

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

In 2009, we had a net cash outflow from investing activities of RMB149.1 million (US$21.8 million), compared to a net cash inflow of RMB783.4 million from investing activities in 2008. This net cash outflow in 2009 primarily comprised purchases of property, plant and equipment of RMB99.2 million (US$14.5 million) and cash outflow in the construction of investment properties of RMB52.5 million (US$7.7 million).

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

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

Cash flow from financing activities

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

In 2009, we had a net cash inflow from financing activities of RMB7.902.6 million (US$1,157.7 million), compared to a net cash outflow of RMB935.7 million in 2008. This inflow primarily consisted of receipt of RMB6,893.3 million (US$1,009.9 million) of net IPO proceeds and inflow of new bank loans and other financing of RMB5,866.1 million (US$859.4 million), partially offset by repayment of borrowings of RMB4,971.3 million (US$728.3 million).

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

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

Restricted cash

Restricted cash comprises (i) funds borrowed under project loans that are subject to restriction of use until certain prescribed stages of construction works are achieved, (ii) guaranteed deposits for the mortgage loan facilities granted by banks to purchasers of our properties, (iii) bank deposits of Shanghai Penghui for which the usage of funds is subject to approval from the purchaser under the Shanghai Bay Arrangement, (iv) funds borrowed under the Shanghai Bay Arrangement that are pledged as collateral for the Promissory Notes and could only be used for operating expenses and permitted uses until such financing was repaid, and (v) bank deposits under irrevocable payment instructions in relation to the acquisition of Tianjin Dong'an Group. As of December 31, 2007, 2008 and 2009, the balance of restricted cash was RMB66.7 million, RMB84.5 million and RMB1,039.1 million (US$152.2 million), respectively.

Working capital

As of December 31, 2007, 2008 and 2009, our cash and cash equivalents, excluding restricted cash, amounted to RMB3,199.1 million, RMB297.2 million and RMB5,013.3 million (US$734.5 million), respectively.

Capital expenditures

For the years ended December 31, 2007, 2008 and 2009, we incurred capital expenditures in the amounts of RMB5.1 million, RMB16.9 million and RMB168.5 million (US$24.7 million), respectively.

Contractual commitments

We were contractually committed to spend RMB6,907.0 million as of December 31, 2007, RMB8,004.7 million as of December 31, 2008 and RMB15,381.3 million (US$2,253.4 million) as of December 31, 2009 on expenditures required for land use rights, property development expenditures and construction materials.

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

	As of December 31,			
	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	US$'000
Land use rights	1,237,070	2,911,901	9,917,704	1,452,952
Property development expenditures	5,669,911	5,092,779	5,387,032	789,205
Construction materials	—	—	76,580	11,219
Total	6,906,981	8,004,680	15,381,316	2,253,376

Operating Lease

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

	As of December 31,			
	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	US$'000
Not later than one year	12,338	20,845	14,316	2,097
Later than one year and not later than five years	27,102	32,676	19,808	2,902
Later than five years	49,146	48,607	—	—
Total	88,586	102,128	34,124	4,999

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

INDEBTEDNESS AND CONTINGENT LIABILITY STATEMENTS

Borrowings

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

	As of December 31,			
	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	US$'000
Borrowings included in non-current liabilities:				
Bank borrowings — secured	2,317,730	537,000	2,970,149	435,129
Shanghai Bay Arrangement — secured	—	—	2,070,935	303,394
Subtotal	2,317,730	537,000	5,041,084	738,523
Borrowings included in current liabilities:				
Bank borrowings — secured	204,000	1,630,110	1,161,388	170,144
Borrowings from a related party — unsecured	680,000	—	—	—
Notes borrowing — secured	3,665,155	4,307,015	447,034	65,491
Other borrowings	—	—	198,438	29,071
Total borrowings in current liabilities	4,549,155	5,937,125	1,806,860	264,706
Total borrowings	6,866,885	6,474,125	6,847,944	1,003,229

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

	As of December 31,			
	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	US$'000
Within 1 year	4,549,155	5,937,125	1,806,860	264,706
After 1 and within 2 years	857,730	537,000	3,555,529	520,888
After 2 and within 5 years	1,460,000	—	939,606	137,653
After 5 years	—	—	545,949	79,982
	6,866,885	6,474,125	6,847,944	1,003,229

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

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

Our gearing ratio, calculated as our net debt divided by total capital, as of December 31, 2008 and 2009 was 662.9% and 6.7%, respectively.

Bank Borrowings. Our bank borrowings of RMB2,521.7 million, RMB2,167.1 million and RMB4,131.5 million (US$605.3 million) as of December 31, 2007, 2008 and 2009, respectively, were secured by certain properties under development and completed properties held for sale.

As of December 31, 2009, we had total banking facilities of RMB14,147.8 million (US$2,072.7 million), consisting of used banking facilities of RMB4,247.8 million (US$622.3 million) and unused banking facilities of RMB9,900.0 million (US$1,450.4 million).

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

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

For a description of certain additional bank borrowings subsequent to December 31, 2009, see "Description of Other Material Indebtedness."

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

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

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

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

The commercial intention for entering into the Shanghai Bay Arrangement was to enable us to obtain financing from, and grant collateral for such financing to, Shanghai Industrial Group. As such, pursuant to the terms of the Shanghai Bay Arrangement and following the transfer of each of the transferred blocks and prior to December 31, 2011, (i) we continue to bear the risks associated with the development of the transferred blocks and (ii) unless a non-performing event occurs, we still retain the right to manage and control the construction, pre-sale, sale, and development of the transferred blocks and manage the daily operations of Shanghai Penghui, the entity that was legal ownership of the transferred blocks during such period.

Bridge Loan

On August 17, 2009, we obtained a bridge loan of US$28 million from Yes Plus Limited, an independent third party, to fund a portion of the partial redemption of the original promissory notes. The loan bears interest of 10% per annum and we redeemed the notes in full on March 19, 2010.

Guarantees

We have arranged bank financing for certain purchasers of our property units and provided guarantees to secure the obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of: (i) issuance of the real estate ownership certificate which will generally be available within an average period of one to two years upon the completion of guarantee registration; or (ii) the satisfaction of the mortgage loan by the purchasers of our properties.

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

As of December 31, 2007, 2008 and 2009, the amount of outstanding guarantees for mortgages was RMB1,860.8 million, RMB2,662.1 million and RMB2,749.8 million (US$402.8 million), respectively.

As of December 31, 2007, completed properties held for sale with carrying values of RMB118.2 million were pledged as collateral for certain borrowings of three related companies. As of December 31, 2008, such pledge has been fully released. No completed properties held for sale were pledged as collateral for borrowings of other companies as of December 31, 2009.

As of December 31, 2009, properties under development with carrying value of RMB193.4 million were pledged as collateral for borrowings of third parties in the amount of RMB280.0 million.

Financial instruments

As of December 31, 2009, we have not entered into any financial instruments for hedging purposes.

Off-balance sheet commitments and arrangements

As of December 31, 2009, we had not entered into any material off-balance sheet transactions or arrangements.

MARKET RISKS

Interest rate risk

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

Commodities risk

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

Inflation

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

Foreign exchange risk

We conduct our operations in the PRC and most of our transactions, if not all, are settled in RMB. Our exposure to foreign exchange risk is principally due to our U.S. dollar-denominated debt and our bank deposits in foreign currencies, mainly Hong Kong dollars and U.S. dollars. As of December 31, 2009, we had U.S. dollar-denominated debt totaling RMB645.5 million, consisting of (i) the outstanding principal of the promissory notes of US$73.4 million, which we repaid in full, together with accrued interest, on March 1, 2010, and (ii) a bridge loan of US$28.0 million.

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

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

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

Credit risk

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

Liquidity risk

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

NON-GAAP FINANCIAL MEASURES

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

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

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

The following table reconciles our profit before income tax under HKFRS to our definition of Adjusted EBITDA for the periods indicated:

	For the year ended December 31,			
	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	US$'000
Net profit for the year	108,094	1,254,991	2,366,144	346,642
Adjustments				
Income taxes	221,394	827,806	1,319,608	193,324
Finance costs, net	97,225	54,479	27,068	3,966
Depreciation	5,526	6,571	7,677	1,125
Amortization	2,634	2,948	6,912	1,013
Share-based compensation expenses	—	—	69,898	10,240
Fair value gain on investment properties	—	(846,085)	(1,026,985)	(150,454)
Gain on extinguishment of financial liability	—	—	(198,729)	(29,114)
Adjusted EBITDA	434,873	1,300,710	2,571,593	376,742

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

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

THE ECONOMY OF THE PRC

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

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

Leading PRC Economic Indicators (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Population (million)	1,267	1,276	1,285	1,292	1,300	1,308	1,314	1,321	1,328	1,335	0.6%
Nominal GDP (RMB billion)	9,921	10,966	12,033	13,582	15,988	18,322	21,192	25,731	30,067	33,535	14.5%
Real GDP growth (%)	8.4	8.3	9.1	10.0	10.1	10.4	11.6	13.0	9.0	8.7	N/A
GDP per capita (RMB)	7,858	8,622	9,398	10,542	12,336	14,053	16,165	19,524	22,698	N/A	14.2%*
CPI growth (%)	0.4	0.7	-0.8	1.2	3.9	1.8	1.5	4.8	5.9	-0.7	N/A
Urban population (million)	459.1	480.6	502.1	523.8	542.8	562.1	577.1	593.8	606.7	621.9	3.4%
Urbanization (%)	36.2	37.7	39.1	40.5	41.8	43.0	43.9	44.9	45.7	46.6	N/A
Unemployment rate (%)	3.1	3.6	4.0	4.3	4.2	4.2	4.1	4.0	4.2	4.3	N/A
Per capita disposable income (RMB)	6,280	6,860	7,703	8,472	9,422	10,493	11,759	13,786	15,781	17,175	11.8%
Retail sales of consumer goods (RMB billion)	3,911	4,306	4,814	5,252	5,950	6,718	7,641	8,921	10,849	12,534	13.8%
Foreign direct investment (US$ billion)	40.7	46.9	52.7	53.5	60.6	60.3	69.5	74.8	92.4	90.0	9.2%
Fixed asset investment (RMB billion)	3,292	3,721	4,350	5,557	7,048	8,877	11,000	13,732	17,283	22,485	23.8%
Real estate investment (RMB billion)	498	634	779	1,015	1,316	1,591	1,942	2,529	3,120	3,623	24.7%

Source: China Statistical Yearbooks, 2001-2009
2009 China National Economy and Social Development Statistical Communique

Notes:

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

(2) Some figures have been revised in accordance with the latest published Statistics Yearbook 2009.

(3) CAGR refers to compound annual growth rate.

(4) Urbanization denotes the proportion of the total population residing in urban areas.

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

THE REAL ESTATE MARKET IN THE PRC

Real Estate Reform

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

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

2006 ..... The PRC government announced further measures to "promote healthy development of the real estate market", including: (i) requiring 70% of residential developments in certain regions be allocated to units no larger than 90 sq.m. by GFA; (ii) imposing business tax of 5% on the total proceeds from the sale of residential housing purchased and held for less than 5 years; (iii) prohibiting commercial banks from providing financing to development projects before the developer has committed more than 35% of the total project costs; (iv) imposing heft penalties or revoking land use rights where developers left land idle or failed to develop within the specified timeframe; (v) placing restrictions on foreigners purchasing residential properties in China; and (vi) placing restrictions on off-shore institutional investors investment in the Chinese real estate market.

2007 ..... The State Administration of Tax issued a notice requiring local tax authorities to strictly enforce the collection of Land Appreciation Tax ("LAT"), imposing additional requirements for loans with respect to second and subsequent purchases of properties by individuals, increasing minimum down payments for non-first home buyers from 30% to 40%, and increasing the mortgage rate for non-first home buyers from 85% to 110% of the standard interest rate.

2008 ..... The State Council issued the *Notice on Promoting the Saving and Intensification of Use of Land* (國務院關於促進節約集約用地的通知), which required that at least 70% of any residential land development project be used for developing low-cost rental units, small-to-medium sized units, low-to-medium cost units and units with a GFA of less than 90 sq.m. The notice also imposed an additional land premium surcharge on idle land.

The Ministry of Finance and the State Administration of Taxation of the PRC adjusted real estate related tax rates for individual property sale or purchase, including temporarily lowering the deed tax rate to 1% for individual first time purchase of residential with a GFA of no more than 90 sq.m., suspending land appreciation tax for sale of residential properties and suspending stamp duty for purchase or sale of residential properties.

The State Council implemented several tax related policies, including shortening the business tax exemption term for the transfer of ordinary residential properties from five years to two years beginning the earlier of the date of issuance of building ownership certificates or the date of the deed tax payment receipt, and revising the basis for calculating the business tax by fixing it at the balance between the transfer price and the purchase price if the individual owner transfers the property within two years after purchase.

In support of first time purchasers of ordinary residential properties, the PBOC adjusted the lower limit of the lending rate for residential properties of a commercial nature for individuals to 70% of the benchmark lending rate and adjusted the minimum down payment to 20% of the total purchase price. The PBOC also lowered the lending rate for real estate developers of low-rent housing to 90% of the bench mark lending rate.

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

SHANGHAI PROPERTY MARKET

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

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

Shanghai Economic Indicators of (2000-2009)

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

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

Notes:

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

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

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

The PRC central government's policies issued in April 2009 aim to develop Shanghai into an international financial and shipping center and to enhance the development of its service and manufacturing industries. The Shanghai World Expo 2010 is expected to enhance Shanghai's status as a leading international financial center.

Infrastructure Developments

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

- construction of six metro lines and light railways to be completed in Shanghai by 2012;
- construction of the Shanghai-Beijing Express Railway scheduled to be completed in 2013; and
- road, port and parks construction scheduled for completion for the Shanghai World Expo 2010.

Real Estate Investment in Shanghai

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

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

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

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

Property Market Indicators of Shanghai (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	56.6	63.1	74.9	90.1	117.5	124.7	127.6	130.8	136.7	146.4	11.1%
GFA of commodity properties completed (million sq.m.)	16.4	17.9	19.8	24.9	34.4	40.0	32.7	33.8	24.8	21.0	2.8%
GFA of residential properties completed (million sq.m.)	13.9	15.2	17.1	21.4	30.8	27.4	27.0	27.5	17.6	N/A	3.0%*
GFA of commodity properties sold (million sq.m.)	15.6	18.0	19.7	23.8	34.9	31.6	30.3	36.9	23.0	33.7	8.9%
GFA of residential properties sold (million sq.m.)	14.5	16.8	18.5	22.2	32.3	28.5	26.2	32.8	19.7	29.3	8.1%
Average selling price of commodity properties (RMB per sq.m.)	3,565	3,866	4,134	5,118	6,489	6,842	7,196	8,361	8,255	12,840	15.3%
Average selling price of residential properties (RMB per sq.m.)	3,326	3,659	4,007	4,989	6,385	6,698	7,039	8,253	8,182	12,364	15.7%

Source: Shanghai Statistics Bureau

Note:

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

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

Mid to High-end Residential Market in Shanghai

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

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

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

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

Mid to High-end Retail Market in Shanghai

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

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

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

Shanghai Five-star Hotel Market

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

TIANJIN PROPERTY MARKET

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

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

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

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

Economic Indicators of Tianjin (2000-2009)

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

Source: Tianjin Statistical Yearbooks, 2001-2009
2009 Tianjin Economy and Social Development Statistical Communique

Notes:

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

Infrastructure Developments

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

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

Real Estate Investment in Tianjin

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

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

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

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

Property Market Indicators of Tianjin (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	13.4	16.1	17.6	21.1	26.4	32.8	40.2	50.5	65.4	73.5	20.8%
GFA of commodity properties completed (million sq.m.)	5.8	6.9	7.5	9.1	11.1	14.8	15.2	17.0	25.6	28.4	19.3%
GFA of residential properties completed (million sq.m.)	5.3	6.3	6.7	7.5	10.1	12.7	13.1	14.0	15.1	17.4	14.1%
GFA of commodity properties sold (million sq.m.)	3.9	5.4	5.6	7.9	8.5	14.1	14.6	15.5	12.5	15.9	16.9%
GFA of residential properties sold (million sq.m.)	3.8	5.1	5.4	7.2	8.0	12.6	13.3	14.0	11.4	N/A	16.8%*
Average selling price of commodity properties (RMB per sq.m.)	2,328	2,375	2,487	2,518	3,115	4,055	4,774	5,811	6,015	6,886	12.8%
Average selling price of residential properties (RMB per sq.m.)	2,274	2,308	2,414	2,393	2,950	3,987	4,649	5,576	5,598	N/A	11.9%*

Source: Tianjin Statistics Bureau

Notes:

(1) N/A refers to not applicable or not available.

(2) 2009 figures are preliminary data from Tianjin Statistics Bureau.

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

Mid to high-end Residential Market in Tianjin

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

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

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

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

Tianjin Five-star Hotel Market

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

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

BEIJING PROPERTY MARKET

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

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

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

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

Economic Indicators of Beijing (2000-2009)

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

Source: Beijing Statistical Yearbooks, 2001-2009
2009 Beijing Economy and Social Development Statistical Communique

Notes:

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

Infrastructure Developments

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

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

Real Estate Investment in Beijing

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

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

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

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

Property Market Indicators of Beijing (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	52.2	78.4	98.9	120.3	147.3	152.5	172.0	199.6	190.9	233.8	18.1%
GFA of commodity properties completed (million sq.m.)	13.7	17.1	23.8	25.9	30.7	37.7	31.9	28.9	25.6	26.8	7.7%
GFA of residential properties completed (million sq.m.)	10.1	13.9	19.3	20.8	23.4	28.4	21.9	18.5	14.0	16.1	5.3%
GFA of commodity properties sold (million sq.m.)	9.6	12.0	17.1	19.0	24.7	28.0	26.1	21.8	13.4	23.6	10.5%
GFA of residential properties sold (million sq.m.)	9.0	11.3	16.0	17.7	22.9	25.7	22.1	17.3	10.3	18.8	8.5%
											2000-2006 CAGR
Average price of commodity properties (RMB per sq.m.)	4,919	5,062	4,764	4,737	5,053	6,274	8,280	N/A	N/A	N/A	9.1%
Average Price of residential properties (RMB per sq.m.)	4,557	4,716	4,467	4,456	4,747	5,853	7,376	N/A	N/A	N/A	8.4%

Source: Beijing Statistics Bureau

Notes:

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

(2) 2009 figures are preliminary data from the Beijing Statistics Bureau.

Mid to high-end Residential Market in Beijing

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

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

WUXI PROPERTY MARKET

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

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

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

Economic Indicators of Wuxi (2000-2009)

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

Source: Wuxi Statistical Yearbooks, 2001-2009
2009 Wuxi Economy and Social Development Statistical Communique

Notes:

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

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

Real Estate Investment in Wuxi

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

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

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

Property Market Indicators of Wuxi (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	4.5	4.9	7.7	13.2	19.6	22.8	27.7	37.8	45.0	46.3	29.6%
GFA of commodity properties completed (million sq.m.)	2.4	2.5	2.9	5.1	4.8	6.9	7.9	7.4	7.1	6.8	12.2%
GFA of residential properties completed (million sq.m.)	2.0	2.1	2.5	4.6	4.0	5.4	6.1	6.0	5.9	5.2	11.3%
GFA of commodity properties sold (million sq.m.)	2.2	2.0	2.4	3.0	4.1	6.0	6.5	7.7	5.4	10.1	18.4%
GFA of residential properties sold (million sq.m.)	2.0	1.8	2.2	2.8	3.5	5.1	5.5	6.8	4.6	N/A	11.0%*
Average price of commodity properties (RMB per sq.m.)	1,718	1,808	1,813	2,216	2,534	3,679	4,000	4,573	5,375	6,266	15.5%
Average price of residential properties (RMB per sq.m.)	1,632	1,726	1,712	2,006	2,278	3,472	3,687	4,363	5,096	N/A	15.3%*

Source: Wuxi Statistics Bureau

Note:

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

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

Mid to High-end Residential Market in Wuxi

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

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

Wuxi Five-star Hotel Market

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

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

SUZHOU PROPERTY MARKET

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

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

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

Economic Indicators of Suzhou (2000-2009)

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

Source: Suzhou Statistical Yearbooks, 2001-2009
2009 Suzhou Economy and Social Development Statistical Communique

Notes:

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

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

Real Estate Investment in Suzhou

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

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

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

Property Market Indicators of Suzhou (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	6.1	6.9	10.7	17.8	33.4	41.4	47.1	60.2	71.8	72.4	31.6%
GFA of commodity properties completed (million sq.m.)	4.4	4.7	5.6	8.3	14.6	16.8	18.2	18.7	14.8	14.9	14.5%
GFA of residential properties completed (million sq.m.)	3.8	3.9	4.6	7.1	12.7	13.8	14.8	14.8	11.3	N/A	14.6%*
GFA of commodity properties sold (million sq.m.)	3.7	4.8	5.4	6.1	8.5	7.9	13.9	19.1	10.1	21.8	21.8%
GFA of residential properties sold (million sq.m.)	3.3	4.3	4.8	5.3	7.5	6.8	11.9	16.5	8.3	18.8	21.3%
Average price of commodity properties (RMB per sq.m.)	1,778	1,843	2,157	2,574	3,108	3,863	4,591	5,146	5,692	N/A	15.7%*
Average price of residential properties (RMB per sq.m.)	1,662	1,730	2,044	2,481	2,964	3,718	4,415	5,004	5,533	N/A	16.2%*

Source: Suzhou Statistics Bureau
Note:
(1) 2009 figures are preliminary data from the Suzhou Statistic Bureau.
** represents 2000-2008 CAGR as 2009 figure is not available.*

Suzhou Residential Market

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

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

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

NANTONG PROPERTY MARKET

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

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

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

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

Economic Indicators of Nantong (2000-2009)

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

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

Notes:

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

Infrastructure Developments

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

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

Real Estate Investment in Nantong

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

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

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

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

Property Market Indicators of Nantong (2000-2009)

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

Source: Nantong Statistics Bureau

Note:

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

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

Mid to High-end Residential Market in Nantong

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

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

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

HEFEI PROPERTY MARKET

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

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

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

Economic Indicators of Hefei (2000-2009)

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

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

Notes:

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

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

Infrastructure Developments and Urban Planning

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

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

- the development of Binhu New District, started in 2006, with a total area of 190 sq. km.; and

- construction of a new airport in Hefei, Xinqiao International Airport.

Real Estate Investment in Hefei

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

The commodity property market in Hefei has grown since 2000. GFA of completed commodity property increased at a CAGR of 21.2% from 2000 to 2008. At the same time, the demand for commodity property also grew, resulting in GFA of commodity property sold increasing at a CAGR of 34.5% between 2000 and 2009 and contributing to increases in property prices.

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

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

Property Market Indicators of Hefei (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	2.3	2.6	4.0	9.0	14.0	19.0	28.1	38.5	56.5	67.0	45.5%
GFA of commodity properties completed (million sq.m.)	1.2	1.4	2.2	3.3	4.7	5.1	5.3	6.0	5.6	N/A	21.2%*
GFA of residential properties completed (million sq.m.)	0.9	1.2	1.8	2.6	3.9	4.1	4.4	5.1	4.6	N/A	22.6%*
GFA of commodity properties sold (million sq.m.)	0.9	1.0	1.9	2.9	4.0	5.9	6.4	10.3	9.3	13.0	34.5%
GFA of residential properties sold (million sq.m.)	0.8	0.8	1.8	2.4	3.5	5.3	5.8	9.4	8.6	11.8	34.9%
Average price of commodity properties (RMB)	1,893	1,893	1,750	2,095	2,492	3,015	3,131	3,326	3,595	4,228	9.3%
Average price of residential properties (RMB)	1,678	1,676	1,616	1,895	2,314	2,807	2,891	3,172	3,428	4,095	10.4%

Source: Hefei Statistics Bureau

Notes:

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

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

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

Mid to High-end Residential Market in Hefei

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

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

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

Prime Retail Market in Hefei

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

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

SHENYANG PROPERTY MARKET

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

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

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

Economic Indicators of Shenyang (2000-2009)

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

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

Notes:

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

Infrastructure Developments

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

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

Real Estate Investment in Shenyang

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

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

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

Property market indicators of Shenyang (2000-2008)

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

Source: Shenyang Statistics Bureau

Mid to High-end Residential Market in Shenyang

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

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

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

HARBIN PROPERTY MARKET

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

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

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

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

Economic Indicators of Harbin (2000-2009)

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

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

Notes:

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

Infrastructure Developments

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

- construction of the Qunli New Area, a planned mixed use development in West Harbin;

- construction of the Daowai 20th Avenue Bridge, connecting Songbei District and central districts of Harbin across Songhua River; and

- implementation of Phase I of the Harbin subway.

Real Estate Investment in Harbin

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

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

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

Property Market Indicators of Harbin (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Real estate investment (RMB billion)	6.4	8.4	9.0	10.6	12.0	14.0	15.8	18.7	21.6	27.9	17.8%
GFA of commodity properties completed (million sq.m.)	4.5	5.2	3.8	4.2	5.1	5.2	6.7	7.0	4.7	5.3	1.8%
GFA of residential properties completed (million sq.m.)	3.4	4.3	3.2	3.0	3.4	3.9	5.4	5.0	3.9	4.5	3.1%
GFA of commodity properties sold (million sq.m.)	2.7	3.2	3.5	3.9	4.6	5.8	6.7	7.5	5.9	7.0	11.2%
GFA of residential properties sold (million sq.m.)	2.3	2.6	2.9	3.3	3.5	4.8	5.8	6.7	5.0	6.3	11.8%
Average price of commodity properties (RMB per sq.m.)	2,154	2,257	2,336	2,353	2,494	2,700	2,703	3,053	3,793	N/A	7.3%*
Average price of residential properties (RMB per sq.m.)	2,033	2,127	2,157	2,183	2,215	2,384	2,503	2,943	3,515	N/A	7.1%*

Source: Harbin Statistics Bureau

Notes:

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

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

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

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

Mid to High-end Residential Market in Harbin

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

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

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

NANJING PROPERTY MARKET

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

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

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

Economic Indicators of Nanjing (2000-2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009 CAGR
Population (million)	5.4	5.5	5.6	5.7	5.8	6.0	6.1	6.2	6.2	N/A	1.7%*
Nominal GDP (RMB billion)	107.3	121.9	138.5	169.1	206.7	241.1	277.4	328.4	377.5	423.0	16.5%
Real GDP growth rate (%)	12.3	11.1	12.8	15.0	17.3	15.1	15.1	15.7	12.1	11.5	N/A
GDP per capita (RMB)	19,838	22,196	24,816	29,780	35,770	40,887	46,113	53,638	60,807	N/A	15.0%*
FDI (US$ billion)	0.8	0.8	1.5	2.2	2.6	1.4	1.7	2.0	2.3	N/A	13.6%*
Fixed asset investment (RMB billion)	41.2	46.4	60.3	95.4	120.2	140.3	161.4	186.8	215.4	266.8	23.1%
Per capita disposable income (RMB)	8,233	8,848	9,157	10,196	11,602	14,998	17,538	20,317	23,123	25,504	13.4%

Source: Nanjing Statistics Bureau

Notes:

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

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

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

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

Infrastructure Developments

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

- extension of Metro Line 1;

- construction of Metro Lines 2 and 3; and

- construction of the Nanjing South Railway Station.

Real Estate Investment in Nanjing

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

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

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

Property Market Indicators of Nanjing (2000-2009)

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

Source: Nanjing Statistics Bureau

Notes:

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

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

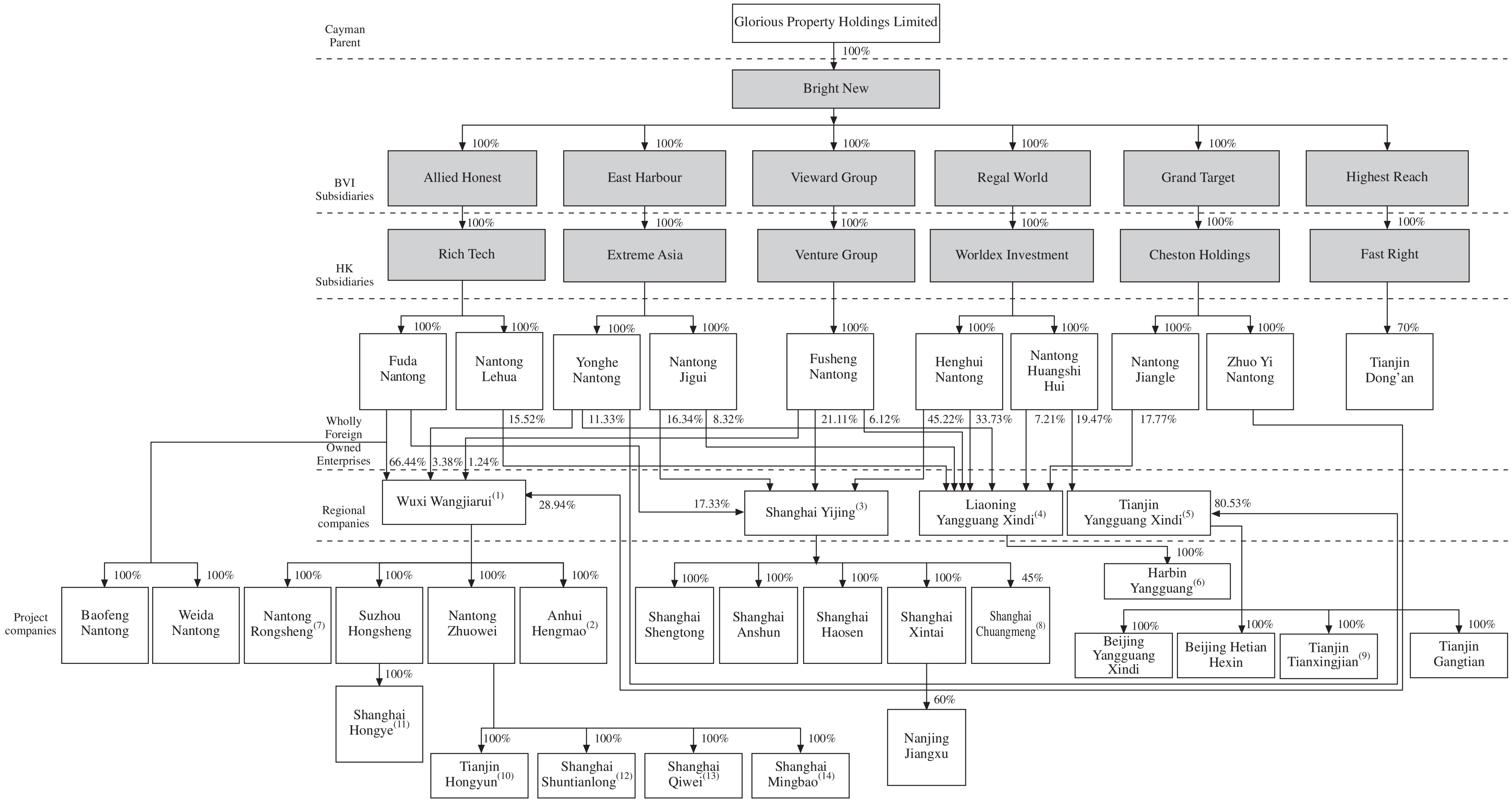
Mid to High-end Residential Market in Nanjing

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

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

CORPORATE STRUCTURE

The following chart shows our corporate structure as of March 31, 2010.



shaded means Subsidiary Guarantors.

* Certain of our subsidiaries have been renamed subsequent to December 31, 2009. See Note 10 to our audited consolidated financial statements as of and for the year ended December 31, 2009.

Notes:

(1) On November 16, 2007, the registered capital of Wuxi Wangjiarui was increased from RMB350,000,000 to RMB739,830,227. After the increase of the registered capital, the company was held as to 59.4% by Fuda Nantong, 35.28% by Zhuo Yi Nantong, 2.01% by Fusheng Nantong and 3.31% by Yonghe Nantong. On January 9, 2008, the registered capital of the company was further increased to RMB1,197,911,767 and its equity interests were held as to 66.44% by Fuda Nantong, 28.94% by Zhuo Yi Nantong, 1.24% by Fusheng Nantong and 3.38% by Yonghe Nantong. The increase in the registered capital of Wuxi Wangjiarui has been fully paid up in a timely manner using the net proceeds from our issuance of the Original Notes.

(2) Anhui Hengmao was established by Wuxi Wangjiarui in the PRC on October 24, 2007.

(3) On January 14, 2008, the registered capital of Shanghai Yijing was increased from RMB50,000,000 to RMB563,587,214. After the increase of the registered capital, the company was held as to 16.34% by Nantong Jigui, 45.22% by Henghui Nantong, 21.11% by Fusheng Nantong and 17.33% by Fuda Nantong. The increase in the registered capital of Shanghai Yijing has been fully paid up in a timely manner using the net proceeds from our issuance of the Original Notes.

(4) On November 16, 2007, the registered capital of Liaoning Yangguang Xindi was increased from RMB50,000,000 to RMB796,515,500. After the increase of the registered capital, the company was held as to 18.99% by Nantong Jiangle, 15.22% by Nantong Lehua, 10.24% by Fusheng Nantong, 29.54% by Henghui Nantong, 13.94% by Nantong Jigui and 12.07% by Nantong Huangshi Hui. On January 7, 2008, the registered capital of Liaoning Yangguang Xindi was further increased to RMB1,333,502,483. After the increase of the registered capital, the company was held as to 17.77% by Nantong Jiangle, 15.52% by Nantong Lehua, 6.12% by Fusheng Nantong, 33.73% by Henghui Nantong, 8.32% by Nantong Jigui, 7.21% by Nantong Huangshi Hui and 11.33% by Yonghe Nantong. The increase in the registered capital of Liaoning Yangguang Xindi has been fully paid up in a timely manner using the net proceeds from our issuance of the Original Notes.

(5) On January 10, 2008, the registered capital of Tianjin Yangguang Xindi was increased from RMB448,143,370 to RMB806,039,565. After the increase of the registered capital, the company was held as to 80.53% by Yonghe Nantong and 19.47% by Nantong Huangshi Hui. The increase in the registered capital of Tianjin Yangguang Xindi has been fully paid up in a timely manner using the net proceeds from our issuance of the Original Notes.

(6) Harbin Yangguang was established by Liaoning Yangguang Xindi in the PRC on December 19, 2007.

(7) On March 6, 2008, Nantong Rongsheng was acquired by Wuxi Wangjiarui from Jiangsu Rongsheng Investment Group Co., Ltd. (江蘇熔盛投資集團有限公司), a company controlled by the Founder, for a consideration of RMB31,803,400. The consideration was determined by reference to the appraised net asset value of Nantong Rongsheng as of February 20, 2008.

(8) On May 9, 2008, Shanghai Yijing acquired a 45% equity interest in Shanghai Chuangmeng from the Founder for a consideration of RMB4,500,000. The consideration was determined by reference to the registered capital of Shanghai Chuangmeng at the time of acquisition.

(9) On March 13, 2008, Tianjin Tianxingjian Real Estate Investment Co., Ltd. was acquired by Tianjin Yangguang Xindi from Tianjin City Kaixiang Steel Trading Co.,Ltd. (天津市凱祥鋼材貿易有限公司), an independent third party, for a consideration of RMB388,000,000. The consideration was determined by reference to the preliminary valuation of a piece of land held by Tianjin Tianxingjian Real Estate Investment Co., Ltd. at the time of signing of the agreement. On August 14, 2008, Tianjin Yangguan Xindi and Tianjin City Kaixiang Steel Trading Co., Ltd. (天津市凱祥鋼材貿易有限公司) signed a supplemental agreement, pursuant to which the parties agreed to change the consideration to RMB454,180,000, which amount was determined based on the market value of the land on or about the settlement date.

(10) On November 25, 2008, Tianjin Hongyun was acquired by Nantong Zhuowei from Tianjin Yangguan Xindi for a consideration of RMB88,000,000. The consideration was determined by reference to the registered capital of Tianjin Hongyun at the time of acquisition.

(11) On April 7, 2008, Shanghai Hongye was established by Wuxi Wangjiarui. On May 9, 2008, Shanghai Hongye was acquired by Suzhou Hongsheng from Wuxi Wangjiarui for a consideration of RMB50,000,000. The consideration was determined by reference to the registered capital of Shanghai Hongye at the time of acquisition.

(12) Shanghai Shuntianlong was established by Nantong Zhuowei in the PRC on November 14, 2008.

(13) On September 24, 2008, Shanghai Qiwei was established by Shanghai Xintai. On 24 October 2008, Shanghai Qiwei was acquired by Nantong Zhuowei from Shanghai Xintai for a consideration of RMB5,000,000. The consideration was determined by reference to the registered capital of Shanghai Qiwei at the time of acquisition.

(14) On December 15, 2008, Shanghai Mingbao was acquired by Nantong Zhuowei from Shi Xiaolei (施曉蕾) and Shi Xiaoyu (施曉宇), both are independent third parties, for an aggregate consideration of RMB2,500,000. The consideration was determined after arm's length negotiation between the parties.

(15) On October 12, 2009, we entered into a share purchase agreement with two third party individuals to acquire the entire equity interest in Tianjin Gangtian Real Estate Investment Co., Ltd. ("Tianjin Gangtian") for cash consideration of approximately RMB848.8 million. Tianjin Gangtian owned certain land use rights in Binhai New District, Tianjin. The acquisition was completed in December 2009 and the cash consideration was fully paid.

(16) On October 15, 2009, we signed an agreement with Nanjing Jiaotong, an independent third party, for the formation of a project company in which we will own a 60% equity interest upon completion of the transaction. Our total initial investment in relation to this transaction is RMB1,915.1 million. We have made an aggregate investment of RMB1,835.0 million in such entity to acquire a 60% equity interest in the project company, Nanjing Jiangxu.

(17) On November 20, 2009, we entered into a purchase agreement with Jiangsu Rongsheng, a company in which Mr. Zhang Zhi Rong, our chairman, holds a controlling stake, to acquire 100% of the equity interests in one or more subsidiaries of Jiangsu Rongsheng that are expected to acquire the land use rights for two parcels of land located in Xuhui District, Shanghai, for a total consideration of RMB2.0 billion. We have paid RMB1,950.0 million of the consideration and expect to pay the remaining RMB50.0 million before the end of April 2010.

(18) On December 18, 2009, we entered into a share purchase agreement with a third party company to acquire the entire equity interest in Highest Reach and an outstanding shareholder loan in the amount of approximately HK$386.8 million, owed by Fast Right, the sole wholly-owned subsidiary of Highest Reach to the seller for a total consideration equal to the US$ equivalent of RMB1,149.4 million. We had paid acquisition consideration of approximately RMB399.6 million at December 31, 2009. Through Fast Right, Highest Reach indirectly owns a 70% equity interest in Tianjin Dong'an, which owns a parcel of land in the southern part of Tianjin. The acquisition was completed in December 2009. The Group paid a further amount of RMB469.7 million in January 2010, with the remainder of the consideration of RMB280.0 million being payable in installments after certain conditions are met, with which the last payment to be paid on or before January 5, 2011.

(19) On December 30 and 31, 2009, we won auctions and entered into land grant contracts for two parcels of land in Nantong, Jiangsu at a total consideration of RMB4,141.7 million. We have paid RMB1,158.6 million and owe a remaining balance of RMB2,983.1 million in various installments through February 25, 2011.

OVERVIEW

We are one of the leading property developers focused on the development and sale of high quality properties in key economic cities in the PRC. Our Land Bank is highly diversified and is located in prime locations. As of December 31, 2009, it comprised a total planned GFA of 16,947,667 sq.m. Approximately 16.7% of our total planned GFA was located in Shanghai, 27.1% was located in Tianjin and Beijing as of December 31, 2009 and the remaining 56.2% of our total planned GFA was located in seven other key economic cities in the PRC.

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

Since we commenced our business in 1996, we have been dedicated to developing property in key economic cities in China. During the past 14 years, we have developed, sold and delivered more than 3.3 million sq.m. of GFA in China. As of December 31, 2009, we had developed or were developing projects in ten different cities across the PRC: three municipalities (Shanghai, Tianjin, Beijing), four provincial capitals (Hefei, Shenyang, Harbin, Nanjing) and three key regional economic cities in the Yangtze River Delta (Wuxi, Suzhou, Nantong). From 2007 through 2009, the GDP growth rates of each of these cities except Shanghai exceeded the national average, and the combined economic contribution of these ten cities to national GDP was 19.4%, 18.7% and 18.9% in 2007, 2008 and 2009, respectively. In 2008, the average per capita GDP of these cities was approximately three times the PRC per capita GDP. The urbanization rates in 2009 in each of these cities also exceeded the urbanization rate of the PRC.

During the past 14 years, we have developed, sold and delivered more than 2.1 million sq.m. of GFA in Shanghai. As of December 31, 2009, we had nine projects in Shanghai in various stages of development. Our flagship project, Shanghai Bay, is situated along the west bank of the Huangpu River and faces the Shanghai World Expo site. Shanghai Bay was among the top three real estate development projects in Shanghai in terms of total sales contract value achieved in 2008, based on sales data collected and compiled by www.soufun.com (a leading real estate portal in China), and was recognized as a 2009-2010 Real Estate New Landmark in China Shanghai City by China Index Research Institute and China Real Estate Association in 2009.

For the year ended December 31, 2009, our total revenue was RMB6,171.1 million (US$904.1 million). For the same period, our Adjusted EBITDA (as defined herein) was RMB2,571.6 million (US$376.7 million). Our shares have been listed on the Hong Kong Stock Exchange since October 2, 2009 under stock code 845.HK. Our market capitalization as of April 12, 2010 was HKD25,949.5 million.

COMPETITIVE STRENGTHS

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

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

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

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

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

As of December 31, 2009, we had a Land Bank of 7,420,126 sq.m. located in Shanghai, Tianjin and Beijing, representing 43.8% of our total Land Bank (of which, 1,444,306 sq.m. was GFA for which we have signed master agreements). We believe that our projects in Shanghai, Tianjin and Beijing are strategically located either in well established prime locations or in areas which have high growth potential. We believe that the prime location of the properties in our Land Bank is difficult for our competitors to replicate and has laid a strong foundation for the success of our future property development.

Our flagship project, Shanghai Bay, in Shanghai is situated along the west bank of the Huangpu River and faces the Shanghai World Expo site. The project has a total planned GFA of approximately 895,484 sq.m. and is one of the largest integrated comprehensive developments along the Huangpu River, which includes two high quality hotels, one shopping mall, offices and high-end residential units. The hotels and offices are expected to commence operations in 2012 and 2013, respectively, in anticipation of the increasing demand for hotels and offices that the Shanghai World Expo in 2010 may bring. We expect that the Shanghai World Expo site and its surrounding area will become a symbol for the modernization of Shanghai and attract domestic and international tourists, boosting the demand for hotels, high-end residential properties, recreational centers and shopping malls in the area and providing a suitable environment for high-end office buildings.

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

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

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

We also cooperate with various local governments in their urban development programs which lead to a number of master agreements with such local governments for land sites. This approach has yielded a total planned GFA of 5,683,608 sq.m. in Shanghai, Tianjin, Beijing, Nantong and Shenyang as of December 31, 2009. Under these master agreements, we may obtain a right to be involved in the urban development or government zoning process at an early stage. In this manner we are able to gain more insight into a particular land parcel and development plans of local governments, which we believe increases our chances of obtaining the relevant land use rights in the subsequent public tender process. We have developed numerous projects using this approach, including Bashangjie Project and Hefei Villa Glorious Project in Hefei, Anhui Province. We also have a successful track record of acquiring small to medium size property development companies that have already obtained suitable land grant contracts or land use rights.

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

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

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

We have engaged domestically and internationally renowned designers who are experienced in planning and landscaping large-scale properties during the concept design phase of property developments. We also have an in-house development and design center which is responsible for our product development and design and consists of experienced research and design staff with strong knowledge in the local market. In recognition of the high quality and innovative design of our projects, we have received numerous awards from different organizations. For example, in 2007, our No.1 City Promotion (第一國際) project in Wuxi was designated by the Friends of the United Nations (聯合國友好理事會) and the United Nations Human Settlement Programme (聯合國人居署) as an “International Culture Community” (國際文化社區) and recognized as one of the Top 10 Famous Properties in China (中國房地產十大名盤) in 2007 in the China Property Market Development Annual Forum 2007 (2007 中國房地產發展年會) hosted by Enterprise Research Institution of Development Research Center of the State Council, Institute of Real Estate Studies of Tsinghua University and SouFun China Index Institute. Our Sunshine Holiday (陽光星期八) project in Tianjin was awarded “The Most Suitable for Marriage Real Estate” (天津房地產網路人氣榜最適婚房樓盤) in 2009 by Tianjin Real Estate Internet Ranking List.

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

Our management team has a strong track record in the property development industry and has developed, sold and delivered projects with more than 3.3 million sq.m. of GFA since 1996. Our management team has adopted a forward looking approach in identifying target land and has strong execution capabilities. The strategic vision of our management team is demonstrated by the timing of our entry into Shanghai, Tianjin and Harbin in 1996, 2003 and 2008, respectively. In all three cities, we have benefited from the upward trend of local property prices. Over the past three years, our key management members have remained substantially unchanged and they share our core corporate values and operating philosophy.

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

BUSINESS STRATEGIES

Our principal business strategies are to:

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

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

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

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

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

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

Selectively grow our Land Bank.

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

Maintain prudent financial management policies.

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

Diversify income streams through the holding of investment properties.

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

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

Our Land Bank

As of December 31, 2009, we had 25 projects in various stages of development, with a total Land Bank of approximately 16,947,667 sq.m. We categorize our projects into the following types:

(i) projects with a total planned GFA of approximately 7,517,761 sq.m. for which the relevant government authorities had granted the land use rights certificates;

(ii) projects with a total planned GFA of approximately 3,165,499 sq.m. for which we had signed land grant contracts or had successfully tendered but had not, as of December 31, 2009, obtained the land use rights certificates;

(iii) projects with a total planned GFA of approximately 580,800 sq.m. for which we have signed acquisition or investment agreements with third parties which are subject to satisfaction of conditions precedent (including the obtaining of land rights use certificates) that have not yet been satisfied; and

(iv) projects with a total planned GFA of approximately 5,683,608 sq.m. for which we have entered into master agreements with the local governments but had not, as of December 31, 2009, completed the public tender process or entered into land grant contracts.

The following map shows the locations and other information of our total Land Bank as of December 31, 2009.

Tianjin

City information	
Population (million)	9.8
GDP growth	16.5%
Per capita GDP	RMB62,403
Invt in real estate	RMB73.5B
Project	**GFA (sq.m)**
1. Sunshine Holiday	700,100
2. Glorious Shanghai Bay Seaside	1,099,674
3. Tianjin Tuanbohu	1,567,303
% of total GFA:	**17.8%**

Source: Tianjin Statistics Bureau, Company information

Shenyang

City information	
Population (million)	7.9
GDP growth	14.1%
Per capita GDP	RMB55,816
Invt in real estate	RMB101.1B*
Project	**GFA (sq.m)**
Sunny Town	877,366
% of total GFA:	**4.6%**

Source: Shenyang Statistics Bureau, Company information

Harbin

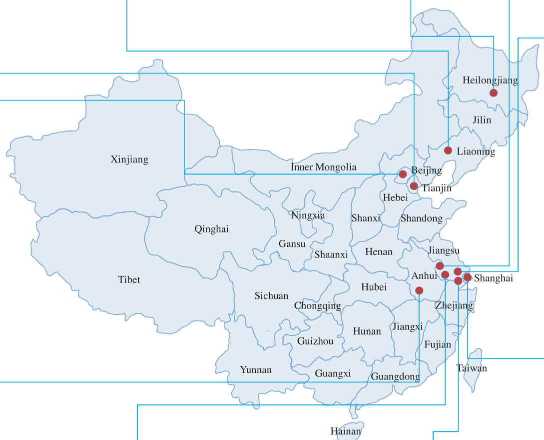
City information	
Population (million)	9.9
GDP growth	13.0%
Per capita GDP	RMB32,886
Invt in real estate	RMB27.9B
Project	**GFA (sq.m)**
Harbin Villa Glorious	575,718
% of total GFA:	**3.0%**

Source: Harbin Statistics Bureau, Company information

Nanjing

City information	
Population (million)	6.2*
GDP growth	11.5%
Per capita GDP	RMB60,807*
Invt in real estate	RMB59.6B
Project	**GFA (sq.m)**
Nanjing Sanchahe	387,138
% of total GFA:	**2.0%**

Source: Nanjing Statistics Bureau, Company information



Beijing

City information	
Population (million)	12.5
GDP growth	10.1%
Per capita GDP	RMB68,788
Invt in real estate	RMB233.8B
Project	**GFA (sq.m)**
1. Royal Mansion	130,066
2. Sunshine Bordeaux	1,495,081
% of total GFA:	**8.6%**

Source: Beijing Statistics Bureau, Company information

Nantong

City information	
Population (million)	7.6
GDP growth	14.0%
Per capita GDP	RMB40,231
Invt in real estate	RMB20.1B
Project	**GFA (sq.m)**
1. Rongsheng Garden	4,434,083
2. Nantong Rongsheng Plaza	283,597
3. Nantong Tongmianerchang	694,439
4. Nantong R9045	307,500
% of total GFA:	**30.2%**

Source: Nantong Statistics Bureau, Company information

Shanghai

City information	
Population (million)	13.8
GDP growth	8.2%
Per capita GDP	RMB77,556
Invt in real estate	RMB146.4B
Project	**GFA (sq.m)**
1. Shanghai Bay	895,484
2. Shanghai Park Avenue	102,482
3. Chateau De Paris	129,381
4. Sunshine Venice	1,138,667
5. Sunglow Xinjing	2,076
6. Baoshan Gaojing	861,887
7. Royal Lakefront	581,744
8. Shanghai Caohejing	103,928
9. Shanghai Zhongcaoxincun	89,734
% of total GFA:	**20.6%**

Source: Shanghai Statistics Bureau, Company information

Hefei

City information	
Population (million)	4.9
GDP growth	17.3%
Per capita GDP	RMB41,543
Invt in real estate	RMB67.0B
Project	**GFA (sq.m)**
1. Bashang Jie	1,263,730
2. Hefei Villa Glorious	388,615
% of total GFA:	**8.7%**

Source: Hefei Statistics Bureau, Company information

Wuxi

City information	
Population (million)	4.7
GDP growth	11.6%
Per capita GDP	RMB81,151
Invt in real estate	RMB46.3B
Project	**GFA (sq.m)**
No. 1 City Promotion	752,778
% of total GFA:	**4.0%**

Source: Wuxi Statistics Bureau, Company information

Suzhou

City information	
Population (million)	6.3
GDP growth	11.0%
Per capita GDP	RMB106,863*
Invt in real estate	RMB72.4B
Project	**GFA (sq.m)**
Classical Life	71,554
% of total GFA:	**0.4%**

Source: Suzhou Statistics Bureau, Company information

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* Data are 2008 figures.

Overview of Our Projects

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

- Completed properties held for sale or investment, which comprise property projects we had completed but had not disposed of as of December 31, 2009, with the certificates of completion issued by the relevant government authorities;

- Properties under development, which comprise property projects with respect to which we had received land use rights certificates and construction permits or approval letters for early construction but had not, as of December 31, 2009, obtained the certificates of completion;

- Properties held for future development, which comprise property projects with respect to which we had obtained the land use rights certificates but had not, as of December 31, 2009, obtained the requisite construction permits or approval letters for early construction;

- Properties contracted to be acquired, which comprise property projects with respect to which we had signed the relevant land grant contracts with the relevant PRC land administrative authorities or had successfully tendered for the relevant project but had not, as of December 31, 2009, obtained the land use rights certificates;

- Property projects with respect to which we have signed an acquisition or investment agreement with third parties but have not, as of the date hereof, consummated the related acquisition or investment, which are subject to satisfaction of conditions precedent specified in the relevant acquisition of investment agreement, including the obtaining of land use rights certificates; and

- Projects to be acquired for future development, which comprise property projects with respect to which we had signed master agreements with the local government authorities, but had not, as of December 31, 2009, completed the public tender, auction or listing for bidding process, had not entered into a land grant contract and had not obtained the land use rights certificates.

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

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

As of December 31, 2009, our Land Bank comprised a total completed GFA of 675,068 sq.m., a total GFA under development of 1,169,843 sq.m., a total planned GFA of 5,672,850 sq.m. held for future development, a total planned GFA of 3,165,499 sq.m. contracted to be acquired, a total planned GFA of 580,800 sq.m. for which we have signed acquisition or investment agreements and a total planned GFA of 5,683,608 sq.m. to be acquired for future development. The total planned GFA of 5,683,608 sq.m. to be acquired for future development is attributed to our future projects in respect of which we have only entered into master agreements but have not yet completed the public tender auction or listing for bidding process, entered into relevant land grant contracts or obtained the relevant land use rights certificates. Details of these projects are separately set out in the section paragraph headed "— Projects to be acquired for future development". For risks associated with these projects, see "Risk Factors — Risks relating to our business — We are party to long-term master agreements and land grant contracts with PRC government entities, which may not be implemented as agreed".

The following table sets forth details of our projects as of December 31, 2009 in accordance with the classification above (other than properties for which we properties to be acquired for future development).

Completed Projects Held for Sale/Investment

Project name	Location	Total GFA (sq.m.)	GFA sold and delivered as of December 31, 2009 (sq.m.) [1]	Land Bank: GFA pre-sold and undelivered as of December 31, 2009 (sq.m.)	Land Bank: Total saleable/leasable unsold GFA (sq.m.) [2]: Residential	Retail [3]	Office	Hotel	Others[4] (sq.m.)	Construction[7] commencement/ Expected date of construction commencement	Construction completion/ Expected completion time	Pre-sales commencement day	Interest attributable to us (%)
Completed projects held for sale/investment													
Shanghai Park Avenue 皇家花園	Shanghai	102,482	75,564	1,300	417	1,541	—	—	23,660	Apr. 2003	Apr. 2007	Nov. 2006	100%
Chateau De Paris (Phase I) 陽光巴黎 (第一期)	Shanghai	30,891	25,915	(29)[8]	196	321	—	—	4,488	Apr. 2002	Apr. 2004	Jan. 2003	100%
Chateau De Paris (Phase II) 陽光巴黎 (第二期)	Shanghai	98,490	52,973	572	282	17,148	—	—	27,514	Nov. 2004	Aug. 2008	Feb. 2007	100%
Sunshine Venice (Phase I, II & IIIA) [5] 陽光威尼斯 (第一期，二期和三期A)	Shanghai	792,475	664,933	—	—	33,793	—	—	93,749	Nov. 2002	Sep. 2006	Jan. 2003	100%
Sunshine Venice (Phase IIIB) [8] 陽光威尼斯 (第三期B)	Shanghai	219,310	184,217	2,642	5,538	8,050	—	—	18,863	Apr. 2005	Aug. 2009	Nov. 2006	100%
Shanghai Bay (Phase I) 尚海灣 (第一期)	Shanghai	220,430	77,443	51,444	59,357	5,661	—	—	26,525	May 2006	Dec. 2009	Sep. 2007	100%
Sunglow Xinjing 陽光新景	Shanghai	2,076	—	—	—	2,076	—	—	—	N/A	Dec. 2001	N/A	100%
No.1 City Promotion (Phase I) 第一國際 (第一期)	Wuxi, Jiangsu	192,445	159,150	—	3,398	—	—	—	29,898	Jun. 2005	Oct. 2007	Nov. 2005	100%
No.1 City Promotion (Phase I) 第一國際 (第二期)	Wuxi, Jiangsu	217,927	134,373	21,757	23,284	—	—	—	38,512	Jan. 2007	Dec. 2009	Feb. 2008	100%
Classical Life (Phase I) 海上一品(第一期)	Suzhou, Jiangsu	34,224	30,488	1,836	—	1,627	—	—	272	Jun. 2006	Jun. 2008	Jan. 2007	100%
Classical Life (Phase II) 海上一品 (第二期)	Suzhou, Jiangsu	37,330	29,178	—	—	—	—	—	8,152	Dec. 2007	Dec. 2008	Jan. 2008	100%
Sunshine Bordeaux (Phase IA) 陽光波爾多 (第一期 A)	Beijing	136,948	81,500	3,447	8,679	16,469	—	—	26,852	Mar. 2008	Dec. 2009	Jun. 2008	100%
Sunny Town (Phase I) 陽光尚城 (第一期)	Shenyang, Liaoning	137,754	112,561	106	495	4,609	—	—	19,984	Jul. 2006	Jun. 07 & Aug. 08	Aug. 2006	100%
Sunny Town (Phase II) [6] 陽光尚城 (第二期)	Shenyang, Liaoning	74,087	43,228	1,214	6,072	12,925	—	—	10,649	Mar. 2008	Nov. 08 & Dec. 10	Apr. 2008	100%
Sunshine Holiday (Phase I) 陽光星期八 (第一期)	Tianjin	85,998	77,270	147	—	6,091	—	—	2,490	Jan. 2005	Aug. 2006	Apr. 2005	100%
Sunshine Holiday (Phase II) 陽光星期八 (第二期)	Tianjin	200,630	159,636	—	998	6,113	—	—	33,883	Aug. 2005	Sep. 2008	Feb. 2006	100%
Sub-total		**2,583,497**	**1,908,429**	**84,436**	**108,717**	**116,424**	**—**	**—**	**365,492**				

Projects under Development

Project name	Location	Total GFA (sq.m.)	Land Bank: GFA sold and delivered as of December 31, 2009 (sq.m.) [1]	GFA pre-sold and undelivered as of December 31, 2009 (sq.m.) [2]	Total saleable/ leasable unsold GFA (sq.m.): Residential	Retail [3]	Office	Hotel	Others [4] (sq.m.)	Construction[7] commencement/ Expected date of construction commencement	Construction completion/ Expected completion time	Pre-sales commencement day	Interest attributable to us (%)
Projects under development													
Shanghai Bay (Phase IIA) 尚海灣 (第二A期)	Shanghai	62,723	—	—	46,498	5,696	—	—	10,529	Aug. 2006	Oct. 2011	N/A	100%
Shanghai Bay (Phase III) - Binjiang Center (South block) 尚海灣(第三期)：濱江中心 (南樓)	Shanghai	123,653	—	—	—	—	—	89,700	33,953	Sep. 2006	Dec. 2012	N/A	100%
Shanghai Bay (Phase III) - Binjiang Center (North block) 尚海灣(第三期)：濱江中心 (北樓)	Shanghai	114,611	—	—	—	2,954	20,493	52,412	38,752	Sep. 2006	Dec. 2013	N/A	100%
Sunshine Venice (Phase IIIC) 陽光威尼斯 (第三C期)	Shanghai	58,658	—	—	—	58,658	—	—	—	Jan. 2008	Aug. 2010	N/A	100%
Royal Lakefront (Phase IA) 湖畔豪庭 (第一期A)	Shanghai	58,525	—	21,779	24,281	8,489	—	—	3,976	Sep. 2009	Dec. 2010	Dec. 2009	100%
Royal Lakefront (Phase IB) 湖畔豪庭 (第一期B)	Shanghai	176,279	—	—	90,667	53,293	—	—	32,319	Oct. 2009	Jun. 11 & Aug. 12	N/A	100%
Hefei Villa Glorious (Phase I) 合肥恒盛•豪庭 (第一期))	Hefei, Anhui	100,944	—	47,867	48,762	—	—	—	4,315	Mar. 2009	Sep. 11	Oct. 2009	100%
Royal Mansion (Phase I) 歐洲公館 (第一期)	Beijing	67,474	—	29,249	17,323	3,393	—	—	17,509	Mar. 2008	Oct. 10 & Jun. 11	Oct. 2009	100%
Sunshine Holiday (Phase III) 陽光星期八 (第三期)	Tianjin	187,335	78,029	39,048	38,790	1,617	—	—	29,851	Sep. 2007	Dec. 09 & Jun. 10	Jan. 2008	100%
Sunny Town (Phase III) 陽光尚城 (第三期)	Shenyang, Liaoning	141,170	—	56,846	60,932	6,137	—	—	17,256	Apr. 2008	Aug. 10 & Dec. 10	Jun. 2009	100%
Harbin Villa Glorious (Phase I) 哈爾濱恒盛•豪庭 (第一期)	Harbin, Heilongjiang	156,499	—	108,849	7,691	9,493	—	—	30,467	Jul. 2009	Dec. 2010	Oct. 2009	100%
Sub-total		**1,247,872**	**78,029**	**303,637**	**334,944**	**149,730**	**20,493**	**142,112**	**218,927**				

Projects Held for Future Development

Project name	Location	Total GFA (sq.m.)	GFA sold and delivered as of December 31, 2009 (sq.m.) (1)	GFA pre-sold and undelivered as of December 31, 2009 (sq.m.) (2)	Land Bank: Total saleable/leasable unsold GFA (sq.m.) Residential	Retail (3)	Office	Hotel	Others(4) (sq.m.)	Construction(7) commencement/ Expected date of construction commencement	Construction completion/ Expected completion time	Pre-sales commencement day	Interest attributable to us (%)
Projects held for future development													
Sunshine Venice (Phase IV) 陽光威尼斯 (第四期)	Shanghai	68,225	—	—	37,700	—	—	—	30,525	Jan. 2012	Oct. 2014	N/A	100%
Shanghai Bay (Phase IIB) 尚海灣 (第二B期)	Shanghai	374,067	—	—	198,850	90,430	—	—	84,786	Dec. 2010	Oct. 2011 & Nov. 2012 & Nov. 2013 & Nov. 2014 & May 2015	N/A	100%
Royal Lakefront (Phase II) 湖畔豪庭 (第二期)	Shanghai	346,940	—	—	191,703	69,530	—	—	85,707	Apr. 2010	Oct. 2011 & Dec. 2013	N/A	100%
Royal Mansion (Phase II) 歐洲公館 (第二期)	Beijing	62,592	—	—	31,589	7,233	—	—	23,770	Mar. 2011	Nov. 2012	N/A	100%
Sunshine Bordeaux (Phase IB) 陽光波爾多 (第一B期)	Beijing	102,021	—	—	63,993	16,634	—	—	21,394	May 2010	Nov. 2011	N/A	100%
Glorious Shanghai Bay Seaside (Phase I, II) 恒盛尚海灣濱海(天行健)(第一期、二期)	Tianjin	378,866	—	—	240,817	39,714	—	—	98,335	Sep. 2010	Dec. 2011 & Oct. 2012	N/A	100%
Glorious Shanghai Bay Seaside (Phase III) 恒盛尚海灣濱海(天行健)(第三期)	Tianjin	35,657	—	—	—	—	—	35,657	—	Jan. 2011	Dec. 2012	N/A	100%
Glorious Shanghai Bay Seaside (Phase I) 恒盛尚海灣濱海(天津港天)(第一期西地塊)	Tianjin	299,401	—	—	246,314	2,721	—	—	50,366	Jul. 2010	Nov. 2011 & Oct. 2012	N/A	100%
Glorious Shanghai Bay Seaside (Phase II) 恒盛尚海灣濱海(天津港天)(第二期東地塊)	Tianjin	385,750	—	—	324,400	7,000	—	—	54,350	Nov. 2010	May 2012 & Jun. 2013	N/A	100%
Tianjin Tuanpohu Project (Phase I - Phase IV)(7) 天津團泊湖項目(第一期至第四期)	Tianjin	1,567,303	—	—	1,155,407	97,800	—	—	314,096	Aug. 2010	Jun. 2016	N/A	70%
No.1 City Promotion (Phase III) 第一國際 (第三期)	Wuxi, Jiangsu	225,156	—	—	117,479	35,148	—	—	72,530	Apr. 2010	Jun. & Dec. 2012	N/A	100%

Project name	Location	Total GFA (sq.m.)	GFA sold and delivered as of December 31, 2009 (sq.m.) (1)	Land Bank: GFA pre-sold and undelivered as of December 31, 2009 (sq.m.) (2)	Land Bank: Total saleable/leasable unsold GFA (sq.m.)				Land Bank: Others(4) (sq.m.)	Construction(7) commencement/ Expected date of construction commencement	Construction completion/ Expected completion time	Pre-sales commencement day	Interest attributable to us (%)
					Residential	Retail (3)	Office	Hotel					
No.1 City Promotion (Phase IV) 第一國際 (第四期)	Wuxi, Jiangsu	117,249	—	—	27,196	35,677	—	25,743	28,633	May 2011	Dec. 2012 & Dec. 2013	N/A	100%
Nantong Rongsheng Plaza 南通熔盛大廈	Nantong, Jiangsu	283,597	—	—	—	48,098	97,112	64,504	73,883	Mar. 2012	Dec. 2015	N/A	100%
Rongsheng Garden (Phase IA & IB) 熔盛花園 (第一期A & B)	Nantong, Jiangsu	271,087	—	—	205,360	27,083	—	—	38,644	Apr. 2010	Nov. 2010 & Jun. 2011	N/A	100%
Rongsheng Garden (Phase IC) 熔盛花園 (第一期C)	Nantong, Jiangsu	131,250	—	—	125,000	—	—	—	6,250	Jan. 2011	Dec. 2011	N/A	100%
Hefei Villa Glorious (Phase II) 合肥•恒盛豪庭 (第二期)	Hefei, Anhui	138,463	—	—	86,208	—	—	—	52,255	Apr. 2010	Jun. 2012	N/A	100%
Hefei Villa Glorious (Phase III) 合肥•恒盛豪庭 (第三期)	Hefei, Anhui	138,463	—	—	86,208	—	—	—	52,255	Jun. 2010	Aug. 2012	N/A	100%
Hefei Villa Glorious (Phase IV) 合肥•恒盛豪庭 (第四期)	Hefei, Anhui	10,746	—	—	—	10,746	—	—	—	Jun. 2012	Dec. 2013	N/A	100%
Sunny Town (Phase IV) 陽光尚城 (第四期)	Shenyang, Liaoning	316,800	—	—	202,000	63,000	—	—	51,800	Apr. 2010	Dec. 2011 & Dec. 2012	N/A	100%
Harbin Villa Glorious (Phase II) 哈爾濱•恒盛豪庭 (第二期)	Harbin, Heilongjiang	283,422	—	—	240,003	2,075	—	—	41,343	Apr. 2010	Dec. 2011	N/A	100%
Harbin Villa Glorious (Phase III) 哈爾濱•恒盛豪庭 (第三期)	Harbin, Heilongjiang	135,796	—	—	100,551	—	—	—	35,245	Apr. 2011	Dec. 2012	N/A	100%
Sub-total		**5,672,851**	**—**	**—**	**3,680,778**	**552,889**	**97,112**	**125,904**	**1,216,167**				

Projects for which we have signed Land Grant Contracts

Project name	Location	Total GFA (sq.m.)	GFA sold and delivered as of December 31, 2009 (sq.m.) [1]	GFA pre-sold and undelivered as of December 31, 2009 (sq.m.) [2]	Land Bank: Total saleable/ leasable unsold GFA (sq.m.) Residential	Retail [3]	Office	Hotel	Others [4] (sq.m.)	Construction[7] commencement/ Expected date of construction commencement	Construction completion/ Expected completion time	Pre-sales commencement day	Interest attributable to us (%)
Projects contracted to be acquired													
Baoshan Gaojing (Phase I)[7] 寶山高境 (第一期)	Shanghai	328,862			237,082	21,074	—	—	70,706	Apr. 2010	Dec. 2011 & Sep. 2012	N/A	100%
Baoshan Gaojing (Phase II) 寶山高境 (第二期)	Shanghai	445,665	—	—	317,663	30,187	—	—	97,815	May 2012	Aug. 2014 & Nov. 2014 & May 2015	N/A	100%
Tongmian Second Factory Project (Phase I, II) 通棉二廠項目(第一、二期)	Nantong, Jiangsu	694,439	—	—	345,100	48,556	139,719	—	161,064	Jun. 2010	Jun. 2012 & Nov. 2012	N/A	100%
East Chongchuan Project (Phase I, II) 崇川區城東項目(第一、二期)	Nantong, Jiangsu	307,500	—	—	228,100	13,200	—	—	66,200	May 2010	Jun. 2012	N/A	100%
Sunshine Holiday (Phase IV) 陽光星期八 (第四期)	Tianjin	125,303	—	—	—	104,232	—	—	21,071	Jul. 2010	Oct. 2012	N/A	100%
Bashang Jie 壩上街	Hefei, Anhui	1,263,730	—	—	406,922	260,283	235,657	95,907	264,961	May 2010	Jul. 2014 & Dec. 2015	N/A	100%
Sub-total		**3,165,499**	**—**	**—**	**1,534,867**	**477,532**	**375,376**	**95,907**	**681,817**				

(1) The 25,915 sq.m. of GFA sold and delivered in Chateau De Paris Phase I included 4,778 sq.m. of retail; The 112,561 sq.m. of GFA sold and delivered in Sunny Town Phase I included 7501 sq.m. of retail and 2,359 sq.m. of car parks; The 75,564 sq.m. of GFA sold and delivered in Shanghai Park Avenue included 4,161 sq.m. of car parks; The 159,147 sq.m. of GFA sold and delivered in No.1 City Promotion (Phase I) included 661 sq.m. of car parks.

(2) The 1,300 sq.m. of GFA pre-sold and undelivered in Shanghai Park avenue included 823 sq.m. of retail .

(3) Includes saleable/leasable clubhouses

(4) Includes saleable/leasable car parks, convention center and non-saleable/ non-leasable GFA

(5) The 664,933 sq.m. GFA sold and delivered in Sunshine Venice (Phase I-IIIA) included those sold and delivered before the Track Record Period

(6) The 12,925 sq.m. retail component of Sunny Town (Phase II) had not commenced construction as of December 31, 2009

(7) The 328,862 sq.m. GFA of Baoshan Gaojing (Phase I) are developed under the affordable housing program.

(8) The 29 sq.m. of GFA relates to an advance of pre-sale proceeds prior to the execution of a pre-sale contract.

Projects for which we have signed Acquisition or Investment Agreements

Project name	Location	Total GFA (sq.m.)	Land Bank: GFA sold and delivered as of December 31, 2009 (sq.m.)	Land Bank: GFA pre-sold and undelivered as of December 31, 2009 (sq.m.)	Land Bank: Total saleable/ leasable unsold GFA (sq.m.): Residential	Retail[1]	Office	Hotel	Others[2] (sq.m.)	Construction commencement/ Expected date of construction commencement	Construction completion/ Expected completion time	Interest to be attributable to us (%)
Projects for which we have signed acquisition or investment agreements												
Shanghai Caohejing Project 上海漕河涇項目	Shanghai	103,928	—	—	—	22,350	18,253	16,949	46,376	Jan. 2011	Aug. 2013 & Dec. 2013	100%
Shanghai Zhongcaoxincun Project 上海中漕新村項目	Shanghai	89,734	—	—	—	14,759	—	37,783	37,192	Jun. 2011	Nov. 2013	100%
Sanchahe Project (Phase I, II & III) 南京三汊河項目[1] (第一, 二, 三期)	Nanjing	387,138	—	—	304,461	3,000	—	—	79,677	Jan. 2011	Apr. 2013 & Dec. 2013 & Nov. 2014	60%
Sub-total		**580,800**	**—**	**—**	**304,461**	**40,109**	**18,253**	**54,731**	**163,246**			
Total		**13,250,518**	**1,986,262**	**388,326**	**5,963,767**	**1,336,684**	**511,234**	**418,654**	**2,645,651**			

Notes:

(1) The interest of Sanchahe project attributable to us is 60%; and the interest of Tianjin Tuanpohu Project attributable to us is 70%

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

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

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

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

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

OUR PROPERTY DEVELOPMENT PROJECTS

Shanghai

Shanghai Bay (尚海灣)

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

The project is adjacent to the Longhua Tourist City (龍華旅遊城). It occupies an aggregate site area of approximately 178,734 sq.m. and has a total planned GFA of approximately 895,484 sq.m., including 110,186 sq.m. of properties subject to the Shanghai Bay Arrangement (described below). Upon completion, Phases I and II of the project is expected to include 16 residential buildings with a total saleable residential GFA of approximately 433,593 sq.m. and retail facilities with a total leasable GFA of approximately 101,787 sq.m. The retail facilities of Phase IIB, which will include a shopping mall, will have a total leasable GFA of approximately 90,430 sq.m.

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

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

As of December 31, 2009, we completed Phase I of Shanghai Bay. Details of Phase I of Shanghai Bay as of December 31, 2009, were as follows:

Phase I[1]	Residential	Retail
Planned construction period	May 2006 — December 2009	May 2006 — December 2009
Total saleable/leasable GFA (sq.m.)	188,244	5,661
GFA sold/pre-sold (sq.m.)	128,887	N/A
Average selling price per sq.m. (RMB)	33,671	N/A

Note:

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

Details of Phase IIA of Shanghai Bay as of December 31, 2009 were as follows:

Phase IIA[1]	Residential	Retail
Planned construction period	August 2006 — October 2011	August 2006 — October 2011
Total saleable/leasable GFA (sq.m.)	46,498	5,696

Note:

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

Details of Phase III (Binjiang Center) of Shanghai Bay as of December 31, 2009 were as follows:

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

Note:

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

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

Note:

(1) Phase III (South block) of Shanghai Bay is expected to include 307 saleable/leasable car park spaces upon completion.

As of December 31, 2009, construction of Phase IIB of Shanghai Bay had not yet commenced. Details of Phase IIB of Shanghai Bay as of December 31, 2009 were as follows:

Phase IIB[1]	Residential	Retail
Planned construction period	December 2010 — May 2015	December 2010 — November 2013
Total saleable/leasable GFA (sq.m.)	198,850	90,430

Note:

(1) Phase IIB of Shanghai Bay is expected to include 1,458 saleable/leasable car park spaces upon completion.

We entered into two land grant contracts with the local government in respect of Shanghai Bay in August 2004 and December 2004 respectively. All relevant land use rights certificates have been obtained and the land premium has been fully paid for all phases of Shanghai Bay.

We are developing this project through our wholly-owned subsidiary Shanghai Xintai Property Development Co., Ltd. (上海鑫泰房地產發展有限公司).

Shanghai Bay Arrangement with the Shanghai Industrial Group

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

In December 2009, we received a second payment in an amount equal to the US$ equivalent of RMB0.7 billion when we pledged 30% of the total equity interests of our subsidiary, Shanghai Xintai, to Shanghai Industrial Group, and agreed to transfer our legal interests in Blocks Nos. 9 and 10 of Phase IIA of Shanghai Bay with a total GFA of 53,984 sq. m. to Shanghai Industrial Group by December 31, 2011.

Under the Shanghai Bay Arrangement, we are obligated to reacquire Shanghai Pengui, the legal entity that owns Blocks No.2 and 8 of Shanghai Bay and that will own Blocks No.9 and 10 if they are transferred, and Shanghai Industrial Group is obligated to resell Shanghai Penghui to us on December 1, 2011. The consideration for the reacquisition of Shanghai Pengui will be RMB2.0 billion. Upon payment of such consideration, the pledge to Shanghai Industrial Group of 30% of the equity in our subsidiary, Shanghai Xintai, will also be released. As part of such arrangements, we have agreed to ensure that Shanghai Industrial Group receives a "shareholder return" (net of tax) for each of the three years ending December 31, 2011 equal to 18% per annum of the consideration paid by Shanghai Industrial Group. See "Description of other Material Indebtedness — Shanghai Bay Arrangement".

As of December 31, 2009, we completed the construction of Block Nos. 2 and 8 and were still in the process of developing Block Nos. 9 and 10 of Shanghai Bay which are subject to the Shanghai Bay Arrangement. The projects have a total planned GFA of approximately 110,186 sq.m. Details of these projects as of December 31, 2009 were as follows:

	Block No.2	Block No.8	Block No.9	Block No.10	Total
Saleable GFA	25,626	28,620	26,519	25,676	106,441
Non-saleable GFA	1,011	945	857	932	3,745
Total GFA	26,637	29,565	27,376	26,608	110,186
Completion/Expected Completion Date of Construction	December 2009	December 2009	October 2011	October 2011	N/A
Expected Commencement Date of Pre-sale	September 2009	September 2009	May 2010	May 2010	N/A

As of December 31, 2009, we had not commenced the construction of Block No. 6 of Shanghai Bay. Block No. 6 of Shanghai Bay had a total planned GFA of approximately 29,763 sq.m., of which 28,766 sq.m. is saleable GFA. The expected completion date of construction for Block No. 6 is November 2012 and the expected commencement date of pre-sale for Block No. 6 is October 2011. Block 6 is part of Phase IIB of Shanghai Bay. As part of the Shanghai Bay Arrangement, we have also agreed to provide additional security to Shanghai Industrial Group in the form of a pledge of our legal interests in Block No. 6 of Shanghai Bay (once Block No. 6's development status meets the required standard to be pledged). The pledge of Block 6, if made, will be released at the time that we repurchase Shanghai Penghui or when the amount of pre-sale proceeds from Block No. 6 received by Shanghai Penghui reaches RMB350.0 million (whichever is earlier).

Sunglow Xinjing (陽光新景)

Sunglow Xinjing was developed by one of our wholly-owned subsidiaries, Shanghai Xintai (上海鑫泰房地產發展有限公司). The project is located on Tiandeng Road (天等路), Xuhui District, Shanghai and has a total site area of 27,353 sq.m. and completed GFA of 56,261 sq.m., of which 2,076 sq.m. of GFA was retained by us as investment property. The construction of Sunglow Xinjing was completed in December 2001. We have sold substantially all the GFA in Sunglow Xinjing other than the portion retained by us as investment property.

Shanghai Park Avenue (皇家花園)

Shanghai Park Avenue is located at the intersection of Yili Road (伊犁路) and Anshun Road (安順路) in Changning District (長寧區), adjacent to the Gubei business district (古北商業區). Yan'an Viaduct and Inner Ring Viaduct run through this area and a subway station within walking distance is under construction. Shanghai Park Avenue is adjacent to Hongqiao Central Park (虹橋中心公園) and some of its apartments offer a view of the Hongqiao Central Park. The Xijiao national guest villa community (西郊國賓別墅區) and the Gubei international residential community (古北國際生活區), are also in the vicinity. Shanghai Park Avenue is located near a range of amenities in the surrounding area including Gubei Carrefour (古北家樂福), Yew Chung International School (耀中國際學校) and Hongqiao Parkson (虹橋百盛). Shanghai Park Avenue consists of five buildings built in neo-classical style designed by nationally renowned designers. One of the five blocks of Shanghai Park Avenue, namely, Block No. 8, is designated for serviced apartments. Although we have disposed of Block No. 8 of Shanghai Park Avenue, it will be managed by Key International Hotels Management Co., Ltd, a joint venture to which Kempinski Hotels S.A. of Europe is a party, with a view to further enhancing the overall quality and promoting the image of Shanghai Park Avenue.

We have completed the development of Shanghai Park Avenue. The completed properties occupy an aggregate site area of approximately 24,625 sq.m., and have a total GFA of approximately 102,482 sq.m. Details of Shanghai Park Avenue as of December 31, 2009 were as follows:

Shanghai Park Avenue (1)	Residential	Retail (2)
Construction period	April 2003 — April 2007	April 2003 — April 2007
Total saleable/leasable GFA (sq.m.)	72,297	2,364
GFA sold/pre-sold (sq.m.)(3)	71,880	823
Average selling price per sq.m. (RMB)	25,496	25,000

Notes:

(1) Shanghai Park Avenue includes 351 saleable/leasable car parking spaces.

(2) Retail space on Shanghai Park Avenue includes a clubhouse with a total leasable GFA of approximately 1,541 sq.m.

(3) Of the 76,864 sq.m. sold or pre-sold (including 4,161 sq.m. of car parks) approximately 75,564 sq.m. had been delivered and recognized as of December 31, 2009.

We entered into a land grant contract with the local government in respect of Shanghai Park Avenue in March 2002. We have obtained all relevant land use rights certificates and have fully paid the land premium for Shanghai Park Avenue.

Shanghai Park Avenue was developed by our wholly-owned subsidiary Shanghai Anshun (恒盛安順(上海)房地產發展有限公司).

Chateau De Paris (陽光巴黎)

Chateau De Paris — Phase I and Phase II is located at the intersection of Xietu Road (斜土路) and Dongan Road (東安路), Xuhui District (徐滙區) in the Xujiahui Business District (徐家匯商業區) and is adjacent to the Zhaojiabang Road (肇嘉浜路). The project is an integrated residential and retail development with an aggregate site area of approximately 31,697 sq.m. and has a total planned GFA of approximately 129,381 sq.m. The residents of Chateau De Paris have easy access to a variety of amenities such as shopping malls, retail shops, banks and cinemas. The retail property in Phase II of Chateau De Paris is currently leased to Carrefour as a shopping center. Chateau De Paris is also near several recreation facilities such as the Shanghai Municipal Library (上海市圖書館) and Shanghai Stadium (上海體育館) and renowned educational institutions such as Xuhui Middle School (徐滙中學) and Shanghai Jiao Tong University (上海交通大學). The residential area has a high green coverage ratio.

We have completed the development of Phase I of Chateau De Paris, which has a total GFA of approximately 30,891 sq.m. Details of Phase I of Chateau De Paris as of December 31, 2009 were as follows:

Phase I(1)	Residential	Retail
Construction period	April 2002 — April 2004	April 2002 — April 2004
Total saleable/leasable GFA (sq.m.)	21,304	5,099
GFA sold (sq.m.)/ pre-sold	21,108	4,778
Average selling price per sq.m. (RMB)	16,914	35,000

Note:

(1) Phase I of Chateau De Paris includes 89 saleable/leasable car park spaces.

We have completed the development of Phase II of Chateau De Paris, which has a total GFA of approximately 98,490 sq.m. Details of Phase II of Chateau De Paris as of December 31, 2009 were as follows:

Phase II [1]	Residential	Retail[2]
Construction period	November 2004 — August 2008	November 2004 — August 2008
Total saleable/leasable GFA (sq.m.)	53,828	17,148
GFA sold/pre-sold (sq.m.)[3]	53,545	N/A
Average selling price per sq.m. (RMB)	23,541	N/A

Notes:

(1) Phase II of Chateau De Paris includes 342 saleable/leasable car park spaces.

(2) This includes a clubhouse with a total leasable GFA of approximately 1,589 sq.m.

(3) Of the 53,545 sq.m. sold or pre-sold, approximately 52,973 sq.m. had been delivered and recognized as of December 31, 2009.

We have obtained all relevant land use rights certificates and have fully paid the land premium for Phases I and II of Chateau De Paris.

We developed this project through our wholly-owned subsidiary Shanghai Haosen (上海豪森房地產有限公司).

Sunshine Venice (陽光威尼斯)

Sunshine Venice — Phases I through IV are located on Taopu Road (桃浦路), Putuo District (普陀區). Phases I, II, IIIA and IIIB of Sunshine Venice are large-scale residential and retail community property developments and Phase IV is a serviced apartment development. The residential community of Sunshine Venice is adjacent to a large theme park on Jinding Road (金鼎路). The project occupies an aggregate site area of approximately 429,929 sq.m. and has a total planned GFA of approximately 1,138,667 sq.m.

We have completed the development of Phases I, II and IIIA of Sunshine Venice. The completed properties had a total GFA of approximately 792,475 sq.m.

Details of Phases I, II and IIIA of Sunshine Venice as of December 31, 2009 were as follows:

Phase I, II and IIIA [1]	Residential	Retail
Construction period	November 2002 — September 2006	November 2002 — September 2006
Total saleable/leasable GFA (sq.m.)	664,933	33,793
GFA sold/pre-sold (sq.m.)[2]	664,933	N/A
Average selling price per sq.m. (RMB)	6,836	N/A

Notes:

(1) Phases I, II and IIIA of Sunshine Venice include 1,240 saleable/leasable car park spaces.

(2) Of the 664,933 sq.m. sold or pre-sold, all had been delivered and recognized as of December 31, 2009.

As of December 31, 2009, we completed Phase IIIB of Sunshine Venice. Details of Phase IIIB of Sunshine Venice as of December 31, 2009 were as follows:

Phase IIIB [1]	**Residential**	**Retail**[2]
Construction period	April 2005 — August 2009	April 2005 — August 2009
Total saleable/leasable GFA (sq.m.)	192,397	8,050
GFA sold/pre-sold (sq.m.)[3]	186,859	N/A
Average selling price per sq.m. (RMB)	9,865	N/A

Notes:

(1) Phase IIIB of Sunshine Venice includes 240 saleable/leasable car park spaces.

(2) This includes a clubhouse with a total leasable GFA of approximately 2,586 sq.m.

(3) Of this 186,859 sq.m. sold/pre-sold, approximately 184,217 sq.m. of residential GFA had been recognized as revenue as of December 31, 2009.

As of December 31, 2009 we were still in the process of developing Phase IIIC of Sunshine Venice. Details of Phase IIIC of Sunshine Venice as of December 31, 2009 were as follows:

Phase IIIC	**Retail**
Planned construction period	January 2008 — August 2010
Total saleable/leasable GFA (sq.m.)	58,658

As of December 31, 2009, we had not commenced the construction of Phase IV of Sunshine Venice. Details of Phase IV of Sunshine Venice as of December 31, 2009 were as follows:

Phase IV [1]	**Residential**
Planned construction period	January 2012 — October 2014
Total saleable/leasable GFA (sq.m.)	37,700

Note:

(1) Phase IV of Sunshine Venice is expected to include 322 saleable/leasable car park spaces upon completion.

We have obtained all relevant land use rights certificates for Phases I through IV of Sunshine Venice and have fully paid the land premium.

Sunshine Venice is being developed by our wholly-owned subsidiary Shanghai Yijing.

Royal Lakefront (湖畔豪庭)

Royal Lakefront is located in the Shanghai Fengxian Modern Agricultural Zone (奉賢現代農業園區), one of the four biggest agricultural zones in Shanghai. Royal Lakefront is near an exit of the A4 motorway, which connects Shanghai to Hangzhou, Hangnan Road (航南路) and Jinhai Road (金海路) in Fengxian district (奉賢區). The extension line of Light Rail 5 also runs through this area. Situated in the Nanqiao New City (南橋新城), a government-planned high quality residential area, the project is located near a range of ancillary facilities, including Fengxian Middle School (奉賢中學) and other facilities surrounding the local government office. To the East of Royal Lakefront, the local government has plans to develop a large park that include a hotel, commercial complex and serviced apartments upon its completion.

The project occupies an aggregate site area of approximately 279,695 sq.m. and has a total planned GFA of 581,744 sq.m. As of December 31, 2009, we were still in the process of developing Phases IA and IB of Royal Lakefront as follows:

Phase IA	**Residential**	**Retail**
Planned construction period	September 2009 — December 2010	September 2009 — December 2010
Total saleable/leasable GFA (sq.m.)	46,060	8,489
GFA sold/pre-sold (sq.m.)	21,779	N/A
Average selling price per sq.m. (RMB)	12,282	N/A

As of December 31, 2009, we have commenced the construction of Phase IB of Royal Lakefront. Details of Phase IB of Royal Lakefront as of December 31, 2009 were as follows:

Phase IB (1)	**Residential**	**Retail**
Planned construction period	October 2009 — June 2011	November 2009 — August 2012
Total saleable/leasable GFA (sq.m.)	90,667	53,293

Note:

(1) Phase IB of Royal Lakefront is expected to include 446 saleable/leasable car parks upon completion.

As of December 31, 2009, we had not commenced the construction of Phase II of Royal Lakefront. Details of Phase II of Royal Lakefront as of December 31, 2009 were as follows:

Phase II (1)	**Residential**	**Retail**
Planned construction period	April 2010 — October 2011	April 2010 — December 2013
Total saleable/leasable GFA (sq.m.)	191,703	69,530

Note:

(1) Phase II of Royal Lakefront is expected to include 1,065 saleable/leasable car parks upon completion.

We have obtained all relevant land use rights certificates and have fully paid the land premium for Phase IA and IB of Royal Lakefront. We entered into a land grant contract with the local government with respect to Phase II of Royal Lakefront in April 2008. As of December 31, 2009, we have fully paid the land premiums. We obtained the land use rights certificate on January 12, 2010.

Royal Lakefront is developed by our wholly-owned subsidiary Shanghai Hongye (上海弘曄房地產發展有限公司).

Baoshan Gaojing (寶山高境)

Baoshan Gaojing (寶山高境) — Phases I, II and III are located close to Shanghai Riverside New Town (江灣新城). It is also near Fudan University (復旦大學), Tongji University (同濟大學), and Shanghai Wujiaochang Hi-Tech Park (五角場創業園) in Yangpu District (楊浦區). Phase I of Baoshan Gaojing has a total site area of 94,076 sq.m. and a total planned GFA of 328,862 sq.m. Baoshan Gaojing enjoys convenient transportation facilities, in particular, two light rail lines are in its vicinity. We plan to develop Baoshan Gaojing into an integrated development comprising residential and commercial properties.

As of December 31, 2009, we had not commenced the construction of Phase I of Baoshan Gaojing.

Details of Phase I of Baoshan Gaojing as of December 31, 2009 were as follows:

Phase I [1]	Residential[2]	Retail
Planned construction period	April 2010 — September 2012	April 2010 — September 2012
Total saleable/leasable GFA (sq.m.).	258,347	9,017

Notes:

(1) Phase I of Baoshan Gaojing is expected to include 900 saleable/leasable car park spaces upon completion.

(2) Phase IA is expected to commence construction in April 2010 and complete in December 2011, Phase IB is expected to commence construction in October 2010 and complete in September 2012.

Baoshan Gaojing — Phase II has a total planned GFA of 445,665 sq.m. and a site area of 153,503 sq.m. Details of Phase II of Baoshan Gaojing are as follows:

Baoshan Gaojing Phase II[1]	Residential	Retail
Planned construction period	May 2012 — May 2015	May 2012 — May 2015
Total saleable/leasable GFA (sq.m.).	317,663	30,187

Note:

(1) Phase II of Baoshan Gaojing is expected to have 1,863 saleable/leasable car park spaces upon completion.

Based on our internal estimates and subject to the timing and outcome of the future tender process, we expect to obtain the land use rights certificate for Phase II of Baoshan Gaojing by December 2011.

We have successfully tendered for the land where we intend to develop Phases I and II of Baoshan Gaojing. We expect to fully pay the land premiums after the local government's adjustment on its government plan and obtain the land use rights certificate in May 2010. We entered into a master agreement with the local government in October 2007 in respect of Phase III of Baoshan Gaojing, details of which are set out in the paragraph headed "— Projects to be acquired for future developments".

Baoshan Gaojing (Phases I, II and III) is being developed by our wholly-owned subsidiary Shanghai Shengtong (上海勝通房地產開發有限公司).

Caohejing Project (漕河涇項目)

The Caohejing project is located in Xu Jia Hui district, a prime location in the central business district of Shanghai. The project occupies a total site area of approximately 17,611 sq.m. and has a total planned GFA of approximately 103,928 sq.m. The Caohejing project is planned to include a large-scale commercial project, comprising high quality office buildings, a hotel and other ancillary facilities.

We expect the Caohejing project to commence construction in January 2011. Details of the project as of December 31, 2009 were as follows:

Caohejing	Office	Retail	Hotel
Planned construction period	January 2011 — August 2013	January 2011 — August 2013	January 2011 — December 2013
Total saleable/leasable GFA (sq.m.). .	18,253	22,350	16,949

Note:

(1) Caohejing is expected to have 522 saleable/leaseable car park spaces upon completion.

We have signed an acquisition agreement to acquire this entire project. Consummation of such acquisition is subject to satisfaction of conditions precedent including the obtaining of the land use rights certificate for the Caohejing project. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments".

Zhongcaoxincun Project (中漕新村項目)

The Zhongcaoxincun project is located in Xu Jia Hui district, a prime location in the central business district of Shanghai. The project occupies a total site area of approximately 23,614 sq.m. and has a total planned GFA of approximately 89,734 sq.m. The Zhongcaoxincun project is planned to include a large-scale commercial project, comprising a serviced apartment and other ancillary facilities.

We expect to commence the construction of the Zhongcaoxincun project in June 2011. Details of the project as of December 31, 2009 were as follows:

Zhongcaoxincun	Retail	Serviced Apartment
Planned construction period	June 2011 — November 2013	June 2011 — November 2013
Total saleable/leasable GFA (sq.m.)	14,759	37,783

Note:

(1) Zhongcaoxincun is expected to have 544 saleable/leaseable car park spaces upon completion.

We have signed an acquisition agreement to acquire this entire project. Consummation of such acquisition is subject to satisfaction of conditions precedent including the obtaining of the land use rights certificate for the Zhongcaoxincun project. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments".

Tianjin

Sunshine Holiday (陽光星期八)

Sunshine Holiday — Phases I through V are located at the intersection of Cheng Lin Road (成林道) and Weiguo Road (衛國道) in the Hedong District (河東區) of Tianjin. Sunshine Holiday is only about 20 kilometers from Tianjin International Airport and near the No. 2 subway line currently under construction. Phases I through IV of this project have a site area of 184,680 sq.m. and a total planned GFA of 599,266 sq.m.

Phases I through III of Sunshine Holiday are large-scale residential and retail community property developments providing high-rise apartment buildings. Phase IV of Sunshine Holiday is a large retail development. Sunshine Holiday provides a wide range of amenities to its residents.

We have completed the development of Phase I of Sunshine Holiday. The completed properties have a total GFA of approximately 85,998 sq.m. Details of Phase I of Sunshine Holiday as of December 31, 2009 were as follows:

Phase I	Residential	Retail
Construction period	January 2005 — August 2006	January 2005 — August 2006
Total saleable/leasable GFA (sq.m.)	77,416	6,091
GFA sold/pre-sold (sq.m.)[1]	77,416	N/A
Average selling price per sq.m. (RMB)	4,485	N/A

Note:

(1) Of this 77,416 sq.m. sold/pre-sold, residential GFA of approximately 77,270 sq.m. had been all recognized as revenue as of December 31, 2009.

We have completed the development of Phase II of Sunshine Holiday, which has a total GFA of approximately 200,630 sq.m. Details of Phase II of Sunshine Holiday as of December 31, 2009 were as follows:

Phase II [1]	**Residential**	**Retail**
Construction period	August 2005 — September 2008	August 2005 — September 2008
Total saleable/leasable GFA (sq.m.)	160,634	6,113
GFA sold/pre-sold (sq.m.)[2]	159,636	N/A
Average selling price per sq.m. (RMB)	6,146	N/A

Notes:

(1) Phase II of Sunshine Holiday includes 705 saleable/leasable car park spaces.

(2) Of this 159,636 sq.m. sold/pre-sold, all had been recognized as revenue as of December 31, 2009.

As of December 31, 2009, we were in the process of developing Phase III of Sunshine Holiday. The project under development had a total GFA of approximately 187,335 sq.m. Details of Phase III of Sunshine Holiday as of December 31, 2009 were as follows:

Phase III [1]	**Residential**	**Retail**
Planned construction period	September 2007 — June 2010	September 2007 — June 2010
Total saleable/leasable GFA (sq.m.)	155,867	1,617
GFA sold/pre-sold (sq.m.)	117,076	N/A
Average selling price per sq.m. (RMB)	7,857	N/A

Note:

(1) Phase III of Sunshine Holiday is expected to have 995 saleable/leasable car park spaces upon completion.

(2) Of this 117,076 sq.m. sold/pre-sold, approximately 78,029 sq.m. had been recognized as revenue as of December 31, 2009.

As of December 31, 2009, we had not commenced the construction of Phase IV of Sunshine Holiday. Phase IV of Sunshine Holiday had a total planned GFA of approximately 125,303 sq.m. Details of Phase IV of Sunshine Holiday as of December 31, 2009 were as follows:

Phase IV [1]	**Retail**
Planned construction period	July 2010 — October 2012
Total saleable/leasable GFA (sq.m.)	104,232

Note:

(1) Phase IV of Sunshine Holiday is expected to include 406 saleable/leasable car park spaces upon completion.

We entered into a land grant contract with the local government in respect of Phases I through IV of Sunshine Holiday in April 2004. We have fully paid the land premium attributable to Phases I through III and have obtained the land use rights certificate in respect of Phases I through III of Sunshine Holiday. We have fully paid the land premiums for Phase IV of Sunshine Holiday and expect to obtain the land use rights certificate before July 2010. We entered into a master agreement with the local government in respect of Phase V of Sunshine Holiday in January 2007, see "— Projects to be acquired for future developments".

Sunshine Holiday is being developed by our wholly-owned subsidiary, Tianjin Yangguang Xindi (天津陽光鑫地投資有限公司).

Glorious Shanghai Bay Seaside (Tian Xing Jian) Project (恒盛尚海灣濱海 (天行健) 項目)

Glorious Shanghai Bay Seaside (Tian Xing Jian), including Phases I through III, is located in the Guan'gang Forest Park (官港森林公園), Binghai New District (濱海新區), Tianjin City. The project is located to the west of Gangtang Road (港塘公路) and to the southeast of Guan'gang Lake (官港湖). It is located within the Guan'gang recreational and resort area of Dagang District and is approximately 15 kilometers from the center of Binhai New District (濱海新區). Being a wetland forest park in Tianjin city, Guan'gang Forest Park is part of the newly developed Binhai New District and planned to be developed into a new district having ecotourism, resort, recreational and sports functions under the Eleventh-Five Year Plan of Binhai New District. Based on our current plan, Glorious Shanghai Bay Seaside (Tian Xing Jian) will, upon its completion, be a lake-theme eco-integrated residential and recreational development.

The project comprises two pieces of land in the same area, with an aggregate site area of 312,704 sq.m. and has a total planned GFA of 414,523 sq.m. The project will be developed in three phases. As of December 31, 2009, we had not commenced the construction of Glorious Shanghai Bay Seaside project.

Phases I and II of Glorious Shanghai Bay Seaside (Tian Xing Jian) have a total planned GFA of approximately 378,866 sq.m. Details of Phases I and II of Glorious Shanghai Bay Seaside (Tian Xing Jian) as of December 31, 2009 were as follows:

Phases I to II (1)	**Residential**	**Retail**
Planned construction period(2)	September 2010 — October 2012	September 2010 — October 2012
Total saleable/leasable GFA (sq.m.)	240,817	39,714

Note:

(1) Phases I and II of Glorious Shanghai Bay Seaside (Tian Xin Jian) are expected to include 1,145 saleable/leasable car parks upon completion.

(2) The planned construction period of Phase I is from September 2010 to December 2011. The planned construction period of Phase II is from March 2011 to December 2012.

Phase III of Glorious Shanghai Bay Seaside (Tian Xing Jian) has a total planned GFA of approximately 35,657 sq.m. Details of Phase III of Glorious Shanghai Bay Seaside (Tian Xing Jian) as of December 31, 2009 were as follows:

Phase III(1)	**Hotel**
Planned construction period	September 2010 — December 2012
Total saleable/leasable GFA (sq.m.)	35,657

Note:

(1) Phase III of Glorious Shanghai Bay Seaside (Tian Xing Jian) will include 300 hotel guest rooms.

We obtained the land use rights to Glorious Shanghai Bay Seaside (Tian Xing Jian) through our acquisition of a 100% interest in the project company Tianjin Tianxingjian Real Estate Investment Co., Ltd. (天津天行建房地產投資有限公司).

Glorious Shanghai Bay Seaside (Tianjin Gangtian) Project (恒盛尚海灣濱海(天津港天)項目)

Glorious Shanghai Bay Seaside (Tianjin Gangtian) is adjacent to the famous Guan'gang Lake in the Binhai New District, Tianjin. The west plot is located within the Guan'gang lake Forest Resort and the east plot is surrounded by the Olympics Park to the north featuring a panoramic view of Guan'gang Lake. The project occupies an aggregate site area of approximately 583,387 sq.m. and has a total planned GFA of approximately 685,151 sq.m. We plan to develop the project into a premium low density residential development, comprising low rise apartments, townhouses and villas.

We expect to commence the construction of Glorious Shanghai Bay Seaside (Tianjin Gangtian) in July 2010. Details of the project as of December 31, 2009 were as follows:

Glorious Shanghai Bay Seaside (Tianjin Gangtian) Project, Phase I (West Block) (1)	Residential	Retail
Planned construction period	July 2010 — October 2012	July 2010 — October 2012
Total saleable/leasable GFA (sq.m.)	246,314	2,721

Note:

(1) The project is expected to include 972 saleable/leasable car park spaces upon completion.

Glorious Shanghai Bay Seaside (Tianjin Gangtian) Project, Phase II (East Block) (1)	Residential	Retail
Planned construction period	November 2010 — June 2013	November 2010 — June 2013
Total saleable/leasable GFA (sq.m.)	324,400	7,000

Note:

(1) The project is expected to include 1,325 saleable/leasable car park spaces upon completion.

We have obtained the land use rights certificate through our acquisition of 100% of the equity interest of Tianjin Gangtian Real Estate Investment Ltd. and plan to develop Glorious Shanghai Bay Seaside (Tianjin Gangtian) as scheduled.

Tuanpohu Project (團泊湖項目)

The Tuanpohu project is located in the southern part of Tianjin surrounded by lake-bound natural landscape. The project occupies a total site area of approximately 1,196,000 sq.m. and has a total planned GFA of approximately 1,567,303 sq.m. We expect to develop the project into high quality residential properties including villas, low-rise apartments and retail facilities.

We expect to commence the construction of the Tuanpohu project in August 2010. Details of the project as of December 31, 2009 were as follows:

Tuanpohu (1)	Residential	Retail
Planned construction period	August 2010 — June 2016	August 2010 — June 2016
Total saleable/leasable GFA (sq.m.)	1,155,407	97,800

Note:

(1) The project is expected to include 7,087 saleable/leasable car park spaces upon completion.

We have obtained the land use rights certificate through our acquisition of a 70% equity interest in Tianjin Dongan Construction Limited Co. and plan to develop the Tuanpohu project as scheduled. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments".

Beijing

Royal Mansion (歐洲公館)

Located in a developed residential area next to Xisihuan (西四環) in Haidian District (海淀區) in Beijing, Royal Mansion, including Phases I and II, is expected to be a modern European-styled apartment community upon its completion with a full range of lifestyle, health, and education ancillary facilities. The project is located adjacent to Sunny Park (陽光星期八公園). Royal Mansion has a total site area of 34,850 sq.m. and a total planned GFA of approximately 130,066 sq.m.

As of December 31, 2009, we were in the process of developing Phase I of Royal Mansion. Details of Phase I of Royal Mansion as of December 31, 2009 were as follows:

Phase I [1]	**Residential**	**Retail**
Planned construction period	March 2008 — December 2010	July 2009 — June 2011
Total saleable/leasable GFA (sq.m.)	46,572	3,393
GFA sold/pre-sold (sq.m.)	29,249	N/A
Average selling price per sq.m. (RMB)	28,307	N/A

Note:

(1) Phase I of Royal Mansion is expected to include 295 saleable/leasable car park spaces upon completion.

As of December 31, 2009, we had not commenced the construction of Phase II of Royal Mansion. Phase II of Royal Mansion had a total planned GFA of approximately 62,592 sq.m. Details of Phase II of Royal Mansion as of December 31, 2009 were as follows:

Phase II [1]	**Residential**	**Retail**
Planned construction period	March 2011 — November 2012	March 2011 — December 2012
Total saleable/leasable GFA (sq.m.)	31,589	7,233

Note:

(1) Phase II of Royal Mansion is expected to include 204 saleable/leasable car park spaces upon completion.

We have obtained all relevant land use rights certificates and have fully paid the land premium for Royal Mansion.

Royal Mansion is being developed by our wholly-owned subsidiary Beijing Yangguang Xindi (北京陽光鑫地置業有限公司).

Sunshine Bordeaux (陽光波爾多)

Sunshine Bordeaux — Phases I through IV are located in Caiyu Town (采育鎮), Daxing District (大興區), Beijing. Sunshine Bordeaux is intended to be a multiple phase, large-scale residential and retail community property development. Upon completion, the residential development is expected to comprise European-styled low-rise apartments. The residential community is expected to have a comprehensive set of ancillary facilities. The project occupies an aggregate site area of approximately 1,372,946 sq.m. and has a total planned GFA of approximately 1,495,081 sq.m.

As of December 31, 2009, we have completed Phase IA of Sunshine Bordeaux. Details of Phase IA of Sunshine Bordeaux as of December 31, 2009 were as follows:

Phase IA (1)	Residential	Retail
Construction period	March 2008 — December 2009	March 2008 — December 2009
Total saleable/leasable GFA (sq.m.)	93,627	16,469
GFA pre-sold (sq.m.)	84,948	N/A
Average selling price per sq.m. (RMB)	4,781	N/A

Note:

(1) Phase IA of Sunshine Bordeaux includes 304 saleable/leasable car park spaces upon completion.

(2) Of this 84,948 sq.m. sold/pre-sold, approximately 81,500 sq.m. had been recognized as revenue as of December 31, 2009.

As of December 31, 2009, we had not commenced the construction of Phase IB of Sunshine Bordeaux. Details of Phase IB of Sunshine Bordeaux as of December 31, 2009 were as follows:

Phase IB (1)	Residential	Retail
Planned construction period	May 2010 — December 2011	May 2010 — December 2011
Total saleable/leasable GFA (sq.m.)	63,993	16,634

Note:

(1) Phase IB of Sunshine Bordeaux is expected to include 375 saleable/leasable car park spaces upon completion.

We have obtained all relevant land use rights certificates and have fully paid the land premium for Phase I of Sunshine Bordeaux.

In December 2002, we signed a master agreement with the local government to develop Phase II of Sunshine Bordeaux, details of which are set out in the paragraph headed "— Projects to be acquired for future developments". We still need to go through the tender process, sign the land grant contract and pay the land premium before we can get the land use rights certificate.

Sunshine Bordeaux is being developed by our wholly-owned subsidiary Beijing Hetian Hexin (北京合天和信房地產開發有限公司).

Jiangsu Province

Nanjing

Sanchahe Project (三汊河項目)

The Sanchahe project is located in the southern part of Xiaguan District linking the Gulou District, Nanjing, south of the juncture of Qinhuai River and Yangtze River, linking Yangtze River Boulevard and directly adjacent to Yangtze River. The project occupies a total site area of approximately 109,244 sq.m. and has a total planned GFA of approximately 387,138 sq.m. We plan to develop the project into a large-scale of residential area and retail facilities.

We expect the Sanchahe project to commence construction in January 2011. Details of the project as of December 31, 2009 were as follows:

Sanchahe Project	Residential	Retail
Planned construction period	January 2011 — November 2014	January 2011 — November 2014
Total saleable/leasable GFA (sq.m.)	304,461	3,000

We have signed an investment agreement to acquire a 60% interest in this project. Consummation of such investment is subject to satisfaction of conditions precedent including the obtaining of the land use rights certificate for the Sanchahe project. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Recent Developments".

Wuxi

No.1 City Promotion (第一國際)

No.1 City Promotion, including Phases I through IV, is located in Wuxi New District (無錫新區) which is north of Wangzhuang East Road (旺莊東路), south of Xinguang Road (新光路) and east of Xingchuang Jiulu (行創九路). Phases I through III of No.1 City Promotion are large-scale residential community property developments with European style high-rise buildings. We plan to develop Phase IV of No.1 City Promotion into a hotel with 436 guest rooms. Wuxi Wangjiarui, as one of our subsidiaries, entered into a management contract with Holiday Inns (China) Limited, a subsidiary of InterContinental Hotels Group, on June 30, 2008 for management of Crowne Plaza® Wuxi New District. The initial management term is 10 years from the commencement date of the hotel. The management contract can be renewed for one or more additional terms of years and each renewal term is 10 years. The residential community has education, entertainment and health facilities and a convenient transportation network in its peripheral areas. The project occupies an aggregate site area of approximately 219,423 sq.m. and has a total planned GFA of approximately 752,778 sq.m.

We have completed the development of Phase I of No.1 City Promotion. The completed properties have a total GFA of approximately 192,445 sq.m. Details of Phase I of No.1 City Promotion as of December 31, 2009 were as follows:

Phase I (1)	Residential
Construction period	June 2005 — October 2007
Total saleable GFA (sq.m.)	161,767
GFA sold/pre-sold (sq.m.)	159,147
Average selling price per sq.m. (RMB)	4,369

Note:

(1) Phase I of Wuxi No.1 City Promotion includes 710 saleable/leasable car park spaces.

We completed the development of Phase II of No.1 City Promotion. The completed properties have a total GFA of approximately 217,927 sq.m. Details of Phase II of No.1 City Promotion as of December 31, 2009 were as follows:

Phase II(1)	Residential
Construction period	January 2007 — December 2009
Total saleable/leasable GFA (sq.m.)	179,415
GFA pre-sold (sq.m.)	156,130
Average selling price per sq.m. (RMB)	4,763

Note:

(1) Phase II of Wuxi No.1 City Promotion includes 780 saleable/leasable car park spaces upon completion.

(2) Of this 156,130 sq.m. sold/pre-sold, approximately 134,373 sq.m. had been recognized as revenue as of December 31, 2009.

As of December 31, 2009, we had not commenced the construction of Phases III and IV of No.1 City Promotion. We plan that, upon completion, Phase III of No.1 City Promotion will have a total planned GFA of approximately 225,156 sq.m. Phase IV of No.1 City Promotion will include a hotel with 436 guest rooms and a total planned GFA of approximately 117,249 sq.m. As of December 31, 2009, the details of Phases III and IV of No.1 City Promotion were as follows:

Phase III (1)	Residential	Retail
Planned construction period	April 2010 — December 2012	April 2010 — December 2012
Total saleable/leasable GFA (sq.m.)	117,479	35,148

Note:

(1) Phase III of No.1 City Promotion is expected to include 1,755 saleable/leasable car park spaces upon completion.

Phase IV (1)	Residential	Retail	Hotel
Planned construction period	May 2011 — December 2012	May 2011 — December 2013	May 2011 — December 2013
Total saleable/leasable GFA (sq.m.)	27,196	35,677	25,743

Note:

(1) Phase IV of No.1 City Promotion is expected to include 550 saleable/leasable car park spaces upon completion.

We have fully paid the land premium for Phases I through IV of Wuxi No.1 City Promotion and have obtained the land use rights certificates for Phases I through IV.

No. 1 City Promotion is being developed by our wholly-owned subsidiary Wuxi Wangjiarui.

Suzhou

Classical Life (海上一品)

Classical Life, including Phases I and II, is located on Haiyu North Road (海虞北路), Changshu New District (常熟新區), Suzhou City. It is a residential property development featuring townhouses and apartments. The project occupies an aggregate site area of approximately 55,398 sq.m. and has a total planned GFA of approximately 71,554 sq.m.

We have completed the development of Phase I of Classical Life. Phase I of Classical Life is mainly townhouses with a total planned GFA of approximately 34,224 sq.m. Details of Phase I of Classical Life as of December 31, 2009 were as follows:

Phase I	Residential	Retail
Construction period	June 2006 — June 2008	June 2006 — June 2008
Total saleable/leasable GFA (sq.m.)	32,325	1,627
GFA sold/pre-sold (sq.m.)(1)	32,325	N/A
Average selling price per sq.m. (RMB)	6,989	N/A

Note:

(1) Of the 32,325 sq.m. sold or pre-sold, approximately 30,488 sq.m. had been delivered and recognized as of December 31, 2009.

We have completed the development of Phase II of Classical Life. Phase II of Classical Life has a total planned GFA of approximately 37,330 sq.m. Details of Phase II of Classical Life as of December 31, 2009 were as follows:

Phase II(1)	Residential
Construction period	December 2007 — December 2008
Total saleable/leasable GFA (sq.m.)	29,178
GFA sold (sq.m.)	29,178
Average selling price per sq.m. (RMB)	4,396

Notes:

(1) Phase II of Classical Life includes 140 saleable/leasable car park spaces.

We entered into a land grant contract with the local government in respect of Classical Life in March 2005. We have already obtained the land use rights certificates for Classical Life and have fully paid the land premium.

Classical Life was developed by our wholly-owned subsidiary Suzhou Hongsheng (蘇州弘晟房地產有限公司).

Nantong

Rongsheng Garden (熔盛花園)

Rongsheng Garden, including Phases I through VI, is located in the Rugao Economic Development District (如皐經濟開發區), Nantong, Jiangsu Province. After the Sutong Changjiang Highway Bridge (蘇通大橋) commenced operation in early 2008, Nantong is within a one hour driving radius of Shanghai pursuant to the Summary of Eleventh Five-Year Plan regarding the social and economic development of Nantong approved by People's Congress of Nantong. Based on our current plan, Rongsheng Garden will comprise six phases and be a large-scale residential and retail community property development upon completion. We have signed a master agreement in respect of the whole project, including Phases IC through VI, and have completed the public tender process and fully paid the land premium in respect of Phase II. However, we have not completed the public tender process in respect of Phases III through VI and do not have land use rights certificates in respect of Phases IC through VI.

As of December 31, 2009, we had not commenced the construction of Phases IA, IB and IC of Rongsheng Garden. Construction of Phase IA has commenced in April 2010 and, based on our current plan, is expected to be completed by November 2010. Construction of Phase IB will commence in June 2010 and is expected to be completed by June 2011 and Phase IC is expected to commence in January 2011 and is expected to be completed by December 2011.

Details of Phases IA, IB and IC of Rongsheng Garden as of December 31, 2009 were as follows:

Phase IA, IB, IC(1)	Residential	Retail
Planned construction period	April 2010 — June 2011	March 2010 — June 2011
Total saleable/leasable GFA (sq.m.)	330,360	27,083

Note:

(1) Phases IA and IB of Rongsheng Garden are expected to include 392 saleable/leasable car park spaces upon completion. Phase IC of Rongsheng Garden is expected to include 109 saleable/leasable car park spaces upon completion.

We have fully paid the land premiums for Phases IA and IB of Rongsheng Garden and we obtained the land use rights certificates of Phases IA and IB of Rongsheng Garden in September 2009.

Rongsheng Garden is being developed by nine wholly foreign owned enterprises owned by us.

Nantong Rongsheng Plaza (南通熔盛大廈)

Nantong Rongsheng Plaza is located in Nantong City, Jiangsu Province. The project occupies an aggregate site area of approximately 45,090 sq.m. and has a total planned GFA of approximately 283,597 sq.m. Upon completion, Nantong Rongsheng Plaza is expected to include a hotel with a total leasable GFA of approximately 64,504 sq.m., an office building with a total leasable GFA of approximately 97,112 sq.m., as well as a total retail GFA of 48,098 sq.m.

As of December 31, 2009, we had not commenced the construction of Nantong Rongsheng Plaza. Based on our current plan, construction of these properties will commence in March 2012 and is expected to be completed by December 2015.

Details of Nantong Rongsheng Plaza as of December 31, 2009 were as follows:

Nantong Rongsheng Plaza	Hotel	Office	Retail
Planned construction period	March 2012 — December 2015	March 2012 — December 2015	March 2012 — December 2015
Total saleable/leasable GFA (sq.m.). .	64,504	97,112	48,098

Note:

(1) The project is expected to include 1,051 saleable/leasable car park spaces upon completion.

We acquired the land for Nantong Rongsheng Plaza in March 2008 through our acquisition of 100% equity interest in Nangtong Rongsheng (南通熔盛大廈房地產開發有限公司), a project company that had already signed a land grant contract with the local government prior to being acquired by us. We have fully paid the land premiums and obtained the land use rights certificates with respect to Nantang Rongsheng Plaza.

East Chongchuan Project (崇川區城東項目)

The East Chongchuan Project is located at the East of Chongchuan District, South of Ren Min East Road and West of Shilun Road, Nantong, Jiangsu Province. The project occupies a total site area of approximately 115,069 sq.m. and has a total planned GFA of approximately 307,500 sq.m. We plan to develop the project into a large-scale residential project.

We expect to commence the construction of the East Chongchuan Project in May 2010. Details of the project as of December 31, 2009 were as follows:

East Chongchuan Project	Residential	Retail
Planned construction period	May 2010 — June 2012	May 2010 — June 2012
Total saleable/leasable GFA (sq.m.).	228,100	13,200

Note:

(1) The project is expected to include 1,500 saleable/leasable car park spaces upon completion.

We entered into a land grant contract and are in the process of obtaining the relevant land use rights certificate for the Nantong Villa Glorious.

Glorious Shanghai Bay (Nantong) (南通恒盛尚海灣)

The Glorious Shanghai Bay (Nantong) is located in Chongchuan District in Nantong, at east of Gongnong Road, south of Hongxing Road, west of Chengshan Road and north of Hongqiao Road, Nantong, Jiangsu Province. The project occupies a total site area of approximately 244,524 sq.m. and has a total planned GFA of approximately 694,439 sq.m. We plan to develop the project into a large-scale of residential area.

We expect to commence the construction of the Glorious Shanghai Bay (Nantong) in June 2010. Details of the project as of December 31, 2009 were as follows:

Glorious Shanghai Bay (Nantong)	Office	Retail	Residential
Planned construction period	June 2010 — November 2012	June 2010 — November 2012	June 2010 — June 2012
Total saleable/leasable GFA (sq.m.). .	139,719	48,556	345,100

Note:

(1) The project is expected to include 3,556 saleable/leasable car park spaces upon completion.

We entered into a land grant contract and are in the process of obtaining the relevant land use rights certificate for the Glorious Shanghai Bay (Nantong).

Anhui Province

Bashang Jie (壩上街)

Bashang Jie Project is located on Ming Guang Road (明光路), Hefei City, Anhui Province. The project occupies an aggregate site area of approximately 118,929 sq.m. and has a total planned GFA of approximately 1,263,730 sq.m. Upon completion, the project is expected to be a large-scale commercial complex including one hotel, serviced apartments and retail and office developments.

As of December 31, 2009 we had not commenced the construction of the Bashang Jie Project. Based on our current plan, construction of these properties will commence in October 2010 and is expected to be completed by December 2015.

Details of this development as of December 31, 2009 were as follows:

Bashang Jie	Residential	Retail	Office	Hotel
Planned construction period	October 2010 — June 2015	October 2010 — June 2015	January 2013 — December 2015	August 2012 — December 2015
Total saleable/leasable GFA (sq.m.) .	406,922	260,283	235,657	95,907

Note:

(1) The project is expected to include 9,183 saleable/leasable car park spaces upon completion.

We signed the land grant contract for Bashang Jie in April 2008. We are still in the process of applying for the land use rights certificate for the project. We will construct apartments and retail units for relocated residents as required by the local government to settle part of the relevant land premiums after which we need to pay the remaining part of the land premiums. We expect to obtain the land use rights certificate by the end of October 2010 based on our current construction schedule.

Bashang Jie Project is being developed by our wholly-owned subsidiary Anhui Hengmao (安徽恒茂房地產開發有限公司).

Hefei Villa Glorious (合肥 •恒盛豪庭)

Hefei Villa Glorious, including Phases I through IV, is located on Da Tong Road (大通路), Hefei City, Anhui Province. The project occupies an aggregate site area of approximately 72,478 sq.m. and has a total planned GFA of approximately 388,615 sq.m.

As of December 31, 2009, we were still in the process of developing Phase I of Hefei Villa Glorious. Phase I of Hefei Villa Glorious has a total planned GFA of approximately 100,944 sq.m. Details of Phase I of Hefei Villa Glorious as of December 31, 2009 were as follows:

Phase I	Residential
Planned construction period	March 2009 — September 2011
Total saleable/leasable GFA (sq.m.)	96,629
GFA sold /pre-sold (sq.m.)	47,867
Average selling price per sq.m. (RMB)	5,135

As of December 31, 2009, we had not commenced the construction of Phases II through IV of Hefei Villa Glorious. Phase II of Hefei Villa Glorious has a total planned GFA of approximately 138,463 sq.m. Details of Phase II of Hefei Villa Glorious as of December 31, 2009 were as follows:

Phase II(1)	Residential
Planned construction period	April 2010 — June 2012
Total saleable/leasable GFA (sq.m.)	86,208

Note:

(1) Phase II of Hefei Villa Glorious is expected to include 1,635 saleable/leasable car park spaces upon completion.

Phase III of Hefei Villa Glorious has a total planned GFA of approximately 138,463 sq.m. Details of Phase III of Hefei Villa Glorious as of December 31, 2009 were as follows:

Phase III(1)	Residential
Planned construction period	June 2010 — August 2012
Total saleable/leasable GFA (sq.m.)	86,208

Note:

(1) Phase III of Hefei Villa Glorious is expected to include 1,065 saleable/leasable car park spaces upon completion.

Phase IV of Hefei Villa Glorious has a total planned GFA of approximately 10,746 sq.m. Details of Phase IV of Hefei Villa Glorious as of December 31, 2009 were as follows:

Phase IV	Retail
Planned construction period	June 2012 — December 2013
Total saleable/leasable GFA (sq.m.)	10,746

We have fully paid the land premium of Hefei Villa Glorious (Phases I through IV) and obtained the land use rights certificates for 65,179 sq.m. of the site area of Hefei Villa Glorious. We are in the process of applying for the land use rights certificates for the remaining site of Hefei Villa Glorious.

Hefei Villa Glorious is being developed by our wholly owned subsidiary Anhui Hengmao (安徽恒茂房地產開發有限公司).

Liaoning Province

Sunny Town (陽光尚城)

Sunny Town, including Phases I through IV, is located in Yuhong District (于洪區), Shenyang City and is being developed by our wholly-owned subsidiary Liaoning Yangguang Xindi (遼寧陽光鑫地置業有限公司). This project occupies an aggregate site area of approximately 470,907 sq.m. and has a total planned GFA of approximately 877,366 sq.m. Sunny Town - Phases I through IV offer various types of products, including residential and retail development.

We have completed the development of Phase I and II of Sunny Town. Phase I of Sunny Town has a total planned GFA of 137,754 sq.m. Details of Phase I of Sunny Town as of December 31, 2009 were as follows:

Phase I[(1)]	Residential	Retail[(2)]
Construction period	July 2006 — June 2007	July 2006 — August 2008
Total saleable/leasable GFA (sq.m.)	103,479	11,931
GFA sold/pre-sold (sq.m.)	102,807	7,501
Average selling price per sq.m. (RMB)	3,677	6,014

Notes:

(1) Phase I of Sunny Town included 133 saleable/leasable car park spaces upon completion, and 60 car park spaces had been sold and delivered as of December 31, 2009.

(2) Retail GFA includes a clubhouse with a total leasable GFA of approximately 5,586 sq.m.

Phase II of Sunny Town has a total planned GFA of approximately 74,087 sq.m. Details of Phase II of Sunny Town as of December 31, 2009 were as follows:

Phase II[(1)]	Residential	Retail[(2)]
Construction period	March 2008 — November 2008	March 2008 — December 2010
Total saleable/leasable GFA (sq.m.)	50,513	12,925
GFA sold/pre-sold (sq.m.)[(3)]	44,441	N/A
Average selling price per sq.m. (RMB)	4,435	N/A

Notes:

(1) Phase II of Sunny Town includes 208 saleable/leasable car park spaces.

(2) The 12,925 sq.m. retail component has not commenced construction as of December 31, 2009.

(3) Of the 44,441 sq.m. sold/pre-sold, approximately 43,228 sq.m. of GFA had been sold and recognized as revenue as of December 31, 2009.

As of December 31, 2009, we were still in the process of developing Phase III of Sunny Town. Phase III of Sunny Town has a total planned GFA of approximately 141,170 sq.m. As of December 31, 2009, the details of Phase III of Sunny Town were as follows:

Phase III[(1)]	**Residential**	**Retail**
Planned construction period	April 2008 — December 2010	April 2008 — December 2010
Total saleable/leasable GFA (sq.m.)	117,778	6,137
GFA sold/pre-sold (sq.m.)	56,846	N/A
Average selling price per sq.m. (RMB)	4,395	N/A

Note:

(1) Phase III of Sunny Town is expected to include 514 saleable/leasable car park spaces upon completion.

As of December 31, 2009, we had not commenced the construction of Phase IV of Sunny Town. Phase IV of Sunny Town has a total planned GFA of approximately 316,800 sq.m. as of December 31, 2009, the details of Phase IV of Sunny Town were as follows:

Phase IV[(1)]	**Residential**	**Retail**
Planned construction period	April 2010 — December 2012	April 2011 — July 2012
Total saleable/leasable GFA (sq.m.)	202,000	63,000

Note:

(1) Phase IV of Sunny Town is expected to include 875 saleable/leasable car park spaces upon completion.

We have obtained the land use rights certificates for Phases I through III of Sunny Town and fully paid the land premium. We have signed land grant contract and have fully paid the land premium for Phase IV of Sunny Town and obtained the land use rights certificate in January 2010 based on our construction schedule. We entered into a master agreement with the local government in respect of Phase V in May 2006 but have not completed the public tender process. See "— Projects to be acquired for future developments".

Sunny Town is being developed by our wholly-owned subsidiary Liaoning Yangguang Xindi (遼寧陽光鑫地置業有限公司).

Heilongjiang Province

Harbin Villa Glorious (哈爾濱 • 恒盛豪庭)

Harbin Villa Glorious — Phases I through III are located in Harbin, Heilongjiang Province. The project occupies an aggregate site area of approximately 204,959 sq.m. and has a total planned GFA of approximately 575,718 sq.m. Harbin Villa Glorious is planned to include residential and retail products upon completion.

We commenced the construction of Phase I of Harbin Villa Glorious in July 2009. Phase I of Harbin Villa Glorious has a total planned GFA of approximately 156,499 sq.m. As of December 31, 2009, the details of Phase I of Harbin Villa Glorious were as follows:

Phase I[1]	**Residential**	**Retail**
Planned construction period	July 2009 — December 2010	July 2009 — December 2010
Total saleable/leasable GFA (sq.m.)	116,539	9,493
GFA sold/pre-sold (sq.m.)	108,849	N/A
Average selling price per sq.m. (RMB)	5,962	N/A

Note:

(1) Phase I of Harbin Villa Glorious is expected to include 544 saleable/leasable car park spaces upon completion.

We have not commenced the construction of Phase II of Harbin Villa Glorious. Phase II of Harbin Villa Glorious has a total planned GFA of approximately 283,422 sq.m. As of December 31, 2009, the details of Phase II of Harbin Villa Glorious were as follows:

Phase II[1]	**Residential**	**Retail**
Planned construction period	April 2010 — December 2011	April 2010 — December 2011
Total saleable/leasable GFA (sq.m.)	240,003	2,075

Note:

(1) Phase II of Harbin Villa Glorious is expected to include 748 saleable/leasable car park spaces upon completion.

We have not commenced the construction of Phase III of Harbin Villa Glorious. Phase III of Harbin Villa Glorious has a total planned GFA of approximately 135,796 sq.m. As of December 31, 2009, the details of Phase III of Harbin Villa Glorious were as follows:

Phase III[1]	**Residential**
Planned construction period	April 2011 — December 2012
Total saleable/leasable GFA (sq.m.)	100,551

Note:

(1) Phase III of Harbin Villa Glorious is expected to include 441 saleable/leasable car park spaces upon completion.

We have fully paid the land premiums for Phases I through III of Harbin Villa Glorious and have obtained the relevant land use rights certificates.

Harbin Villa Glorious is being developed by our wholly-owned subsidiary Harbin Yangguang (哈爾濱陽光濱海置業有限公司).

Projects to be acquired for future development

The table below sets out details of properties in respect to which we have signed the relevant master agreements with the local government authorities but had not, as of December 31, 2009, entered into a land grant contract or obtained the relevant land use rights certificates. Our PRC legal counsel has advised us that such projects remain subject to the relevant PRC laws and regulations which require us to go through the public tender, auction or listing for bidding process and, if successful, enter into a land grant contract and pay the relevant land premium in full before we are able to obtain the relevant land use rights certificate. As these projects have not begun to be developed, their development plans are still subject to change pending, among other things, approvals from relevant authorities. We cannot assure you that we will be successful in securing the land grant contracts and obtaining the relevant land use rights certificates in respect of the projects set out below. If there are new developments to projects to be acquired for future development, we will make such information available to the public by way of announcements in accordance with rule 13.09 and/or chapter 14 of the rules of the Hong Kong Stock Exchange. See "Risk Factors — Risks relating to our business — we are party to long-term master agreements and land grant contracts with PRC government entities, which may not be implemented as agreed."

			Land Bank							
			Total saleable/ leasable unsold GFA (sq.m.)							
Project name	Location	Total GFA (sq.m.	Residential	Retail [1]	Office	Hotel	Others [2] (sq.m.)	Construction commencement/ Expected date of construction commencement	Construction completion/ Expected completion time	Interest attributable to us (%)
Projects to be acquired for future development										
Baoshan Gaojing (Phase III) 寶山高境 (第三期). .	Shanghai	87,360	65,520	7,280	—	—	14,560	Apr. 2013	Nov. 2015	100%
Sunshine Holiday (Phase V) 陽光星期八 (第五期)	Tianjin	100,833	68,750	22,917	—	—	9,167	Sep. 2010	Nov. 2012 May 2013	100%
Sunshine Bordeaux (Phase II through Phase IV) 陽光波爾多 (第二期至四期).	Beijing	1,256,113	1,172,194	56,419	—	—	27,500	Mar. 2011	Dec. 2016	100%
Rongsheng Garden (Phase II through Phase VI) 熔盛花園(第二至第六期))	Nantong, Jiangsu	4,031,746	3,777,706	—	—	—	254,040	Feb. 2011	Dec. 2021	100%
Sunny Town (Phase V) 陽光尚城 (第五期)	Shenyang, Liaoning	207,555	193,300	—	—	—	14,255	Apr. 2011	Oct. 2013	100%
Total		**5,683,608**	**5,277,470**	**86,616**	**—**	**—**	**319,522**			**100%**

Notes:

(1) Includes saleable/leasable clubhouses.

(2) Includes saleable/leasable car parks, convention center and non-saleable/ non-leasable GFA.

Details of projects to be acquired for future development are set out below. Such projects remain subject to relevant PRC laws and regulations which require us to go through the public tender, auction or listing for bidding process and, if successful, enter into the land grant contracts and pay the requisite land premium before we may obtain the land use rights certificates in respect of the following projects. In the event that we are not successful in the public tender, auction and/or listing for bidding process, we will not be able to secure the land grant contracts and pay the land premium, as a result of which, we will not be able to proceed with the development of such projects and will not have access to any of the associated GFA for development for sale.

Baoshan Gaojing — Phase III

Baoshan Gaojing — Phase III has a total planned GFA of 87,360 sq.m. and a site area of 28,000 sq.m. Details of Phase III of Baoshan Gaojing are as follows:

Baoshan Gaojing Phase III(1)	Residential	Retail
Planned construction period	April 2013 — November 2015	April 2013 — November 2015
Total saleable/leasable GFA (sq.m.)	65,520	7,280

Note:

(1) Phase III of Baoshan Gaojing is expected to have 364 saleable/leasable car park spaces upon completion.

Based on our internal estimate and subject to the timing and outcome of the future tender process, we expect that we may obtain the land use rights certificate for Phase III of Baoshan Gaojing by October 2012.

Sunshine Holiday — Phase V

Phase V of Sunshine Holiday has a total site area of 56,863 sq.m. and a total planned GFA 100,833 sq.m. Details of Phase V of Sunshine Holiday are as follows:

Phase V(1)	Residential	Retail
Planned construction period	September 2010 — May 2013	September 2010 — November 2012
Total saleable/leasable GFA (sq.m.)	68,750	22,917

Note:

(1) Phase V of Sunshine Holiday is expected to include 366 saleable/leasable car park spaces upon completion.

Based on our internal estimate and subject to the timing and outcome of future tender process, we expect that we may be able to obtain the land use rights certificate for Phase V of Sunshine Holiday by July 2010.

Sunshine Bordeaux — Phase II through Phase IV

Phase II through Phase IV of Sunshine Bordeaux has a site area of 1,191,983 sq.m. and a total planned GFA of approximately 1,256,113 sq.m. Details of Phase II through Phase IV of Sunshine Bordeaux are as follows:

Phase II through Phase IV	Residential	Retail
Planned construction period	March 2011 — December 2016	May 2012 — December 2016
Total saleable/leasable GFA (sq.m.)	1,172,194	56,419

Based on our internal estimate and subject to the timing and outcome of future tender process, we expect that we may be able to obtain the land use rights certificate for Sunshine Bordeaux in accordance with the following time schedule:

Phase II	December 2010
Phase III	January 2012
Phase IV	January 2014

Rongsheng Garden — Phases II through VI

Rongsheng Garden Phases II through VI has a total planned GFA of approximately 4,031,746 sq.m. and a site area of approximately 4,906,761 sq.m. Details of Phases II through VI of Rongsheng Garden are as follows:

Phases II through VI	Residential
Planned construction period	February 2011 — December 2021
Total saleable/leasable GFA (sq.m.)	3,777,706

We have obtained the land use certificates for Phase II of Rongsheng Garden. Based on our internal estimate and subject to the timing and outcome of future tender process, we expect that we may be able to obtain the land use rights certificate for Phases III through VI of Rongsheng Garden in accordance with the following time schedule:

Phase III	December 2013
Phases IV through VI	December 2014

Sunny Town — Phase V

Phase V of Sunny Town has a total planned GFA of approximately 207,555 sq.m. Details of Phase V of Sunny Town are as follows:

Phase V	Residential
Planned construction period	April 2011 — October 2013
Total saleable/leasable GFA (sq.m.)	193,300

Note:

(1) Phase V of Sunny Town is expected to include 178 saleable/leasable car park spaces upon completion.

Based on our internal estimate and subject to the timing and outcome of future tender process, we expect that we may be able to obtain the land use rights certificate for Sunny Town Phase V by January 2011.

PROPERTY DEVELOPMENT

Our property development process includes site selection, land acquisition, planning, project design and construction, marketing, pre-sales, sales and after-sales support, and a series of development processes. These processes are coordinated and supervised by our central management and carried out by the functional departments of our regional offices and project companies. Although the nature and sequence of specific planning and execution activities vary from one project to another and may be subject to the requirement of relevant local laws and regulations, we have summarized below, the core elements of our typical project development process.

Site Selection
- Gather land information
- Formulate initial concept
- Perform market research
- Perform internal feasibility study
- Perform internal assessment and approval

Land Bidding/Tendering
- Arrange for bidding/tendering
- Receive notice of successful bid/tender
- Sign land grant contract
- Pay land premium
- Obtain land use rights certificate (國有土地使用證)

Pre-construction
- Obtain construction land planning permit (建設用地規劃許可證)
- Obtain construction works planning permit (建設工程規劃許可證)
- Obtain work commencement permit (建築工程施工許可證)
- Obtain other relevant government approvals

Project Design
- Concept design
- Project design
- Detailed design

Construction
- Commence construction works for bidding/tendering
- Monitor construction progress
- Perform quality inspection
- Maintain cost control
- Procurement and quality control

Pre-sale and Sale
- Engage in marketing and promotion
- Obtain pre-sale permit (預售許可證)
- Sign, notarise and register pre-sale contract and mortgage
- Obtain completion and acceptance certificate (竣工驗收證明)
- Obtain delivery certificate (where applicable) (交付使用許可證)

After-sale Services
- Register and apply for unit ownership certificate (小產證)
- Gather and process customer feedback
- Perform customer information analysis
- Regular customer visits and activities

Site selection

Location is key to our success in property development. Therefore, we emphasize site selection. Our strategy committee which consists of members of our board and senior management team, closely monitors and manages our site selection process and is responsible for identifying potential acquisition targets and supervising the entire assessment process. Our investment and marketing departments in each regional company conduct pre-acquisition site due diligence work in order to gain understanding of the target property, the market conditions and trends for future developments, and present a preliminary market analysis to our strategy committee. In line with our overall strategy, we involve our centralized marketing and sales center and our research and design center throughout the site selection process to advise on the decision making process from a pricing, marketing and design perspective.

In assessing whether to pursue an acquisition opportunity, we also seek professional advice from independent experts and take into account a broad range of factors, including:

- an assessment of the city's economic environment, GDP growth and population growth;
- the supply and demand of the relevant property market;
- local urban planning and specifications, including, in particular, the local governmental zoning, planning and development in the relevant region over the next several years and the infrastructure support in the surrounding areas;
- geographical location of the development sites, including its proximity and access to the fast growing urban centers; and
- the estimated cost of development, including land premium, relocation costs (if any), construction cost and financing cost.

Land acquisition

We acquire land either by competitive bidding through public tenders, auctions or listing at a land exchange administered by the local government acquisition of property project companies.

Land Acquisition by competitive bidding

On September 28, 2007, the Ministry of Land and Resources (國土資源部) issued the Regulations on the Grant of State-owned Land Use Rights for Construction through Public Tender, Auction and Listing-for-sale (《招標拍賣掛牌出讓國有建設用地使用權規定》), effective November 1, 2007, which provides that (i) land for industrial, commercial, tourism or entertainment use or for commodity housing development shall be granted by means of public tender, auction or listing-for-sale; no land use rights certificates shall be issued before the land premium has been fully paid up for and (ii) the entire parcel in accordance with the relevant land use rights grant contract and the land use rights certificates shall not be issued with respect to only a portion of any land parcel based on the proportion of the paid up land premium.

The price we pay in respect of the land acquired by us through competitive bidding is in line with the then prevailing market rate and most of the land parcels acquired by us have been relatively large in size. Due to our financial strength, clearly defined strategies, integrated development capability and management quality, we believe we are able to create a premium for the projects that we develop. We believe that there are only a handful of property developers who possess such integrated capabilities.

Land Acquisition through acquiring property project companies

We began to acquire property project companies in 2001 to enable us to expand our business and obtain land use rights at a competitive price. In addition to the usual site selection process and criteria, which we apply in identifying potential targets, we also assess the factors that affect the target's ability to continue to develop the land it possesses when determining whether to pursue the acquisition of a property project company. Such factors include, among others, issues of communications with government, financing arrangements, pricing policies, product development and marketing, which often arise as a result of lack of experience on the part of property developers who own the property project company. Due to more than thirteen years of experience in the PRC property development industry, we are able to overcome such difficulties encountered by small property developers and have the competitive advantage to create a premium with respect to the land obtained through the acquisitions of such project companies.

The price paid for the land acquired through the acquisition of property project companies is normally considered more attractive compared to the price paid through public bidding and therefore any significant delay in identifying the potential target or reaching a decision may result in us foregoing such opportunity due to intense market competition. We rely on a broad range of information channels to closely track the latest developments in the market. Once we have identified a suitable target company, we generally are able to complete the due diligence exercise and decision making process within a short timeframe, with the goal of being in a position to complete the acquisition before any of our potential competitors enter into negotiations with the vendors.

Pre-construction

According to PRC regulations, once we have obtained the rights to develop a parcel of land, we begin applying for the various permits and licenses that are needed in order to begin construction and sale of our properties. If the land use rights are acquired by way of grant, the land grant contract will be a precondition to application for the following permits and licenses:

- land use rights certificate (國有土地使用證), which is a certification of the right of a party to use a parcel of land;

- construction land planning permit (建設用地規劃許可證), which is a permit authorizing a developer to begin the survey, planning and design of a parcel of land;

- construction works planning permit (建設工程規劃許可證), which is a certificate indicating government approval for a developer's overall planning and design of the project and allowing a developer to apply for a construction work commencement permit (建築工程施工許可證); and

- construction work commencement permit (建築工程施工許可證), which is a permit required for commencement of construction.

We have obtained all the required land use rights certificates and permits for our existing properties under development taking into account their respective stages of development.

Financing of Projects

We finance our projects primarily through proceeds from bank borrowings, other third party financings, capital contributions from our shareholders, proceeds from the IPO, internal cash flows and proceeds from the pre-sale of our properties.

Our ability to obtain financing for our projects also depends on the various economic measures introduced by the central and local governments which are intended to stabilize the property market in China. From 2006 to the first half of 2008, the PRC government implemented a number of economic adjustment measures to prevent the PRC economy from overheating. Among these measures are policy initiatives issued by the PRC government on May 24, 2006 to use taxation, bank credit and land policies to regulate housing demand. In that period, the PBOC also announced several increases in the reserve ratio of commercial banks since June 2006 as a result of which the reserve ratio had increased from 7.5% to 8% with effect from July 5, 2006, from 8% to 8.5% on August 15, 2006, from 8.5% to 9% on November 15, 2006, from 9% to 9.5% on January 15, 2007, from 9.5% to 10% on February 25, 2007, from 10% to 10.5% on April 16, 2007, from 10.5% to 11% on May 15, 2007, from 11% to 11.5% on June 5, 2007, from 11.5% to 12% on August 15, 2007, from 12% to 12.5% on September 6, 2007, from 12.5% to 13.0% on October 13, 2007, from 13.0% to 13.5% on November 26, 2007. On December 25, 2007, the PBOC announced a further increase of the reserve ratio from 13.5% to 14.5%. The reserve ratio is further increased to 17.5%, effective on June 25, 2008, being the historical high over the past 30 years. The reserve ratio went down to 16.5% in October 2008, to 14.5% in December 2008, which reflects the PRC government's policy to stimulate economic growth in the global economic downturn. The reserve ratio refers to the amount that banks must set aside when they lend. Such decision of the PBOC will limit the amount commercial banks have available for lending and our ability to obtain financing from commercial banks may be adversely affected.

Project Design

Our project design comprises the following three stages:

- Stage I — Concept design — overall planning conducted at the stages of site selection and land acquisition in connection with our pricing policies and marketing strategies;

- Stage II — Project design — expansion of planning to cover three dimensional design of the property development, floor plans and selection of construction materials, which is usually conducted upon acquisition of the relevant land use rights; and

- Stage III — Detailed design — implementation of the concept design and project design throughout the design and construction process, including landscaping and greenery design.

In order to facilitate our design process, we have set up a research and design center, which specifically engages in property design. We usually outsource Stage I design work to renowned overseas design houses such as Atkins China Ltd., WWCOT and HASSELL, all of which are independent third party designers. When determining the concept design of a particular property development, our designers and engineers generally consider the recommendations of our research and design center regarding product mix, project location and market conditions, as well as the regulatory requirements regarding the design. Stage II of the design process is an integral part of our overall plan of a property development project and therefore we retain absolute control over this phase of the design process through our strategy committee and research and design center. We then cooperate with the large and reputable local design institutes in the relevant regions to carry out the Stage III of our design process. Despite the involvement of overseas design houses and third party design institutes, we closely monitor and manage the quality and theme of a project development at each phase of its design process.

Involving the external design houses and our research and design center at an early stage of a property development project allows for the formulation of a preliminary design when we are negotiating with the government and enables us to commence construction shortly after the requisite approval to develop a parcel of land has been granted, as a result of which, the overall time needed to complete the development is significantly reduced.

Construction work

We outsource our construction phase of a development project to professional and reliable construction companies. For the three years ended December 31, 2009, Shanghai Ditong, an associate of Mr. Zhang Zhi Rong, and ultimate controlling shareholder, and hence our affiliate was our largest general contractor, accounting for substantially all the construction work we undertook in the three years ended December 31, 2009, except for Phase III of Sunny Town with respect to which the construction work was undertaken by independent third party constructing companies. In addition, through the tendering process it was determined that the construction contracts for Royal Lakefront Phase IA and Harbin Villa Glorious Phase I will be granted to independent third party contractors. For the three financial years ended December 31, 2007, 2008 and 2009, the total construction costs incurred in respect of the construction services provided by Shanghai Ditong amounted to RMB1,019.7 million, RMB1,185.5 million and RMB816.8 million (US$119.7 million), representing 57.5%, 47.5% and 33.5% of our total purchases in the three years ended December 31, 2009. Under relevant PRC laws and regulations, construction contractors need to obtain the relevant construction qualification certificate for the type of construction work they carry out before they can undertake such property construction work. In the three years ended December 31, 2009, all of the construction contractors we appointed have obtained the requisite licenses. Shanghai Ditong holds a class I Qualification for General Contracting of Building Contraction Works (房屋建築工程施工總承包一級資質). With its license, Shanghai Ditong is permitted to engage in construction work for the following buildings under a construction or installation contract provided that the single contract value does not exceed five times the registered capital of the enterprise: (1) construction project for buildings less than 40 stories with various spans; and (2) structures with a height no more than 240 meters; and (3) residential quarters or building complexes with a GFA no more than 200,000 square meters.

The construction phase of a development project begins once we obtain the construction permit for the project. Our general contractors are responsible for purchasing construction materials, procuring tools and equipment. However, recently we have begun to purchase some construction materials, tools and equipment. Typically, our general contractors outsource labor services to third party construction labor providers and sub-contract with third party sub-contractors for specialized construction works, such as landscaping, steel structural works, building envelope installation and fire services installation. Through our project management department in each project company, we monitor the overall quality and progress of our construction process.

According to the PRC Tendering and Bidding Law (《中華人民共和國招標投標法》), which became effective on January 1, 2000, and the Rules on the Tender Scope and Criteria for Construction Projects (《工程建設專案招標範圍和規模標準規定》), the tender process is compulsory within the PRC for certain construction projects such as large-scale infrastructure and public utilities relating to social public interests or public security, including the exploration, design, construction, construction supervision thereof as well as procurements of important equipment and materials in connection with project construction. The tender process can be conducted via open tender or tender by invitation. In the three years ended December 31, 2009, the majority of our property projects involved tender by invitation process, and Shanghai Ditong was invited and selected as a successful bidder for each of these projects except for Phase III of Sunny Town, Royal Lakefront Phase IA and Harbin Villa Glorious Phase I. Under the relevant tender laws, a tender can only proceed if at least three construction contractors, all having competent qualifications and the ability to undertake the construction work, have submitted bids. The successful bidder is selected based on an independent assessment by each of the members of the assessment committee of the relevant tender bureau, having taken into account, among others, the following factors: the fee quote, the construction schedule for completion, the quality of construction work, the construction plan, allocation of manpower, safety measures and standard, equipment and facilities to be adopted, and the industry experience of the project manager of the bidder. Depending on the complexity and the scale of our project developments, some factors may outweigh the others in determining which contractors that we select. In general, the fee quote will be given the greatest importance, followed by the construction plan and quality of construction work. For all the bids for which Shanghai Ditong was selected in the three years ended December 31, 2009, Shanghai Ditong had comparable scores or scored higher in terms of a competitive fee quote, construction plan and/or quality of construction work as compared to other bidders. As our projects do not involve state ownership, we may, but are generally not required to, select our construction companies through an open tender process.

We have selected our construction companies through tender by invitation in compliance with the relevant laws and regulations as well as local regulations where our properties are situated. We have also adopted an internal policy regarding the selection process. Our typical selection process regarding construction contractors involves the following steps:

1. We engage a qualified independent tendering agent to draft tender documents and assist us in organizing the tender process. The tender agent is a legally established intermediary institution that acts as our agent in the tender process and provides related services. With the help of the tendering agent, we register the projects to be tendered and file relevant tender documents with the local government authorities.

2. Taking into consideration the specifications of a particular project, we compile a list of construction contractors ranging from three to eight and invite them to enter the bidding process.

3. The contractors who intend to bid for the projects provide information to us regarding their qualifications, size, industry experience, and the composition of their management team.

4. Based on the information received and the specifications of a particular project, we issue tender application documents to selected bidders for completion (typically three to five contractors with competent qualification and relevant industry experience). All these construction contractors, except for Shanghai Ditong, are independent third parties to us.

5. The tendering agent submits the completed tender application documents and other required documents to the local tender bureau.

6. After the tender documents are submitted, an assessment committee is formed, comprising several industry experts randomly chosen from a pool of industry experts who are independent of us and one of our representatives. In accordance with the relevant PRC laws and regulations and industry practice, the successful bidder is selected through an assessment by the committee in which the bidders are assigned scores based on factors such as the fee quote, the construction schedule for completion, quality of construction work and the construction plan (which includes, allocation of manpower, safety measures and equipment and facilities to be adopted and the industry experience of the project manager of the bidder).

7. The bidding result is released and the successful bidder enters into the construction contract with us within a certain period from the date of release of the bidding result.

In connection with the IPO, we adopted corporate governance measures in respect of the tendering process. A tendering committee was established to monitor the tendering process and prescribe criteria for the selection of potential bidders for each of our project developments.

According to the Temporary Measures for Settlement of Construction Fees (《建設工程價款結算暫行辦法》), prepayment in the amount of 10% to 30% of the contract sum shall be payable to constructors within one month of the date of the construction contract or not later than seven days prior to the date of the commencement of the construction work, and monthly payments shall be made during the construction work. The total amounts payable during the construction shall not be less than 60% but not more than 90% of the construction price. The remaining balance of the contract price shall be payable on settlement with approximately 5% of the contract price withheld during the warranty period. In accordance with the above-mentioned measures and market practice, under the construction contracts with Shanghai Ditong, we generally prepay 20% to 30% of the construction price to Shanghai Ditong within 10 days from the date of the construction contract and monthly payments are payable depending on the progress of construction work. The total amount payable to Shanghai Ditong during the construction period does not exceed 90% of the contract sum. The remaining balance is payable only upon the satisfactory completion of work on settlement date with 2% to 5% of the contract price withheld to cover any expenses incurred in connection with the quality of the construction work during the warranty period. In addition, our construction contract also states that the contractors must comply with relevant laws and regulations on the quality of construction projects, as well as our own standards and specifications. The contractors are also subject to our quality control requirements and procedures, including examination of materials and supplies, regular on-site inspection and production of progress reports.

We generally do not carry insurance against personal injuries that may occur during the construction of our properties except for our own employees. Our general contractors and sub-contractors are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers according to PRC laws and regulations. We are not responsible for any labor problems of our contractors. Under our construction contracts, we are entitled to seek indemnification from the contractors for any damage as a result of any non-compliance with applicable PRC laws and regulations concerning environmental protections, social and safety issues.

In the three years ended December 31, 2009, our general contractors were mainly responsible for procuring basic building materials in accordance with our specifications and requirements, such as cement and steel, and bear the risks of fluctuation in the costs of these materials. We have recently begun to procure a portion of building and construction materials ourselves to better control the cost and quality of our construction materials and reduce the risk arising from fluctuation of construction materials prices. For those projects that require procurement through our general contractors, we conduct regular site inspection of raw materials procured by our constructors so as to monitor the quality and inventory level of such materials.

We place great emphasis on the quality of our projects. Our budgeting department is involved from the site selection process of each project and is responsible for formulating budgeting plans and assisting our general contractor in selecting construction materials in accordance with strict quality specifications. To maintain quality control, our on-site supervisors and project companies will inspect quality of the construction materials used in our projects to ensure compliance with our own standards and specifications on each delivery and will reject materials which are below our standard or that do not comply with the contractual specifications. In addition, we engage independent and certified engineering supervisory companies to conduct quality and safety control checks on all building materials, equipments and construction in accordance with relevant PRC laws. These certified engineering supervisory companies are engaged by us at different stages of a property construction phase, all of which are independent for us and Shanghai Ditong, and possess the requisite qualifications to conduct the relevant supervisory work. The qualifications of a certified engineering supervisory company can be broadly divided into three categories, namely, overall qualification (綜合資質), professional qualification (專業資質) and enterprise qualification (事務所資質), and the professional qualification (專業資質) can be further classified into three levels, with the First Level (一級) being the highest level. Engineering supervisory companies with the First Level (一級) professional qualification may carry out quality supervisory work and safety control checks on the construction of property project that involves high rise buildings with 28 or more stories and a site area of 30,000 square meters or more and residential quarters with a total GFA of over 120,000 sq.m.

Most of the engineering supervisory companies appointed by us possess First Level (一級) professional qualification. The payment amount and settlement method varies but we typically pay our engineering supervisory companies a commission calculated based on the GFA and in the case of supervisory services provided in respect of special assets such as elevators, the commissions are usually calculated based on the number of relevant units. We usually settle our payment with our engineering supervisory companies in installments, with the last payment usually to be made upon the completion of the construction phase of the relevant project.

We also purchase certain special construction materials, such as elevators, doors, windows, sanitary fittings and kitchen cabinets, through direct procurement. Direct procurement helps us reduce and control our overall construction cost, and enables us to better control the quality of the materials used to the extent that such materials are not customarily found in construction work.

Fitting and decoration work

In the past, most of our projects did not include fittings or interior decorations that provided our end customers with the full flexibility to renovate the properties based on their preferences and needs. In response to recent market trends, we began to offer customized fittings and decoration services to our customers in the future with a view to expanding our customer portfolio and adding value to our products.

Pre-sales

Pre-sales of our property units commence before the completion of a project or a project phase. Under the Law of the Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》) and the Administrative Measures governing the Pre-sales of Urban Real Estate (城市商品房預售管理辦法), as amended in 2001 and 2004, we must comply with the following conditions before pre-sales of a particular property can commence:

- the land premiums must have been fully paid and the land use rights certificates must have been obtained;

- the construction works planning permit and construction work commencement permit must have been obtained;

- the funds contributed to the development of the property developments where property units are to be pre-sold must comply with the relevant governmental regulations and the expected completion date and delivery date of the construction work must have been ascertained; and

- pre-sale permits must have been obtained from the construction bureau at county-level or above or real estate administration authority.

Based on the local regulations on the supervision of pre-sale proceeds, the proceeds from the pre-sales of our properties must be deposited in escrow accounts. Before the completion of the pre-sold properties, the money deposited in these escrow accounts may only be used to purchase construction materials and equipment, make interim construction payments and pay taxes, subject to prior approval from the relevant local authorities.

In accordance with the pre-sales contract, after signing the pre-sale contract and paying the down payment, which is normally 20% to 30% in accordance with the relevant laws and regulations, the purchasers need to fully settle the outstanding contract amount within a certain period as set out in the pre-sale contract. If a purchaser defaults under the pre-sale contract and fails to make timely payment, then such purchaser normally is obligated to pay liquidated damages in an amount ranging from 0.005% to 0.01% of the total contract amount per day and, if the non-payment exceeds a range from 30 days to 90 days, we are entitled to terminate the pre-sale contract and claim 1% of the total contract amount as liquidated damages. In addition, until the total purchase amount under the pre-sale contract is paid in full by the purchaser, we are not obligated to deliver the property under the pre-sale contract.

Marketing and sales

Our marketing and sales center is responsible for formulating our marketing and sales strategies and managing the overall sales process. Each of our project companies has also established its own marketing and sales department to implement the marketing and sales strategies formulated by our marketing and sales center. The marketing and sales strategy varies from project to project and depends on a wide range of factors, including market conditions, our cash position, the size, phase and location of the project, the timing for sales and the targeted customer group. Our marketing and sales center sets the sale price for each unit within a particular project based on the recommendation by the relevant project company, taking into account the marketing and sales strategies adopted for such project.

Some of our marketing and sales activities are conducted through cooperation with external professional marketing and sales service providers, such as DTZ Debenham Tie Leung International Property Advisers, which is an international real estate agent that is independent of us. We usually engage different sales agents for different projects based on, among other things, each project's particular location, potential customer base and pricing. The agent commissions usually range from 0.8% to 3.0% of the total sales proceeds from a particular project and are often negotiated by us on a case-by-case basis. The settlement terms vary among different projects. For example, pursuant to the sales agency agreement for the sale of No.1 City Promotion, we were required to pay a deposit representing 10% of the agency fee upon signing of the agreement, and settle the agency fee monthly based on the actual proceeds from the monthly sales. We were then entitled to deduct the initial 10% deposit from the last payments of the agency fee. Another example would be the sale of Shanghai Park Avenue, pursuant to which, we were required to settle 90% of the agency fee monthly based on the actual proceeds from sales and the remaining 10% within ten days from the completion of the relevant properties. As the final payment of agency fees requires detail calculation of the fee amounts and needs to be mutually agreed between us and each of the sales agents, it will usually take a long period of time to have all outstanding agency fees being agreed and settled after the agency services are rendered. As a result, the unpaid balance of the agency fee as of each period end may accumulate to a higher balance, for which we are committed to make payments in accordance with the agreed payment terms.

Handover of completed properties

In relation to our properties for sale, after construction is completed, we will need to obtain a completion and acceptance certificate (竣工驗收證明) from the relevant local government authorities before we are able to hand over the properties to our customers. In Shanghai, there is an additional requirement for us to obtain a delivery certificate (交付使用許可證) in respect of our completed residential properties before handover can be effected. Pursuant to a typical pre-sale agreement, if we fail to deliver the property on the delivery day stipulated in the pre-sale agreement, we will, depending on the length of delay, be liable to pay a monetary penalty ranging from 0.005% to 0.01% of the property price on a daily basis until the delivery of property. If our delay exceeds a certain number of days, which, depending on the particular contracts ranges from 30 days to 90 days, the relevant purchaser may have the right to repudiate the pre-sale agreement in addition to claiming the penalty fee. There may also be factors beyond our control that cause delay to the delivery of property, such as examination and approval processes conducted by various government agencies. In the case of serious delays on one or more property projects, our business and reputation may be adversely affected. We have fully paid the penalties in the amount of RMB35.0 million for the late delivery of properties for the year 2008. The Directors confirm that, other than this RMB35.0 million penalty we have paid as a result of late delivery of the properties in 2008, we are not subject to any other legal consequence in relation to such late delivery of the property to the purchasers in 2008. The penalties for our late delivery of properties for the year ended December 31, 2009 was RMB59.8 million (US$8.8 million) and all were incurred in connection with one project.

Property Management

We appoint professional property management companies to manage the properties we develop. Other than Yangguang Management, which is 90% owned by the spouse of Mr. Zhang Zhi Rong and therefore a related person to us, all the other property management companies we have appointed as of December 31, 2009 were independent from us. The services provided by these property management companies typically include security, property maintenance, gardening and other ancillary services which are reasonably expected from a property management company. The monthly management fee is determined with reference to the prevailing market rates set by the relevant government authorities and is calculated based on the GFA of the units. The management fee is usually settled on a monthly basis upon receipt of the invoice issued by the property management companies. While we have the right to appoint property management companies upon completion and delivery of each project we develop, we do not assume any obligation for payment of management fee in respect of the units we have handed over to our purchasers. With a view to ensuring better property management services offered to our customers, we have also engaged reputable and internationally well-known property management consulting companies, including consulting companies such as DTZ Debenham Tie Leung International Property Advisers, and Key International Hotels Management Co., Ltd., a joint venture to which Kempinski Hotels S.A. of Europe is a party.

Payment and End-user Financing

With respect to both pre-sales and sales, our purchasers can choose payment by installments, lump sum payments or mortgage bank loans. In line with the market practice, we have arrangements with various banks for the provision of mortgage facilities to our purchasers and we provide guarantees for these mortgages until completion of construction and the relevant property ownership certificates and certificates of other interests in the property are submitted to the relevant banks.

In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on credit checks conducted by the relevant mortgage bank.

Customers

Our core customer base comprises local customers as well as overseas investors. We target a broad base of customers with varied income levels and backgrounds. Since 2005, we have adopted an advanced electronic system to make real-time sale records and track our existing customers for marketing sales and after-sales purposes.

Other Business

To reduce and better control our overall construction cost, our wholly-owned subsidiary Nantong Zhuowei established Shanghai Shuntianlong in November 14, 2008, and Shanghai Xintai, another wholly-owned subsidiary, established Shanghai Qiwei on September 24, 2008. Shanghai Shuntianlong and Shanghai Qiwei mainly provide construction materials such as concrete, steel and other fitting and decoration materials for our property development. In addition, Nantong Zhuowei and Tianjin Hongyun, both of which were our wholly owned subsidiaries and previously property companies engaging in the development of properties, extended their scope of business so as to enable them to focus on the procurement of construction materials. Through our own construction materials procuring companies, we hope we can better insulate our Company from the risk of fluctuating market prices for construction materials, which account for a very significant part of cost of sales for property companies. Further in November 28, 2008, Nantong Zhuowei acquired Shanghai Mingbao, a company mainly providing fitting and decoration services, from two individuals who are independent from us. We intend to strengthen our fitting and decoration capability through the acquisition of Shanghai Mingbao. Although most of our current projects do not include fittings and interior decorations to our customers, we are of the view that developing our own fitting and decoration arm can further expand our products portfolio, provide more flexibility to our customers and further strengthen our position as a market leader by offering a variety of customized products to the market.

COMPETITION

Competition in the property industry in the PRC is highly intense. Our existing and potential competitors include major domestic state-owned and private developers and foreign-funded real estate developers (including leading developers listed in Hong Kong) who focus on developing residential property markets in China. Competitive factors include the size of land reserves, the geographical location, the types of property offered, brand recognition by customers, creditworthiness, prices and design quality. A number of our competitors have greater financial, marketing, land and other resources than we do, as well as greater economies of scale, broader name recognition, a longer track record and more established status in certain markets.

For more information on competition, please refer to the section headed "Risk Factors — Risks relating to our business — increasing competition among property developers, particularly in first-tier cities, may adversely affect our business and financial condition".

INTELLECTUAL PROPERTY RIGHTS

Currently, each project developed by us has its own project name and marketing name, which is determined after considering the project's particular situation. As part of the Reorganization, Mr. Zhang Zhi Rong, through two wholly-owned companies (which do not form part of our Company), has transferred to us the two trademarks, namely, SUNGLOW and , at no consideration for our use in connection with our property development business. We are currently in the process of applying for our trademarks which we plan to use to promote our brand and, in the future, to use in the property markets in which we operate for every project to be developed. We believe we can quickly build quick and strong brand recognition under the new trademarks by continuously providing high quality properties to our customers. Pending registration of the above-mentioned trademarks, we will own all the trademarks relevant to our property projects.

INSURANCE

Under PRC laws and regulations, property developers are not required to maintain insurance coverage in respect of their property development operations. In line with the industry practice in the PRC, we do not maintain insurance coverage on our properties developed for sale except for those developments over which our lending banks have security interests, or for which we are required to maintain insurance coverage under relevant financing agreements. In addition, we generally do not carry insurance against personal injuries that may occur during the construction of our properties other than for our employees. The general contractors and construction companies we hire are responsible for safety control during the course of construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. According to our construction contracts, those general contractors and construction companies bear the risks and liabilities arising from tortuous acts committed on work sites. To date, we have not experienced any material damage to our property developments nor have any material personal injury-related claims been brought against us.

We carry social insurance for our full-time employees and maintain on a voluntary basis personal accident insurance and supplementary commercial insurance, which complies with the relevant PRC rules and regulations. We believe that our practices with respect to insurance are in line with the industry practice in the PRC. However, there are risks for which we do not have sufficient insurance coverage for losses, damages and liabilities that may arise in our business operations. See “Risk Factors — Risks relating to our business — we do not have insurance to cover potential losses and claims in our operations”.

SOCIAL, HEALTH AND SAFETY MATTERS

Pursuant to the regulations of the Labor Contract Law of the People’s Republic of China, the Labor Law of the People’s Republic of China and Opinions on Several Questions concerning the implementation of the Labor Law of the People’s Republic of China, an enterprise is required to execute an employment contract with its employees according to the relevant laws and regulations and shall not rescind the employment contract without cause. Employees are entitled to rest and have annual leave according to the law and provisions as stipulated in an employment contract. An enterprise is required to have health and safety policies and provide health and safety training to its staff. It is also required to provide its staff with a safe and hygienic working environment as well as any protective gear if necessary. Pursuant to the regulations of the Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees, Decision of the State Council on Establishing a Uniform Basic Endowment Insurance System for Enterprise Employees, the Provisional Insurance Measures for Maternity of Enterprise Employees, Regulations on the Management of Housing Provident Fund, Regulations on Unemployment Insurance and Regulations on Industrial Injury Insurance, an enterprise is required to purchase basic medical insurance, pension insurance, maternity insurance, unemployment insurance, personal injury insurance for its staff and pay the relevant insurance premiums in accordance with the law and regulations.

In order to comply with the relevant laws and regulations, we participate in various defined retirement contribution plans organized by the PRC provincial and municipal governments for our employees. We pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing provident fund. Our human resources department personnel looks after our social, health and safety issues. They generally have sound knowledge of administration on employment and related matters and are aware of the latest legal development in this area and our compliances with the relevant requirements.

ENVIRONMENTAL MATTERS

Real estate developers in China are subject to a number of environmental laws and regulations including the PRC Environment Protection Law (中華人民共和國環境保護法), PRC Law on Prevention and Control of Noise Pollution (中華人民共和國環境噪聲污染防治法), PRC Law on Environmental Impact Assessment (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection in relation to Construction Environment (建設環境保護管理條例). Pursuant to those laws and regulations, an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction, and each project developed by a property developer is required to undergo an environmental assessment. When there is a material change in respect of the construction site, scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. Although property development is generally regarded as low polluting, during the course of construction of a project, there may be an increased amount of dust around the site, increased noise pollution, increased wastewater and solid construction waste. In each of these cases, our construction contractors, as part of the responsibilities under their contracts, are responsible for taking actions to control the quality of air, degree of noise and water pollution levels.

We endeavor to ensure that we comply with relevant PRC laws and regulations on environmental protection. When entering into construction contracts with our general contractors, we request that they strictly comply with all PRC environmental protection laws and regulations in force including using construction materials and construction methods that meet the requirements of such laws and regulations. We normally request the construction contractors to take specific measures to minimize adverse environmental impact during construction. For example, a septic tank should be installed to filter the domestic waste from the construction site before discharging into the municipal pipes. Machinery and equipment used for construction are governed by certain emission standards so that the gas emitted from the machinery or equipment of all construction units at the scene must meet the relevant standards. During the course of construction, all construction units should strictly comply with the administrative provisions in respect of working hours stipulated by the local governments so as to reduce noise pollution. We believe that our environmental protection measures are in line with industry practice.

In addition, in accordance with PRC environmental laws and regulations, if a construction project includes environmental facilities (including projects, devices, monitors and other facilities that were constructed or equipped in order to prevent pollution and protect the environment), such facilities will have to pass an inspection by the environmental authorities and an approval must be obtained before the environmental facilities can commence operations. If a construction project does not include any environmental facilities, no such approval is required. Whether our projects are required to construct environmental facilities is on a case-by-case basis mainly and determined by the project scope and the demands of local environmental authorities.

Upon completion or under construction of each property project, the relevant PRC government authorities will also inspect the property site to ensure that we have complied with the applicable environmental and safety standards. Inspection of each property project under construction carried out by the relevant PRC government authorities to date have not revealed any environmental liability which we believe would have a material adverse effect on our business operations or financial condition.

We cannot predict the impact of unforeseeable environmental contingencies change to laws or regulations applicable to our existing projects or properties that we may develop in the future. It has been our commitment to continue complying with relevant PRC environmental laws and regulations and requiring the construction contractors to strictly comply with relevant laws and regulations during the materials procurement and property construction process so as to prevent any potential future environmental risks. We will also continue to educate our employees regarding the importance of environmental protection and keep abreast with developments in PRC environmental protection laws and regulations through regular dialogue with the relevant local PRC authorities. See "Risk Factors — Risks relating to our business — Potential liability for environmental problems could result in substantial costs."

LEGAL PROCEEDINGS

We were not, as of December 31, 2009, engaged in any litigation, arbitration or claim of material importance, and we did not know of any litigation, arbitration or claim of material importance pending or threatened by or against us that would have a material adverse effect on our results of operations or financial condition.

EMPLOYEES

As of December 31, 2009, we had 869 full-time employees. The following table provides a breakdown of our employees by responsibilities:

Division	Number of Employees
Management	60
Administration	127
Project construction and engineering	148
Sales and marketing	208
Finance	116
Auditing and planning	9
Human resources	35
Pre-construction development	34
Legal and compliance	19
Project design, research and development	29
Investment	23
Investors relations	12
Purchasing	8
Others	41
Total	869

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay, on behalf of our employees, a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on the operations of our business had occurred.

I. LEGAL SUPERVISION RELATING TO PROPERTY SECTOR IN THE PRC

A. Establishment of a property development enterprise

Pursuant to the "Law of the People's Republic of China on Administration of Urban Property" (the "Urban Property Law") enacted by the Standing Committee of the National People's Congress on July 5, 1994 enforced on January 1, 1995 and amended on August 30, 2007, a property developer is defined as "an enterprise which engages in the development and operation of property for the purposes of making profits". Under the "Regulations on Administration of Development of Urban Property" (the "Development Regulations") enacted by the State Council and enforced on July 20, 1998, a property development enterprise must satisfy the following requirements: (1) has a registered capital of not less than RMB1.0 million and (2) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualifications. The Development Regulations also stipulated that people's governments of the provinces, autonomous regions and/or municipalities directly under PRC central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a property development enterprise according to the local circumstances.

Pursuant to the Development Regulations, application for registration has to be submitted to the department of administration of industry and commerce above county level for the establishment of property development enterprise. The property development enterprise must file for record with the property development authority in the location of the registration authority, within 30 days of the receipt of its Business License.

Under the "Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries" issued by the State Council on April 26, 2004, the portion of capital fund of property projects (excluding economically-affordable housing projects) has been increased from 20% or above to 35% or above.

B. Foreign-invested property development enterprises

Foreign-invested property development enterprises can be established in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly-owned foreign enterprise according to the Industrial Guidance Catalogue and other laws and administrative regulations relating to foreign investment enterprises. Prior to the application for registration to the department of administration of industry and commerce, the enterprise must be approved by the authorities of commerce and obtain an Approval Certificate for a Foreign Investment Enterprise.

On Oct 31 2007, China's National Development and Reform Commission (NDRC) and the Ministry of Commerce (MOFCOM) promulgated the new Industrial Guidance Catalogue of Foreign Investments (2007 Revision) ("the 2007 Catalogue"). The 2007 Catalogue became effective on December 1, 2007. The major changes on Real Estate industry in the 2007 Catalogue are the followings: (1) the development and construction of ordinary residential houses has been removed from the encouraged category; (2) the restricted category has been adjusted as the followings: (i) the development of a whole land lot which shall be operated only by sino-foreign equity joint venture or sino-foreign co-operate joint venture; (ii) the construction and operation of high quality hotels, villas, premium office buildings, international conference centers;(iii) housing agents, brokerages and the second-tier real estate market; (3) the construction and operation of large scale theme park has been removed from the Real Estate industry to the Culture, Sports and Entertainment Industries which is still in the restricted category. It means that the enterprise investing in such projects will not be regarded as a real estate development company; and (4) the construction and operation of golf courts has been removed from the restricted category to the prohibited category.

On July 11, 2006, the PRC Ministry of Construction, the Ministry of Commerce, the National Development and Reform Commission, the People's Bank of China, the State Administration of Industry and Commerce and the State Administration for Foreign Exchange jointly enacted the "Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market" (Jianzhufang [2006] 171). According to this Circular, the admittance and administration of the foreign capital in property market must comply with the following requirements:

(a) Foreign institutions or individuals purchasing property in China not for their own use shall follow the principle of commercial existence and apply for establishment of foreign investment enterprises under the regulations of foreign investment in property. The foreign institutions and individuals can only carry on their business pursuant to the approved business scope after obtaining the approvals from the relevant authorities and upon completion of the relevant registrations.

(b) If the total investment of a foreign-invested property development enterprise exceeds or equals to US$10 million, the registered capital must not be less than 50% of the total investment. If the total investment is less than US$10 million, the amount of the registered capital shall follow the existing regulations.

(c) For the establishment of a foreign-invested property development enterprise, the commerce authorities and the department of administration of industry and commerce are in charge of granting approval for establishment and effecting registration of the foreign invested property development enterprise and issuing the Approval Certificate for a Foreign Investment Enterprise and the Business License which are only effective for one year. After settlement of the consideration of land use rights, the enterprises should apply for the land use rights certificate by presenting the above-mentioned certificate and license. With the land use rights certificate, the enterprises will receive an official Approval Certificate for a Foreign Investment Enterprise from the commerce authorities, and shall replace the business license with one that has the same operation term as the formal Approval Certificate for Foreign Investment Enterprise in the department of administration of industry and commerce, and then it shall apply for tax registration with the tax authorities.

(d) Transfers of projects of or shares in foreign-invested property development enterprises, and the acquisitions of domestic property development enterprises by foreign investors should follow strictly the relevant laws, regulations and policies to obtain the approvals. The investor should submit: (a) the guarantee letters for the performance of the State-owned Land Use Right Grant Contracts, Construction Land Planning Permit and Construction Work Planning Permit; (b) Certificate of Land Use Right; (c) the certification on alteration of archival files issued by construction authorities; (d) the certification on the payment of tax issued by the relevant tax authorities.

(e) While merging and acquiring domestic property development enterprises by way of share transfer or other means, or the purchase of shares from the Chinese party in a sino-foreign equity joint venture, the foreign investors shall properly resettle the employees, settle the bank loans and pay all the consideration at a time with its internal fund. The foreign investors with unfavorable record shall not be allowed to conduct any of the aforesaid activities.

On May 23, 2007, MOFCOM and SAFE jointly issued the "Notice Concerning Further Strengthening and Regulating the Examination, Approval and Supervision of Direct Foreign Investment in Real Estate" (關於進一步加强、規範外商直接投資房地產業審批和監管的通知) (Shang Zi Han [2007] No. 50). The Notice provides stricter controlling measures including, among others:

(a) Where the application is filed for establishment of a property company, the land use rights, the ownership of the property should be obtained first, or the pre-assignment/ purchase agreement has already been concluded with the land administration authority, land developer/ owner of the property. If the above requirements have not been satisfied, the approval authority shall not approve the application.

(b) Acquisition of or investment in domestic property enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled. Oversea investors may not avoid approval for foreign investment in property by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested property enterprise established by way of deliberately avoiding and false representation, it shall take action against the enterprise's conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.

(c) Agreement as to any fixed return or of the same effect for either party of a foreign-invested real property enterprise is prohibited.

(d) Local examination and approval authorities must make a filing with MOFCOM for recording their approvals of establishment of foreign-invested real estate enterprises.

(e) Local SAFE administrative authorities and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process in respect of capital projects for any foreign-invested real property enterprises who fail to satisfy the MOFCOM for filing requirement or annual review procedure.

On July 10, 2007, the SAFE promulgated "Notice of the list of first batch of foreign-invested real estate projects that have been filed with the MOFCOM" (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) (Hui Zhong Fa [2007] No. 130), ceasing to conduct any foreign debt registration and foreign debt settlement process filed subsequent to June 1, 2007 for all foreign-invested property enterprises. The Notice provides that:

(a) For a foreign-invested property enterprise (both newly-established and through capital increase, same below) which has obtained the approval certificate from the competent authorities of the MOFCOM and filed with the MOFCOM after and including (same below) June 1, 2007, the branch institutes will not conduct the foreign debt registration and foreign debts settlement approval process.

(b) For a foreign-invested property enterprise which has obtained the approval certificate from the local competent authorities of the MOFCOM but has not filed with the MOFCOM after and including June 1, 2007, the branch institutes will not conduct foreign exchange registration (or change the registration) and the purchase and settlement process for capital projects.

C. Qualifications of a property developer

(a) *Classifications and assessment of a property development enterprises' qualification*

Under the "Regulations on Administration of Development of Urban Property", a property developer must file for record of its establishment to the property development authority in the location of the registration authority within 30 days after receiving its business license. The property development authority shall assess the qualification classification of the property developer, which is filing for record by considering its assets, professional personnel and development and operation records. A property development enterprise shall only engage in property development projects in compliance with its approved qualification.

Under the "Provisions on Administration of Qualifications of Property Developers" (the "Provisions on Administration of Qualifications") enacted by the Ministry of Construction and entered into force on March 29, 2000, a property developer shall apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, qualifications of a property development enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by the corresponding authorities. The class 1 qualification shall be subject to preliminary examination by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under PRC central government and final approval by the construction authority under the State Council. Procedures for assessing class 2 or lower qualifications developers shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under PRC central government. A developer, which passes the qualification examination will be issued with a qualification certificate of the relevant class by the qualification assessment authority. After a newly established property developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days of receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The property development authority can extend the validity period for not more than two years after considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before the expiry of the provisional qualification certificate. Any enterprise engages in the operation of property development without obtaining a qualification certificate will be ordered by the property development authority to rectify the irregularity within a certain period of time, and will be imposed a fine between RMB50,000.0 and RMB100,000.0. A property development enterprise failing to rectify the irregularity within the required period of time will have its qualification certificate suspended and a proposal will be sent to the industrial and commercial administration authority for the suspension of business license of such property development enterprise.

(b) *The business scope of a property developer*

Under the "Provisions on Administration of Qualifications", a developer of any qualification classification may engage in the development and sale of property within its approved scope of business and is not allowed to engage in business which exceeded the approved scope of its qualification classification. A class 1 property developer may undertake a property development project anywhere in the country without any limit of the scale of property project. A property developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 sq.m. and the specific scope of business shall be determined by the construction authority under the people's government of the relevant province, autonomous region or municipality.

(c) ***The annual inspection of a property developer's qualification***

Pursuant to "Provisions on Administration of Qualifications", the qualification of a property developer should be annually inspected. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual inspection of class 1 property developer's qualification. Procedures for annual inspection of developers of class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality. Any enterprise fails to comply with the qualification requirement or operation requirements will have its qualification classification down-graded or qualification certificate cancelled.

D. **Development of a property project**

(a) ***Land for property development***

Under the "Interim Regulations of the People's Republic of China on Assignment and Transfer of the Right to Use State-owned Land in Urban Areas" (the "Interim Regulations on Assignment and Transfer") promulgated and enforced by the State Council on May 19, 1990, a system of assignment and transfer of the right to use State-owned land is adopted. A land user shall pay a premium to the State as consideration for the assignment of the land use rights within certain terms, and a land user may transfer, lease, mortgage or otherwise commercially exploit the land use rights within his terms of use. Under the Interim Regulations on Assignment and Transfer and the Urban Property law, the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user for an assignment of land use rights. The land user shall pay the assignment price as stipulated in the assignment contract. After paying the assignment price in full, the land user shall register with the land administration authority and obtain a Land Use Right Certificate. The Certificate is an evidence of the acquisition of land use rights. The "Regulations on Administration of Development of Urban Property" provide that the land use rights for a site intended for property development shall be obtained by way of an assignment except for those land use rights, which may be obtained by way of allocation pursuant to the PRC laws or the stipulations of the State Council.

Under the "Regulations on the Assignment of State-Owned Land Use Right through Competitive bidding, Auction and Listing-for-Sale" ("2002 Regulations"), as amended by the 2007 Regulations on September 28, 2007 enacted by the Ministry of Land and Resources on May 9, 2002 and enforced on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development shall be assigned by way of competitive bidding, public auction or listing-for-sale. The procedures are as follows:

(i) The land authority under the people's government of the city and county (the "assignor") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as land parcel, qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit of the bid.

(ii) The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.

(iii) After determining the winning tender or the winning bidder by the competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder shall then enter into a confirmation. The assignor should return the bidding or tender deposit to other bidding or auction applicants.

(iv) The assignor and the winning tender or winning bidder shall enter into a contract for State-owned land use rights assignment according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the assignment price of the state-owned land use rights.

(v) The winning tender or winning bidder should apply for the land registration after paying off the assignment price in accordance with the State-owned land use rights assignment contract. The people's government above the city and county level should issue the "Land Use Permit for State-Owned Land".

According to the "Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction" enacted by the Ministry of Land and Resources on September 4, 2003 (the "Notice"). Commencing from the day of distribution of the Notice, land use for luxurious commodity houses shall be stringently controlled, and applications for land use for building villas shall be stopped. On March 21, 2004, the Ministry of Land and Resources together with the Ministry of Supervision promulgated the "Notice in Respect of Enforcing and Supervising The Transfer of Operative Land Use Rights Through Tenders, Bidding and Public Auction (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知)", which expressively required that after August 31, 2004, no land use rights transfer in the form of agreement by the excuse of historical difficulties will be allowed. On May 30, 2006, the Ministry of Land and Resources issued the "Urgent Notice of Further Strengthening the Administration of the Land". It is expressly prescribed in this Notice that land for property development must be assigned by way of competitive bidding, public auction or Listing-for-sale; the rules of stopping the development project for villas should be strictly enforced; and all supply of land for such purpose and handling of related land use procedure will be ceased from the day of the Notice's issuance.

Under the "Urgent Notice of Further Strengthening the Administration of the Land", the land authority should rigidly execute the "Model Text of the State-owned Land Use Right Assignment Contract" and "Model Text of the State-owned Land Use Right Assignment Supplementary Agreement (for Trial Implementation)" jointly enacted by the Ministry of Land Resources and SAIC. The document of the land assignment should ascertain the requirement of planning, construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed in the Land Use Right Assignment Contract.

On September 28, 2007, the Ministry of Land Resources promulgated the Regulation on Bidding, Auction and Listing Required for Assignment of State Owned Construction Land (《招標拍賣掛牌出讓國有建設用地使用權規定》) ("this Regulation") ("2007 Regulations"). This Regulation specifies that the assignee of state owned construction land use rights shall fully pay up the premium for the land use rights in accordance with the state owned land assignment agreement before it could proceed with the relevant procedures for land use rights registration and apply for a state owned construction land use rights certificate. No assignee could be granted a state owned construction land use rights certificate for the land in proportion to the partial payment of the premium that the assignee has paid up. In 2007, it is provided in detail that operative lands for properties to be used for industrial, commercial, tourism, entertainment and commodity residential purposes as well as lands with two or more prospective users must be granted only through competitive bidding.

On January 2, 2007, the National People's Congress promulgated the "Laws on Urban and Rural Planning (城鄉規劃法)" which provided that for construction projects having obtained rights to use State-owned lands by way of grant, after the rights to use State-owned lands grant contract have been verified, the construction entity shall apply for a permit for construction site planning from the relevant municipal or county or city or rural planning authority.

On August 11, 2009, the MLR issued the Notice Regarding the Strict Enforcement of the Management of Construction Land and Promotion on the Utilization of Acquired but Unused Land" (《國土資源部關於嚴格建設用地管理促進批而未用土地利用的通知》), pursuant to which construction land that has been acquired and held for two years but on which construction work has not commenced should be disposed of strictly in accordance with the disposal of idle land policies, in order to promote the utilization of such land as soon as possible. The notice also stipulated that the PRC government will seriously investigate the illegal use of land for golf course purposes and will strictly control such illegal use, and also stipulated that the PRC government may reclaim land use for such illegal purposes.

On November 18, 2009, the Ministry of Finance, MLR, PBOC, the Ministry of Supervision of the PRC (中國監察部) and the National Audit Office of the PRC (中國審計署) jointly issued new rules to require a minimum down payment of 50% of the land premium relating to land purchases from the PRC government. The new policy also provides that the installment period stipulated in the relevant land grant contracts may not exceed one year generally, provided that, for special projects, upon collective approval.

On December 22, 2009, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Business Tax Policies upon Transferring Residential Properties by Individuals (Cai Shui [2009]No.157)《關於調整個人住房轉讓營業稅政策的通知》(財稅[2009]157號). Pursuant to the notice, commencing from January 1, 2010, business tax will be levied on an individual upon transferring of a non-ordinary residential house within five years from the date of purchase and the business tax to be levied will be calculated based on the full amount of the sale proceeds. For an individual transferring a non-ordinary residential house after five years from the date of purchase, or transferring an ordinary residential house within five years from the date of purchase, the business tax to be levied will be calculated based on the difference between the income from the sale of such property and its purchase price. For an individual transferring an ordinary residential house after five years from the date of purchase, business tax will be exempted.

(b) ***Land Use Rights***

According to guidelines issued by the China Banking Regulatory Commission (CBRC), no construction loan shall be granted to projects which have not obtained the relevant land use rights certificates (國有土地使用證), construction land planning permits (建設用地規劃許可證), construction works planning permits (建設工程規劃許可證) and work commencement permits (建築工程施工許可證). Government authorities in China have issued various regulations to govern the financing of development projects:

- On June 5, 2003, the PBOC promulgated the Notice on Further Strengthening the Administration of Real Estate Loans (關於進一步加强房地產信貸業務管理的通知). According to the notice, commercial banks shall focus their business towards supporting real estate projects targeted at mid to lower-income households and appropriately restrict the granting of real estate loans to projects involving spacious apartments, luxurious apartments and villas. No loan shall be granted to projects which have not obtained the land use rights certificate, construction land planning permit, construction works planning permit and work commencement permit. The notice strictly prohibits banks from advancing working capital loans to real estate developers. When applying for a real estate loan, the real estate developer's own capital in any proposed real estate project shall not be less than 30% of the total investment of the project. The notice also prohibits loans advanced for the payment of land premium for land use rights.

- On March 16, 2005, the PBOC promulgated a Notice on Adjusting the Housing Loan Policy and Deposit Rate of Excess Reserves for Commercial Banks (關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) which cancelled the preferential mortgage lending interest rate for individuals and restricted the minimum mortgage loan rate at 0.9 times of the benchmark rate. The PBOC also increased the public housing fund loan rate (住房公積金貸款利率) by 0.18% and required commercial banks to decrease the mortgage loan rate from 80% to 70% of the value of the property if it is located in a city where the property prices are increasing too rapidly.

- On May 24, 2006, the General Office of the State Council issued a Notice on Adjusting the Housing Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格意見的通知). The notice provides that banks are not permitted to provide loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project. From June 1, 2006 and with respect to property mortgages, down payments shall be a minimum of 30% of the purchase price. Down payments of 20% will still be applicable with respect to purchases of housing for buyers' own accommodation with a GFA of less than 90 sq.m.

- On July 11, 2006, the Ministry of Construction (建設部), the Ministry of Commerce (商務部), the National Development and Reform Commission (國家發展和改革委員會), the PBOC (人民銀行), the State Administration for Industry and Commerce (國家工商行政管理總局) and the State Administration of Foreign Exchange (國家外匯管理局) jointly issued the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (關於規範房地產市場外資准入和管理的意見). The Opinions provide that no offshore or Chinese domestic loan is allowed and the foreign exchange administration shall not approve the conversion of foreign currency loans into RMB if the foreign-invested real estate corporations have not contributed their registered capital in full, or have not obtained the state-owned land use rights certificate, or their capital for a development project is less than 35% of the total investment.

- On July 22, 2006, the China Banking Regulatory Commission (中國銀行業監督管理委員會) promulgated a Notice on Further Strengthening the Administration of Real Estate Credit (關於進一步加强房地產信貸管理的通知). The notice requests (i) improving credit risk classification system for all kinds of real estate loan; (ii) prohibiting providing loans to disqualified real estate developers whose own capital is less than 35% of the total capital required for the projects (not including affordable housing), or who have not obtained the "four certificates"; (iii) setting the loan term appropriately, and not allowing the provision of working capital loans in the name of real estate development loans; (iv) strictly restricting new loans for those developers who hoard land or housing and disturb market order; (v) preventing developers from obtaining loans by project split-up or rolling-ahead development strategies; and (vi) enhancing management after providing loans. All financial institutions shall provide loans strictly in accordance with the real estate project progress and strengthen overall supervision of the whole process of loan utilization by developers.

- In December 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market (關於促進房地產市場健康發展的若干意見). According to the Opinion, in order to stimulate the domestic needs and support the ordinary commodity housing market, purchasers of first unit flat may enjoy preferential loan rate and 20% down payment set out in the relevant laws and regulations. Meanwhile, for the purchasers who have already bought one unit flat through bank mortgage, if that unit GFA per person can not meet the local average level, they can enjoy the same preferential policies provided that the second unit flat is purchased to improve living conditions.

- Under the Notice on Adjusting the Percentage of Capital Fund for Fixed Assets Investment issued by the State Council on May 2009 (國務院關於調整固定資產投資項目資本金比例的通知), in order to cope with the international financial crisis and stimulate domestic needs, the minimum percentage of the property developer's own capital required for projects development of affordable housing projects and ordinary commodity housing projects was adjusted from 35% to 20% and the minimum percentage of the developer's own capital for other property development projects was adjusted from 35% to 30%.

(c) ***Development of a property project***

(i) *Commencement of a property project and the idle land*

Under the Urban Property Law, those who have obtained the land use rights through an assignment must develop the land in accordance with the terms of use and within the period of commencement prescribed in the contract for the land use rights assignment. According to the "Measures on Disposing Idle Land" enacted and enforced by the Ministry of Land and Resources on April 28, 1999, the land can be defined as idle land under any of the following circumstances:

- development and construction of the land is not commenced within the prescribed time limit after obtaining the land use rights without consent from the people's government who approved the use of the land;

- where the "Contract on Paid Use of the Right to Use State-Owned Land" or the "Approval Letter on Land Used for Construction" has not prescribed the date of commencing the development and construction, the development and construction of the land is not commenced at the expiry of one year from the date when the "Contract on Paid Use of the Right to Use State-Owned Land" became effective or when the administrative department of land issued the "Approval Letter on Land Used for Construction";

- the development and construction of the land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval; and

- other circumstances prescribed by the laws and the administrative regulations.

The municipality or county-level municipality administrative department shall, after a piece of land which has been ascertained as idle land, notify the concerned land user and draft a proposal on methods of disposal of the idle land including but not limited to extending the time period for development and construction (provided that the extension shall be no longer than one year), changing the use of the land, arranging for temporary use, ascertaining a new land user by competitive bidding, public auction. The administrative department of land under the people's government of city or county level shall, after the proposal on disposal has been approved by the original people's government who approved the use of the land, arrange for implementation of the proposal. To the land which is obtained by assignment and is within the scope of city planning, if the work has not been commenced after one year from the prescribed date of commencement, a surcharge on idle land equivalent to less than 20% of the assignment price may be levied; if the work has not been commenced after two years from the prescribed date of commencement, the land can be confiscated without any compensation. However, the preceding stipulations shall not apply if the delay is caused by force majeure; acts of government or acts of other relevant departments under the government; or by the indispensable preliminary work.

The State Council promulgated the "Notice on Promoting the Saving and Intensification of Use of Land (Guo Fa No.[2008]) (關於促進節約集約用地的通知(國發[2008] 3號))" on January 3, 2008, which required that policy in respect of unused land shall be strictly implemented. If the land approved for development left idle for more than two years, it must be recovered for reused without any compensation by the government according to applicable laws and regulations. Even if the land may not be recovered according to relevant laws and regulations, the land shall be disposed of in time and used efficiently through altering usage of the land, equivalent exchange etc. For lands left unused for over one year but less than two years, an idle land fees shall be levied at a rate equal to 20% of the price for the land granted or allocated.

On March 8, 2010, the Ministry of Land Resources issued the Notice on Strengthening the Supply and Supervision of Land Use for Real Estate Property (國土資源部關於加强房地產用地供應和監管有關問題的通知) which among other things provides that:

- The land and resources bureau at the city and county levels shall ensure the land supply for government-subsidized housing. The land used for subsidized housing, slum-dwellers reconstruction and small commercial housing units for self housing shall not be less than 70% of the total residential land supply.

- For those who owe land premium payments, have idle land, engage in land speculation and price manipulation, whose land development scope exceeds that of the developer's actual development capabilities or cannot perform the land grant contract, the land and resources bureau at the city and county levels shall prohibit such land bidders from land bidding transactions within a set period of time.

- After a grant of land has been mutually agreed, a land grant contract must be executed within 10 days. A down payment of 50% of the land grant premium must be paid within one (1) month from the execution of the land grant contract. The remaining amount shall be paid in accordance with the land grant contract, but no later than one (1) year starting from the execution of the land grant contract.

(ii) *Planning of a property project*

According to the "Measures for Control and Administration of Assignment and Transfer of Right to Use Urban State-owned Land" enacted by the Ministry of Construction on December 4, 1992 and enforced on January 1, 1993 and the "Notice of the Ministry of Construction on Strengthening the Planning Administration of Assignment and Transferring Right to Use State-owned Land" enacted and enforced by the Ministry of Construction on December 26, 2002, after signing an assignment contract, a property developer shall apply for a Opinion on Construction Project's Site Selection and a Permit for Construction Site Planning from the city and county planning authority with the assignment contract. After obtaining a Permit for Construction Site Planning, a property developer shall organize the necessary planning and the design work with regard to planning and design requirements; and apply for a Permit for Construction Work Planning from city planning authority with the relevant approval documents. On June 30, 2001, a permit for housing demolition and removal was obtained pursuant to the "Regulations for the Administration of Demolition and Removal in Urban Areas (城市房屋拆遷管理條例)", and the "Notice on Controlling the Scale of Demolition and Removal and Strengthening Administration of Demolition and Removal (關於控制城鎮房屋拆遷規模嚴格拆遷管理的通知)" issued by the State Council on June 6, 2001.

(iii) *Construction of a property project*

After obtaining the Permit for Construction Work Planning, a property developer shall apply for a Construction Permit from the construction authority under the local people's government above the county level according to the "Measures for the Administration of Construction Permits for Construction Projects" enacted by the Ministry of Construction on October 15, 1999 and revised and enforced on July 4, 2001.

(iv) *Completion of a property project*

According to the "Regulations on Administration of Development of Urban Property", the "Regulation on the Quality Management of Construction Projects" enacted and enforced by the State Council on January 30, 2000, the "Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" enacted by the Ministry of Construction in April 2000 and the "Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure" enacted and enforced by the Ministry of Construction on June 30, 2000, after completion of work for a project, a property developer shall apply for the acceptance examination upon completion to the property development authority under the people's government on or above the county level and report details of the acceptance examination, upon which the "Record of acceptance examination upon project completion". For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examination may be carried out for each completed phase.

E. Property Construction

(a) ***the Bid and Tender Law of the People's Republic of China***

Under the Bid and Tender Law of the People's Republic of China《中華人民共和國招標投標法》promulgated by the Standing Committee of the National People's Congress dated August 30, 1999 and implemented on January 1, 2000, tender is compulsory with respect to construction projects within the territory of the PRC such as large-scale infrastructure and public utilities relating to social public interests or public security, including the investigation, design, construction, construction supervision thereof as well as procurements pertaining to important equipment and materials in connection with project construction. The tender is divided into open tender and invited tender. Any entity or individual shall not nullify related projects that must be offered to tender as statutory required or circumvent tender through any other means. The successful tenderer, on the basis of contractual covenant or upon the tenderee's consent, may contract to others the non-principal non-critical works in the tender project. The individual accepting such contracting shall be equipped with appropriate qualifications and shall not subcontract his portion of works. The successful tenderer shall be accountable to the tenderee for the subcontracted project while the subcontractor shall bear joint liability for the same. To conduct bidding and tendering activities within the PRC territory, relevant entity or individual shall comply with the above regulation.

(b) ***The Rules on the Shanghai Bidding of Construction Management Interim Procedures***

According to the rules on the Shanghai Bidding of Construction Management Interim Procedures《上海市建設工程施工招標投標管理暫行辦法》approved by Shanghai Government Order No. 54 amended and re-issued on December 19, 1997, where in Shanghai (including the Commission and the Office of the Council, the district and county) of the annual fixed assets investment plan construction projects should be carried out in accordance with this approach construction tender. The tender will be required to have legal personality is the building of a unit or the total project contractor. The bidding could be the city business license holders of the construction and installation enterprises, project contracting companies and other provinces and cities under the Shanghai Municipal Construction Enterprise Management sector of the construction. In the selection process, the selected bidding group is made up of the tender, the tender's superior departments, the preparation of bidding price, the designer and so on. Through voting, score or the other ways, the final award will be decided by the selected bidding group. In addition, the process of decision should be supervised under the office of Shanghai Municipal Construction Enterprise Management or the Construction Management of district and county. Then, the bidding notice should be delivered to the successful bidder within 2 days after the decision of the selected bidding group. The tender should subscribe the Construction Contracting Contract with the successful bidder within 15 days from the date of delivery of the bidding notice.

F. **Property Transactions**

(a) ***Transfer of property***

According to the "Urban Property Law" and the "Provisions on Administration of Transfer of Urban Property" enacted by the Ministry of Construction on August 7, 1995 and revised on August 15, 2001, a property owner may sell, give or otherwise legally transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: (a) the assignment price has been paid in full for the assignment of the land use rights as provided by the assignment contract and a land use rights certificate has been obtained; (b) the development has been carried out according to the assignment contract; and with respect to a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the land use rights assignment contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original assignment contract, consent shall first be obtained from the original assignor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the land use rights assignment contract or a new land use rights assignment contract shall be signed in order to, inter alia, adjust the land use rights assignment price accordingly.

If the land rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required under the regulations of the State Council. If the people's government vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for transfer of the land use rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

(b) ***Sale of commodity properties***

Under the "Regulatory Measures on the Sale of Commodity Properties" enacted by the Ministry of Construction on April 4, 2001 and enforced on June 1, 2001, sale of commodity properties can include both pre-completion and post-completion sales.

(i) *Permit of pre-completion sale of commodity properties*

According to the "Regulations on Administration of Development of Urban Property" and the "Measures for Administration of Pre-completion Sale of Commodity Properties" (the

"Pre-completion Sale Measures") enacted by the Ministry of Construction on November 15, 1994 and revised on August 15, 2001 and July 20, 2004 respectively, the pre-completion sale of commodity properties shall be subject to a permit system, under which a property developer intending to sell a commodity building before its completion shall make the necessary pre-completion sale registration with the property development authority of the relevant city or county to obtain a permit of pre-completion sale of commodity properties. A commodity building may only be sold before completion provided that: (a) the assignment price has been paid in full for the assignment of the concerned land use rights and a land use rights certificate has been issued; (b) a Permit for Construction Work Planning and a Permit for Construction of Work have been obtained; (c) the funds invested in the development of the commodity properties put to pre-completion sale represent 25% or more of the total investment in the project and the progress of work and the completion and delivery dates have been ascertained; and (d) the pre-completion sale has been registered and a Permit for Pre-completion Sale of Commodity Properties has been obtained.

In addition, according to the "Regulations on Administration of Pre-completion Sale of Commodity Properties of Guangdong Province" enacted by the Standing Committee of Guangdong Provincial People's Congress on August 22, 1998 and revised on October 14, 2000, and the "Notice on Adjusting Conditions of Image and Progress for Commodity Building Pre-sale Project in Guangdong Province" issued by the Guangdong Provincial Construction Bureau in January 2001, the following conditions shall be fulfilled for pre-completion sale of commodity properties in Guangdong: (a) the property developer has obtained a real property development qualification certificate and a business license; (b) the construction quality and safety monitoring procedures have been performed; (c) the structural construction and the toping-out must have been completed in respect of properties of not more than seven stories (including seven stories), and at least two-third of the structural construction must have been completed in respect of properties of more than seven stories; (d) a special property pre-completion sale account with a commercial bank in the place where the project is located has been opened; and (e) the properties pre-completion sale project and its land use rights are free from any third party rights.

(ii) *Management of pre-completion sale proceeds of commodity properties*

According to the Pre-completion Sale Measures, the proceeds obtained by a property developer from the advance sale of commercial houses must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the property administrative departments.

(iii) *Conditions of the sale of post-completion commodity properties*

Under the "Measures for Administration of Sale of Commodity Properties", commodity properties may be put to post-completion sale only when the following preconditions have been satisfied: (a) The property development enterprise offering to sell the post-completion properties shall have a enterprise legal person business license and a qualification certificate of a property developer; (b) The enterprise has obtained a land use rights certificate or other approval documents of land use; (c) The enterprise has the permit for construction project planning and the permit for construction; (d) The commodity commodities have been completed and been inspected and accepted as qualified; (e) The relocation of the original residents has been well settled; (f) The supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified; (g) The property management plan has been completed.

Before the post-completion sale of a commodity building, a property developer shall submit the Property Development Project Manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the property development authority for making a record.

(iv) *Regulations on sale of commodity properties*

According to the "Regulations on Administration of Development of Urban Property" and the Pre-completion Sale Measures, for the pre-completion sale of a commodity building, the developer shall sign a contract on the pre-sale of the commodity building with the purchaser. The developer shall, within 30 days upon signing the contract, apply for registration and record of contract for pre-completion sale commodity building to the relevant administrative departments governing the property and land administration department of the city or country governments. Property administrative department shall take the initiative to apply network information technology to gradually implement web-based registration of pre-sale contracts.

Pursuant to the "Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices" on May 9, 2005, there are several regulations concerning commodity properties sale:

- The buyer of a commodity building is prohibited from conducting any transfer of the pre-sale of the commodity building that he has bought but is still under construction. Before completion and delivery of an advance sale commodity building to the advance buyer, and before the advance buyer obtains the individual property ownership certificate, the administrative department of property shall not handle any transfer of the commodity building. If there is discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the advance sales contract, the property ownership registration administration shall not records the application of property ownership;

- Apply a real name system for house purchase; carry out an immediate archival filing network system for pre-sale contracts of commodity properties.

On July 6, 2006, the Ministry of Construction, NDRC, and the SAIC jointly enacted a Notice on Reorganizing and Regulating Order in the Property Transactions, the details of which are as follows:

- The developer should start to sell the commodity properties within 10 days after receiving "Permit for Pre-completion Sale of commodity properties". Without this permit, the pre-completion sale of commodity properties, as well as subscription (including reservation, registration and number-selecting) and acceptance of the any kind of pre-sale payments, is forbidden;

- The property administration authority should establish an immediate network system for advance sales contracts of commodity properties and a system for the publication of property transaction information. The basic situation of the commodity building, the schedule of the sale and the rights status should be duly, truly and fully published in the network system and on the locale of sale. The advance buyer of a commodity building is prohibited from conducting any transfer of the advance sale of the commodity building that he has bought but is still under construction;

- Without the "Permit for Pre-completion Sale of commodity properties", no advertisement of the pre-completion sale of commodity properties can be allowed to publish;

- Property development enterprises with a record of serious irregularity or enterprises which do not satisfy the requirements of pre-completion sale of commodity properties is not allowed to take part in sale activities;

- The property administration authority should strictly carry out the regulations of the pre-completion sale contract registration and records and apply the real name system for property purchase.

(c) ***Mortgages of Property***

Under the "Real Rights Law of the People's Republic of China" enacted by the National People's Congress on March 16, 2007 and enforced on October 1, 2007, the "Urban Property Law" and the "The Security Law of the People's Republic of China" enacted by the Standing Committee of the National People's Congress on June 30, 1995 and enforced on October 1, 1995, and the "Measures on the Administration of Mortgage of Buildings in Urban Areas" enacted by the Ministry of Construction in May 1997 and revised on August 15, 2001, mortgage refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charge those properties as security for the creditor's rights; when the debtor fails to pay his debt, the creditor has a right to obtain compensation, in accordance with the stipulations of this law, by converting the properties into money or seek preferential payments from the proceeds from the auction or sale of the concerned properties. The creditor's rights that the mortgagor mortgaged shall not exceed the value of the properties mortgaged. After being mortgaged, the balance of value of the properties that exceeded the creditor's rights can be mortgaged for a second time, but the sum of the mortgage shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is erected. When the land use rights of State-owned lands acquired through means of assignment is mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged individually. When the buildings of the town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgager and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the property administration authority at the location where the property is situated. A property mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the "third party rights" item on the original property ownership certificate and then issue a Certificate of Third Party Rights to Property to the mortgagee. If a mortgage is created on the commodity building put to pre-completion sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the property.

(d) ***Lease of buildings***

Under the "Urban Property Law" and the "Measures for Administration of Leases of Buildings in Urban Areas" enacted by the Ministry of Construction on April 28, 1995 and enforced on June 1, 1995, the parties to a lease of a building shall enter into a lease contract in writing which shall be effective upon signing by both parties. A system which has been adopted for registering leases of buildings. When a lease contract is signed, amended or terminated, the parties shall register the details with the property administration authority under the local government of the city or county in which the building is situated. The term of a leased building and the related land shall not be more than 20 years.

G. **Property financing**

According to the "Notice of the People's Bank of China on Regulating Home Financing Business" enacted by the People's Bank of China (the "PBOC") on June 19, 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial flat loans:

(a) Housing development loans from banks shall only be granted to property development enterprises with approved development qualifications and high credit ratings. Such loans shall be offered to residential projects with good market potential. While the borrowing enterprise must have an amount of own capital no less than 30% of the total investment required of the project, the project itself must have been issued with a Land Use Rights Certificates, Construction Land Planning Permit, Construction Work Planning Permit and Permit of Construction Work.

(b) In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the security (the "Mortgage Ratio") shall never exceed 80%. Where an individual applies for a home purchase loan to buy a pre-completion house, the said property must have achieved the stage of "topping-out of the main structure completed" for multi-story buildings or "two-thirds of the total investment completed" for high-rise buildings.

(c) In respect of the grant of individual commercial flat loans, the Mortgage Ratio under the application for commercial flat loans shall not exceed 60% with a maximum loan period of 10 years and the subject commercial properties have already been completed.

The PBOC issued the Circular on Further Strengthening the Management of Loans for Property Business on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of property development and individual home mortgage as follows:

(a) The property loan by commercial banks to property development enterprises shall be granted only under the title of property development loan and it is strictly forbidden to extent such loans as current capital loan for property development project or other loan item. No lending of any type shall be granted for projects which have not obtained the Land Use Right Certificates, Construction Land Permit, Construction Planning Permit and Construction Work Permit.

(b) Commercial banks shall not grant loans to property developers to pay off land premium; and

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

Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks issued by China Banking Regulatory Commission on September 2, 2004, any property developer applying for property development loans shall have at least 35% of capital funds required for the development.

According to the "Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Loan Policies and the Interest Rate of Excess Reserve Deposit", enacted by

PBOC on March 16, 2005, starting from March 17, 2005, the down payment of individual home increased from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine scope of such property price rise according to specific situations in different cities or areas.

On May 24, 2006, the State Council forwarded the "Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Control Structure and Stabilizing the Property Prices. The regulations provide the following:

(a) Tightening the control of advancing loan facilities. The commercial banks are not allowed to advance their loan facilities to property developers who do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large number of idle lands and unsold commodity properties. The commercial banks shall not accept mortgages of commodity properties remaining unsold for three years or longer, and the commercial banks shall not accept such commodity building as collateral for loans.

(b) From June 1, 2006 and onward, purchasers need to pay a minimum of 30% of the purchase price as down payment. However, if purchasers purchase apartments with a floor area of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged.

According to "Circular on Standardizing the Admittance and Administration of Foreign Capital in Property Market" enforced on July 11, 2006, foreign-invested property development enterprises which have not paid up their registered capital fully, or failed to obtain a Land Use Right Certificate, or with under 35% of the capital for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments shall not approve any settlement of foreign loans by such enterprises.

On September 27, 2007, the PBOC, CBRC jointly issued the "Notice on Strengthening the Administration of Commercial Real Estate Credit Loans" (《關於加强商業性房地產信貸管理的通知》), which further stipulates stringent requirements to the grant of loans in respect to the second and subsequent purchases of housing by individuals. For those who has used credit loans to purchase a housing and applied for purchasing the second (inclusive) or more housing, the down payment shall not be less than 40% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times of the benchmark interest rate of the same grade for the same period as announced by the PBOC. Moreover, the ratio of the down payment and the level of the interest rate of the loan shall be substantially adjusted upwards according to the number of purchases. The specific increase range will be determined by commercial banks at their own discretion based on the relevant principles of credit risk management.

H. **Insurance of a property project**

There are no mandatory provisions in the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its property projects.

In light of the "Construction Law of the People's Republic of China" enacted by the Standing Committee of the National People's Congress on November 1, 1997 and enforced on March 1, 1998, construction enterprises must take out accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the "Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in the Construction Work" by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasizes the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance. The "Guidance on the

Insurance of Accidental Injury in the Construction Work of Guangdong Province" enacted by construction department of Guangdong Province on September 8, 2004 prescribes the scope, object, term, coverage, amount and premium of insurance for accidental injury. Besides, the Guidance especially emphasizes that the persons who have been already insured of work-related injury insurances still need to be insured of accidental injury insurance when he or she takes part in the on-site construction work. According to the common practice of the property industry in Guangdong, except for the accidental injury insurance, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies shall pay for the insurance premium at their own costs and take out various types of insurance to cover their liabilities, such as property risks, third party's liability risk, performance guarantee in the course of construction and all-risks associated with the construction and installation work throughout the construction period. The insurance cover for all the aforementioned risks shall cease immediately after the completion and acceptance upon inspection of construction.

I. Measures on Adjusting the Structure of Housing Supply and Stabilizing Housing Price

The General Office of the State Council enacted the "Circular on Stabilizing Housing Price" on March 26, 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Doing a Good Job of Stabilizing House Prices, the opinion provides that:

(a) *Intensifying the planning and control and improving the supply structure of houses*

Where the housing price is in excessive growth and where the supply of ordinary commodity houses with medium or low price and economical houses is insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses with medium or low price and economical houses. The construction of low-density, upmarket houses shall be strictly controlled. With respect to construction projects of medium-or low-price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design such as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land assignment to ensure an effective supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permit for property development projects. Housing projects that have not been commenced within two years must be examined again, and those that turn out to be not in compliance with the planning permits will be revoked.

(b) *Intensifying the control over the supply of land and rigorously enforcing the administration of land*

Where the price of land for residential use and residential properties grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical house should be emphatically increased. Land supply for villa construction shall continue to be suspended, and land supply for high quality housing property construction shall be strictly restricted.

(c) ***Adjusting the policies of business tax on residential property house transfer and strictly regulating the collection and administration of tax***

From June 1, 2005, business tax on transfer of a residential property by an individual within two years from purchase will be levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual two years or more after purchase shall be exempted for business tax. For transfer of a house other than ordinary residential property by an individual two years or more after purchase, the business tax will be levied on the basis of the balance between the proceeds from selling the property and the purchase price.

(d) ***Strictly Rectifying and Regulating the Market Order and Seriously Investigating into and Punishing Any Irregular and Rule-breaking Sales***

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought but is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

On May 24, 2006, the State Council forwarded the "Opinion on Adjusting the Housing Supply Structure and Stabilizing Property Prices (《關於調整住房供應結構穩定住房價格的意見》) (the "Opinion") of the Ministry of Construction and other relevant government authorities. The Opinion provides the following:

(i) *Adjusting the Housing Supply Structure*

- Developers must focus on providing small to medium sized ordinary commodity properties at low to midlevel prices to cater to the demands of local residents;

- As of June 1, 2006, newly approved and newly commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under PRC central government, cities listed on state plans (省會城市) and provincial capital cities (計劃單列市) have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a construction permit must follow the prescribed ratio.

(ii) *Further adjustments by tax, loan and land policies*

- From June 1, 2006, business tax will be levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price;

- Commercial banks are not allowed to advance loan facilities to property developers who do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity apartments remaining unsold for three years or more;

- From June 1, 2006 and onward, purchasers need to pay a minimum of 30% of the purchase price as down payment. However, if purchasers buy apartments of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged;

- At least 70% of the total land supply for residential property development must be used for developing small-to-medium-sized low-cost public housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer who offers the highest bid. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly restricted;

- The relevant authorities will levy a higher surcharge against those property developers who have not commenced the construction work for longer than one year from the commencement date stipulated in the construction contract and will order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate without compensation the land from those property developers who have not commenced the construction work beyond two years from the commencement date stipulated in the construction contract without proper reasons. The relevant authorities will dispose of the idle land of those property developers who have suspended the construction work consecutively for one year without an approval, have invested less than one-fourth of the total proposed investment and have developed less than one-third of the total proposed construction area.

(iii) *Reasonably Monitoring the Scope and Progress of Demolition of Urban Housing*

The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halter the excessive property growth triggered by passive means.

(iv) *Further Rectifying and Regulating the Order of Property Properties Market*

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted planning permit but have not been commenced. The relevant authorities will ensure that no Planning Permit (規劃許可證), Construction Permit (施工許可證) or Permit for Pre-Sale of Commodity Properties (商品房預售許可證) is issued to those construction projects which do not satisfy the controlling requirements, in particular, the prescribed ratio requirement. If the property developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of the property and to confiscate the property in accordance with the law;

- The property administration authority and the administration of industry and commerce will investigate illegal dealings such as contract fraud cases in accordance with the law. The illegal conduct of pre-completion sale of commodity apartments without satisfying all the conditions will be ordered to stop and be imposed a proper administrative penalty in accordance with the law. For those property developers who maliciously manipulate the supply of commodity housing, the relevant authorities will imposed a proper administrative penalty including revoking the business licenses of those serious offenders and will pursue personal liability for those concerned.

(v) *Gradually relieving the housing demands for low-income families*

To expedite the establishment of low-cost public housing supply system in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

(vi) *Improving information disclosure system and system for collecting property statistics*

On July 6, 2006, the Ministry of Construction promulgated a supplemental Opinion on Carrying Out the Residential Property Size Ratio in Newly-Built Residential Buildings (Jianzhufang [2006] No. 165) (《關於落實新建住房結構比例要求的若干意見》) ("the Supplemental Opinion"). The Supplemental Opinion provides the following:

- As of June 1, 2006, of the newly approved and newly commenced construction projects in different cities including town and counties (from June 1, 2006 and onward), at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments);

- The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality. The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a property developer has not followed the ratio requirement without providing proper reasons, the town planning authorities will not issue a Planning Permit. If the property developer has not followed the requirements of the Planning Permit, the relevant authority censoring the planning documents will not issue a certification, the construction authority will not issue a Construction Permit, and the property authority will not issue a Permit for pre-completion sale of the commodity apartments.

In the case of construction projects that were granted approval before June 1, 2006 but that were not granted a construction work permit by that date, the relevant local governments in different localities should ascertain the details of the projects and ensure that the prescribed residential property size ratio requirement is complied with.

II. LEGAL SUPERVISION RELATING TO PROPERTY MANAGEMENT SECTOR IN THE PRC

A. Foreign-invested property service enterprises

According to the "Foreign Investment Industrial Guidance Catalogue", property management falls within the Category of Permitted Foreign Investment Industries. According to the "Foreign Investment Industrial Guidance Catalogue" and the relevant requirements set out under the laws and the administrative regulations on foreign investment enterprises, a foreign invested property service enterprise can be set up in the form of Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly foreign owned enterprise. Before the administration of Industry and Commerce registers a foreign investment enterprise as a foreign-invested property service enterprise, the foreign-invested property service enterprise should obtain an approval from the relevant department of commerce and receive a "foreign investment enterprise approval certificate".

B. Qualifications of a property service enterprise

According to the "Regulation on Property Management" enacted by the State Council on June 8, 2003, enforced on September 1, 2003 and revised on August 26, 2007, the state implements a qualification scheme system in monitoring the property service enterprises. According to the "Measures for Administration of Qualifications of Property Service Enterprises" enacted by the Ministry of Construction on March 17, 2004, enforced on May 1, 2004 and revised on November 26, 2007, a newly established property service enterprise shall, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under PRC central government for a grading assessment. The departments of qualification examination and approval will check and issue a "property management qualification certificate" corresponding to their grading assessment results.

According to the "Measures for the Administration on Qualifications of Property Service Enterprises", and revised on November 26, 2007 the qualifications of a property service enterprise shall be classified as class one, class two and class three. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of the class one property service enterprises. The competent construction departments of the people's governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of the class two property service enterprises, and the competent realty departments of the people's governments of municipalities directly under PRC central government shall be responsible for issuance and administration of the qualification certificate of the classes two and three property service enterprises. The competent realty departments of the people's governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three property service enterprises.

The property service enterprises with the class one qualification may undertake various property management projects. The property service enterprises with the class two qualification may undertake the property management business of residential management projects of less than 300,000 sq.m. and the non-residential management projects of less than 80,000 sq.m. The property service enterprises with the class three qualification may undertake the property management business of residence projects of less than 200,000 sq.m. and non-residence projects under 50,000 sq.m.

C. Employment of a property service enterprise

According to the "Regulation on Property Management", the general meeting of owners can select and dismiss the property service enterprises if the consent of both the owners holding 1/2 or more of the private building area out of the total building area and 1/2 or more of the relevant property owners has been obtained. If, before the formal employment of a property management by the owners or the general meeting, the construction unit is to employ a property service enterprise, it shall enter into a preparation stage property services contract in writing with the property service enterprise.

III. MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

A. Income Tax

According to the Income Tax Law of The People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises promulgated on April 9, 1991 and its detailed implementation rules enacted by State Council in June 1991, the income tax on enterprises with foreign investment shall be computed on the taxable income at the rate of 30%, and local income tax shall be computed on the taxable income at the rate of 3%. Pursuant to the Provisional Regulations of the People's Republic of China on Enterprise Income Tax issued by the State Council in December 1993 and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax issued by the Ministry of Finance in February 1994, the income tax rate applicable to enterprises is 33%.

According to the CIT Law enacted by the National People's Congress on March 16, 2007 and enforced from January 1, 2008 onwards, a uniform income tax rate of 25% is applied towards foreign-invested enterprises and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises.

Furthermore, unlike the Income Tax Law of the People's Republic of China for Enterprise with Foreign investment and Foreign Enterprise currently in effect, which specifically exempts withholding tax on any dividends payable to non-PRC investors, the CIT Law and its implementation rule provide that an income tax rate of 10% will normally be applicable to dividends payable to non-PRC enterprise investors which are derived from sources within the PRC, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC enterprise shareholders reside whereupon the relevant tax may be reduced or exempted.

B. **Business Tax**

Pursuant to the "Interim Regulations of the People's Republic of China on Business Tax" promulgated by the State Council in 2008, the tax rate of the transfer of immovable properties, their superstructures and attachments is 5%. The business tax rate for our property management and hotel operation businesses is also 5%.

C. **LAT**

According to the requirements of the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (the "Provisional Regulations") promulgated on December 13, 1993 and effective on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (the "Detailed Implementation Rules") promulgated and effective on January 27, 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to LAT. LAT is levied according to four progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for land development;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property;
- other deductible items as specified by the Ministry of Finance.

According to the requirements of the Provisional Regulations, the Detailed Implementation Rules and the "Notice Issued by the Ministry of Finance in Respect of the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994" announced by the Ministry of Finance and the State Administration of Taxation on January 27, 1995, LAT shall be exempted under any one of the following circumstances:

- Taxpayers constructing ordinary standard residences for sale (i.e., the residences built in accordance with the local standard for general use residential properties; deluxe apartments, villas, resorts, for example, are not categorized as ordinary standard residences) in which the appreciation amount does not exceed 20% of the sum of deductible items;
- Property taken over and repossessed according to laws due to the construction requirements of the government;

- Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for 5 years or more, and after obtaining tax authorities' approval;

- For property assignments which were signed before January 1, 1994, whenever the properties are transferred, the LAT shall be exempted;

- Either when the property assignments were signed before January 1, 1994 or when the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred within five years after January 1, 1994 for the first time. The date of signing the assignment shall be the date of signing the Sale and Purchase Agreement. Particular property projects which are approved by the government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by Ministry of Finance and State Administration of Taxation, the tax-free period would then be appropriately prolonged.

On December 24, 1999, the Ministry of Finance and the State Administration of Taxation issued the "Notice in Respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy" that extended the period for the LAT exemption policy to the end of 2000.

After the enactment of the Provisional Regulations and the Detailed Implementation Rules, due to the longer period for the property development and transfer, many local tax authorities in the course of implementing the regulations and rules did not force the property developers to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the requirement that after the assignment contracts are signed, the taxpayers should declare the tax to the local tax authorities with jurisdiction over the underlying property, and pay LAT in accordance with the amount calculated by the tax authority and the time as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change and shall not issue the property ownership certificate.

The State Administration of Taxation also issued the notice in relation to "Collections Administration on Land Appreciation Tax" on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of property. Such notice also pointed out that either for the property assignment contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within 5 years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

On August 2, 2004, the State Administration of Taxation issued the "Notice of the State Administration Taxation in Respect of Enhancing the Administration of Land Appreciation Tax" in order to further clarify the taxpayers' duties in relation to filing of period tax returns. On August 5, 2004, the State Administration of Taxation issued the "Notice of the State Administration Taxation in Respect of Further Enhancing the Administration on Collection of Urban Land Use Tax and Land Appreciation Tax" to further enhance the administrative efforts relating to the collection of LAT. It is stipulated in this notice that the waiver of LAT on any land grant contracts executed prior to January 1, 1994 has expired, and that appreciation in land value shall be subject to LAT irrespective of the time of assignment.

On March 2, 2006, the State Administration of Taxation and the Ministry of Finance issued the "Circular of the Ministry of Finance and the State Administration of Taxation on Land Appreciation Tax". The Circular stipulated the following:

- Taxpayers constructing both ordinary residential properties and other commodity houses should calculate the LAT separately, and declare the tax to the local tax authorities where the properties are located.

- Local authorities shall determine, and adjust as appropriate, the provisional LAT rates considering the relevant real property market, the type of building constructed and any other applicable factors.

- A taxpayer who fails to prepay the LAT within the stipulated time frame may be liable to a penalty under the "Administrative Law of the People's Republic of China on the Levying and Collection of Taxes."

- In relation to completed property projects, if 85% or more of the saleable GFA has been assigned or transferred, then the local tax authority may require the taxpayer to pay tax on the income from the assigned or transferred property.

- For taxpayers whose shareholders or joint-cooperation partners contributed real properties as capital to such taxpayers, the temporary tax exemption in relation to ordinary residential properties does not apply.

On December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises which came into effect on February 1, 2007.

Pursuant to the Notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole incomplete development project; or (3) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if any of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (3) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

The Notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the prepayment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

D. **Deed Tax**

Pursuant to the "Interim Regulations of the People's Republic of China on Deed Tax" promulgated by the State Council in July 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be responsible for the payment of deed tax. The rate of deed tax is 3%-5% of the purchase price. The governments of provinces, autonomous regions and municipalities may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record. Pursuant to the "Notice of the Taxation Policies Regarding to Transaction of Real Estate" promulgated by the Ministry of Finance and the State Administration of Taxation in November 2008, for an individual who initially purchases an ordinary residential property less than 90 sq.m., the rate of deed tax was adjusted to 1%.

E. **Urban Land Use Tax**

Pursuant to the "Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land" promulgated by the State Council in September 1988 as amended in December 2006, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0. Any foreign investment enterprises using urban land is required to pay the tax on urban land use accordingly from January 1, 2007. According to the "Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China" promulgated by the Ministry of Finance on November 2, 1988 and the "Approval on Land Use Tax Exemption of Foreign-Invested Enterprises" issued by the State Administration of Taxation on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise. However, the Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land were revised by the State Council on December 31, 2006. As of January 1, 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

F. **Buildings Tax**

Under the "Interim Regulations of the People's Republic of China on Buildings Tax" promulgated by the State Council in September 1986, buildings tax shall be 1.2% if it is calculated on the basis of residual value of a building, and 12% if it is calculated on the basis of the rental.

G. **Stamp Duty**

Under the "Interim Regulations of the People's Republic of China on Stamp Duty" promulgated by the State Council in August 1988, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein, for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5.0 per item.

H. **Municipal Maintenance Tax**

Under the "Interim Regulations of the People's Republic of China on Municipal Maintenance Tax" promulgated by the State Council in 1985, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the "Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises" and the "Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises" issued by State Administration of Taxation on February 25, 1994 and on September 14, 2005, respectively, whether foreign-invested enterprises are subject to municipal maintenance tax will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

I. Education Surcharge

Under the "Interim Provisions on Imposition of Education Surcharge" promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the "Notice of the State Council on Raising Funds for Schools in Rural Areas." Under the "Supplementary Notice Concerning Imposition of Education Surcharge'' issued by the State Council on October 12, 1994, the "Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises" and the "Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises" issued by the State Administration of Taxation on February 25, 1994 and on September 14, 2005, respectively, whether foreign-invested enterprises are subject to the education surcharge will be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

MANAGEMENT

The following table sets forth certain information with respect to our directors and senior management as of the date of this document.

Name	Age	Title
Mr. Zhang Zhi Rong	41	Chairman and Executive Director
Mr. Ding Xiang Yang	42	Vice Chairman and Executive Director
Mr. Cheng Li Xiong	40	Chief Executive Officer and Executive Director
Mr. Xia Jing Hua	38	Executive Director and Vice President
Mr. Liu Ning	45	Executive Director and Vice President
Mr. Li Xiao Bin	46	Executive Director and Vice President
Mr. Yan Zhi Rong	49	Executive Director
Mr. Yim Ping Kuen	47	Independent Non-Executive Director
Mr. Liu Shun Fai	39	Independent Non-Executive Director
Mr. Wo Rui Fang	69	Independent Non-Executive Director
Mr. Han Ping	41	Independent Non-Executive Director
Mr. Ching Yu Lung	40	Chief Financial Officer, Company Secretary and Qualified Accountant
Ms. Fang Zhi Rong	41	Head of Human Resources
Mr. Xu Quan	41	Chairman of the Board of Huabei District Region Company
Ms. Liu Yan Xia	47	Head of Operations (north China region)
Mr. Fang Shi Min	70	Chief Engineer
Mr. Li Jian Zhong	52	Head of Operations (east China region)

Directors

Our Board currently consists of 11 directors, 4 of whom are independent non-executive directors.

Executive Directors

Mr. Zhang Zhi Rong (張志熔), aged 41, is the Chairman of the Board and an executive Director of the Company and the founder and controlling shareholder of the Group. Mr. Zhang is also a director of Shanghai Chuangmeng International Architectural Design Co., Ltd. Mr. Zhang is primarily responsible for the formulation of the Group's overall strategies. Mr. Zhang has more than 14 years of experience in corporate management and real estate development and investment. Prior to his involvement in real estate development and investment, Mr. Zhang engaged in the business of construction materials trading and construction sub-contracting in the early 1990s. In 1994, as the real estate industry in the PRC began to develop, Mr. Zhang entered the property development industry with his first residential property development project, Sunshine Greenland in Shanghai, which commenced development in January 1996. He received a master's degree in business administration from Asia Macau International Open University in 2002.

Mr. Ding Xiang Yang (丁向陽), aged 42, is the Vice Chairman of the Board and an executive Director of the Company. Mr. Ding is also a director of a number of the Company's subsidiaries, including Shanghai Xintai Property Development Co., Ltd., Shanghai Anshun Property Development Co., Ltd., Tianjin Yangguang Xindi Investment Co., Ltd., Tianjin Hongyun Investment Co., Ltd. and Suzhou Hongsheng Property Co., Ltd. With more than eight years of experience in corporate and strategic management of real estate enterprises in the PRC, Mr. Ding is primarily responsible for the Company's overall strategic planning and development. Mr. Ding joined the Group on March 18, 2001 and played an integral role in formulating the Group's development strategies, operational management and supervising the construction of the Group's projects. Prior to joining the Group, Mr. Ding worked for more than 10 years at the enterprise management department of China Eastern Airlines Corp. Ltd.

(中國東方航空股份有限公司), a company listed on the Hong Kong Stock Exchange. Mr. Ding is currently a member of the Chinese People's Political Consultative Conference for Fengxian District, Shanghai. Mr. Ding obtained a bachelor's degree in law from Fudan University in July 1989, and a master's degree in law from Fudan University in July 2002. Mr. Ding is the brother-in-law of the Company's Chairman, Mr. Zhang Zhi Rong.

Mr. Cheng Li Xiong (程立雄), aged 40, is the Chief Executive Officer and an executive Director of the Company. Mr. Cheng is also a director of the Company's subsidiaries, Shanghai Shengtong Property Development Co., Ltd. and Zhuo Yi Real Estate Development (Nantong) Co., Ltd. He is in charge of the overall business operations and management of the Company. Mr. Cheng joined the Group on September 1, 2001 as the general manager of the Company's subsidiary, Shanghai Haosen Property Co., Ltd. Between July 1992 and September 2001, Mr. Cheng worked for Shanghai Property and Land Resources Bureau (上海市房屋土地資源管理局). Mr. Cheng has more than 16 years of experience in the planning, development, construction and management of land and property. Mr. Cheng is also a qualified property valuer in the PRC. Mr. Cheng graduated with a bachelor's degree from Shanghai International Studies University in July 1992.

Mr. Xia Jing Hua (夏景華), aged 38, is an executive Director and a vice president of the Company, responsible for developing the financial strategies, the overall financial and asset management of the Group. Currently, Mr. Xia is a director of the Company's subsidiary, Fuda Real Estate Development (Nantong) Co., Ltd. Mr. Xia joined the Group on May 2, 1999 and had been the manager of the auditing department and supervisor of the finance and treasury department of the Company. Between 1994 and 1999, Mr. Xia worked in the loans department of the Zhoushan City branch of Bank of China (中國銀行舟山分行), a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Mr. Xia has more than ten years of experience in financial management in the property industry. He received a bachelor's degree in economics from the Zhejiang University of Finance and Economics and a master's degree in public economics and investment from the Shanghai University of Finance & Economics in July 1994 and September 2002, respectively.

Mr. Liu Ning (劉寧), aged 45, is an executive Director and a vice president of the Company and the head of operations for the Shanghai region, responsible for the operational management and project development of the Company's property projects in the Shanghai region. Mr. Liu is a director of Shanghai Xintai Property Development Co., Ltd. and the general manager of Shanghai Yijing Property Development Co., Ltd., both of which are the Company's subsidiaries. Prior to joining the Group as the chairman of Shanghai Yijing Property Development Co., Ltd. on 5 June 2005, Mr. Liu worked as the executive vice president of Shanghai Jinjiang Realty Co., Ltd., a wholly-owned subsidiary of Shanghai Jin Jiang International Hotels (Group) Company Limited, a company listed on the Hong Kong Stock Exchange with extensive hotel operations in the PRC, from June 2003 to April 2005. Mr. Liu worked for three years at Shanghai (New Asia) Group Co., Ltd. (上海新亞(集團)股份有限公司), a company listed on the Shanghai Stock Exchange, and was its general manager from June 2000 to June 2003. Mr. Liu is a senior economist and an experienced manager of hotel operations, with more than eight years of experience in the hotel and property industry. He is currently the vice president of the Shanghai Young Entrepreneur Association. Mr. Liu graduated with a bachelor's degree in bridge construction from Tongji University in July 1986.

Mr. Li Xiao Bin (李曉斌), aged 46, is an executive Director, a vice president of the Company and the head of operations for the northeast China region, responsible for the operational management and project development of the Company's property projects in the northeast China region. Mr. Li is also a director and general manager of the Company's subsidiary, Liaoning Yangguang Xindi Property Development Co., Ltd. ("Glorious Liaoning"). Since June 2005, Mr. Li has been a director and general manager of Glorious Liaoning. Prior to joining the Group, Mr. Li worked for 16 years at China Timber General Co. (中國木材總公司), a state-owned enterprise, and was its general manager prior to his departure in January 2001. Mr. Li joined the Group on May 17, 2001. He has more than seven years of experience in property management and development. He graduated with a master's degree in business administration from Peking University in July 2006 and obtained a doctorate degree in corporate management from Dongbei University of Finance and Economics in January 2008.

Mr. Yan Zhi Rong (嚴志榮), aged 49, is an executive Director and head of project budgeting of the Company. Mr. Yan is also a director of a number of the Company's subsidiaries, namely Shanghai Yijing Property Development Co., Ltd., Shanghai Xintai Property Development Co., Ltd., Wuxi Wangjiarui Co., Ltd., Liaoning Yangguang Xindi Property Development Co., Ltd., Tianjin Yangguang Xindi Investment Co., Ltd., Harbin Yangguang Binhai Property Development Co., Ltd., Shanghai Qiwei Industry Co., Ltd. and Tianjin Tianxingjian Real Estate Investment Co., Ltd.. With more than 11 years of experience in managing the construction and budgets of property projects, Mr. Yan is primarily responsible for supervision of the development and construction of projects, and management of project budgets of the Company. Mr. Yan joined the Group on 8 December 1996 as the manager of the project budgeting department. Prior to joining the Group, Mr. Yan served as the deputy general manager of the property development subsidiary company of Shanghai Materials Bureau (上海市物資局) from 1989 to 1996. Mr. Yan received a graduate diploma in Industrial and Civil Architecture from the Suzhou Industrial College in 1981 and is a qualified engineer in the PRC.

Independent Non-executive Directors

Mr. Yim Ping Kuen (嚴炳權), aged 47, is an independent non-executive Director of the Company. Mr. Yim is currently a partner of Lau, Yim, Chiu and Co., a public accounting firm in Hong Kong. Mr. Yim has been a financial controller, company secretary and chief financial officer for various international companies in different industries, including listed companies in Hong Kong and Singapore. He has more than 22 years of experience in accounting and setting up financial operations for companies in Asia. Mr. Yim joined the Group on June 17, 2008, resigned on March 16, 2009 and rejoined the Group on September 9, 2009. Mr. Yim graduated from the University of Hong Kong with a bachelor's degree in social sciences in 1986 and also holds a master's degree in corporate finance from the Hong Kong Polytechnic University. He is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants.

Mr. Liu Shun Fai (廖舜輝), aged 39, is an independent non-executive Director of the Company. Mr. Liu is currently the chief financial officer of AMVIG Holdings Limited (澳科控股有限公司), a company listed on the Hong Kong Stock Exchange. Mr. Liu has been the financial controller and qualified accountant of two listed companies in Hong Kong for nine years. From 2003 to 2007, Mr. Liu served as the accounting controller and assistant company secretary of Hopson Development Holdings Limited ("Hopson Development"), a property development company listed on the Hong Kong Stock Exchange engaged in the development of large-scale residential property projects in various cities in the PRC and Mr. Liu was in charge of accounting and financial reporting of Hopson Development. Mr. Liu was responsible for monitoring the corporate governance measures and continuing connected transactions of Hopson Development, including reviewing the terms of the tender documents and construction contracts entered into between Hopson Development and its connected person(s) for the purpose of assisting its independent non-executive directors and independent financial adviser in opining on the fairness and reasonableness of the continuing connected transactions. Mr. Liu had also worked for a major accounting firm for seven years from 1992 to 1999, during which he gained extensive experience in the auditing of real estate enterprises. Mr. Liu has more than 16 years of experience in auditing and accounting. He joined the Group on June 17, 2008, resigned on March 16, 2009 and rejoined the Group on September 9, 2009. He obtained a bachelor's degree and a master's degree in business administration from the Chinese University of Hong Kong in 1992 and 1999, respectively, and is an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Wo Rui Fang (沃瑞芳), aged 69, is an independent non-executive Director of the Company. From 1965 to 1993, Mr. Wo worked at the Design Administration Bureau of the PRC (now under the Ministry of Housing and Urban-Rural Construction of the PRC), and was head of its information technology division from 1988 to 1993, responsible for the development of new construction design technology and standards. From 1993 to 1997, Mr. Wo served as the vice mayor of Nantong City, Jiangsu Province, PRC and was in charge of the administration of the overall city planning and railway construction. Mr. Wo then re-joined the Design Administration Bureau as a senior engineer in 1997. From 1998 to 2001, he was the deputy chairman of the Practice Qualification Management Center of the Ministry of Construction. Mr. Wo has accumulated 30 years of experience in supervising the design and construction of various government property development projects and assessing the design techniques and standards of commercial and residential property development in the PRC. Mr. Wo retired from public service in 2001. He joined the Group on June 17, 2008, resigned on March 16, 2009 and rejoined the Group on September 9, 2009. He graduated from Jilin University with a bachelor's degree in construction in 1964.

Mr. Han Ping (韓平), aged 41, is an independent non-executive Director of the Company. From September 1990 to October 1996, Mr. Han worked for the Jiangsu Province Supply and Marketing Co-operative (江蘇省供銷合作社) and was responsible for the management of its construction and capital investment. In November 1996, Mr. Han became the chief economist of Jiangsu Huaxia Construction Project Management Co., Ltd. (江蘇省華厦工程項目管理有限公司), a company engaged in the provision of construction supervision, project management and construction costs auditing services to property developers and government entities. Since June 2001, Mr. Han has served as the deputy general manager of Jiangsu Huaxia Construction Project Management Co., Ltd. Mr. Han had been a project manager and auditor of engineering costs for a large number of project developments involving the construction of various kinds of properties, such as hotels, villas and other residential properties, government buildings, logistic centers and warehouses. In 2002, Mr. Han was selected as an industry expert for the assessment of tenders for property construction and urban infrastructure projects by the Office of the Tendering and Bidding of Construction Projects of Jiangsu Province (江蘇省建設工程招標投標辦公室). Over a period of six years, Mr. Han had participated in the assessment of tenders for over 20 construction projects in Jiangsu Province and Beijing. Mr. Han has accumulated more than 19 years of experience in the management and supervision of property construction projects in the PRC. Mr. Han joined the Group on June 17, 2008, resigned on March 16, 2009 and rejoined the Group on September 9, 2009. He graduated with a bachelor's degree in construction engineering and economic management from the Southeast University in 1990. He obtained a master's degree in construction and civil engineering from the Southeast University in 2005. Mr. Han is currently a member of the Hong Kong Institute of Surveyors and is a registered cost engineer, registered supervisory engineer and registered construction professional in the PRC. He holds a Level C certification from the International Project Managers Association (IPMA) and is a certified project management professional.

Senior Management

Mr. Ching Yu Lung(程如龍), aged 40, is the chief financial officer, company secretary and qualified accountant of the Company. Mr. Ching is responsible for the Company's overall financial management and corporate finance. Mr. Ching is also an independent non-executive director of Ngai Hing Hong Company Limited(毅興行有限公司), a company listed on the Hong Kong Stock Exchange. Prior to joining the Group in February 2008, Mr. Ching had been the vice president of finance for Hong Kong and China Gas Investment Limited, a subsidiary of the Hong Kong and China Gas Company Limited(香港中華煤氣有限公司), a company listed on the Hong Kong Stock Exchange. Mr. Ching had also been the chief financial officer of a real estate company and the executive director and finance director of Ngai Hing Hong Company Limited. He has more than 18 years of experience in auditing, corporate finance and accounting. He obtained a bachelor's degree of business administration from the Chinese University of Hong

Kong and an executive master of business administration degree from Tsinghua University in 1992 and 2006, respectively. Mr. Ching is a fellow member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants, and a member of American Institute of Certified Public Accountants.

Ms. Fang Zhi Rong (方志榮), aged 41, is the head of the human resources department of the Group, responsible for formulating and implementing the Group's talent management strategies and policies on salary and welfare benefits of employees, as well as organizing the management structure and managing the employees' training and assessment programs of the Group. Prior to joining the Group in March 2002 as the manager of the information department of the Group, Ms. Fang worked for the Shanghai City Water Discharge Co., Ltd. (上海市城市排水有限公司) for more than 12 years. Ms. Fang graduated from the Shanghai University of Finance and Economics with a diploma in statistics in Shanghai University of Finance & Economics.

Mr. Xu Quan (徐蘿), aged 41, is a vice president and head of the investment department of the Group. Mr. Xu is responsible for the Group's business development and project investment. Mr. Xu has been a director of Shanghai Xintai Property Development Co., Ltd. since June 2005. Currently, Mr. Xu is also a director of a number of the Company's subsidiaries, namely Shanghai Xintai Property Development Co., Ltd., Tianjin Yangguang Xindi Investment Co., Ltd., the executive director and general manager of Yonghe Property Development (Nantong) Co., Ltd. and the general manager of Tianjin Tianxingjian Real Estate Investment Co., Ltd.. Mr. Xu worked as the head of the property development department of Hanchang Property (Shanghai) Co., Ltd. (漢昌物業(上海)有限公司), a foreign-invested enterprise, from December 1995 to June 2000. Mr. Xu joined the Group in August 2000 and has more than 11 years of experience in property development and sales in the PRC. Mr. Xu obtained a graduate diploma from East China Normal University in July 1994.

Ms. Liu Yan Xia (劉艷霞), aged 47, is the head of operations for the north China region, responsible for the operational management and project development of the Company's property projects in the north China region. Ms. Liu joined the Group in June 2002 and she is currently the executive director of Beijing Yangguang Xindi Property Development Co., Ltd. and Beijing Hetian Hexin Property Development Co., Ltd., which are the Company's subsidiaries. She had also previously worked for Oriental Logistics Holdings Limited (東方物產集團) from 1992 to 2002. She graduated with a bachelor's degree in economics from the Xian Jiaotong University in 1985 and a master's degree in business administration from the Renmin University in November 2002.

Mr. Fang Shi Min (方世敏), aged 70, is the chief engineer of the Group. Mr. Fang is primarily responsible for overseeing the planning, construction, quality control and site supervision of the Group's property development projects. Prior to joining the Group in August 1997, Mr. Fang worked for 30 years at the Shanghai Institute of Architectural Design & Research (上海建築設計研究院). From July 1993 to July 1996, Mr. Fang worked as chief engineer for the Hainan Zhujiang Industrial Shanghai Real Estate Co., Ltd. (海南珠江實業上海房地產公司), responsible for the architectural design and supervision of construction of property development projects. In July 1996, he worked as vice general manager and the chief engineer for Shanghai Anfu Property Co., Ltd (上海安福置業有限公司). Mr. Fang has more than 41 years of experience in the construction industry. He graduated with a bachelor's degree in industrial and civil architecture from Tongji University in July 1962.

Mr. Li Jian Zhong (李建中), aged 52, is the head of operations for the east China region (excluding Shanghai), responsible for the operational management and project development of the Company's property projects in the east China region (excluding Shanghai). Mr. Li is currently the general manager of Wuxi Wangjiarui Co., Ltd. and the executive director of Nantong Zhuowei Trade Development Co., Ltd. and Nantong Rongsheng Building Real Estate Development Co., Ltd., the Company's subsidiaries. Prior to joining the Group in January 2001, Mr. Li worked for the Minhang People's Government (閩行區人民政府), a district level government of Shanghai, from April 1996 to December 2000. Mr. Li has more than eight years of experience in real estate investment and project management. He graduated with a bachelor's degree in management engineering from the East China University of Science and Technology in July 1985. In July 2001, Mr. Li completed a postgraduate course in economics management at the research institute of the Shanghai Academy of Social Sciences.

Compensation of directors

We reimburse our Directors for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. The executive Directors are also our employees and receive, in their capacity as our employees, compensation in the form of salaries and other allowances and benefits in kind.

For each of the three financial years ended December, 31, 2009, the aggregate amount of salaries and other allowances and benefits in kind (excluding share-based compensation expenses) paid by us to our Directors was RMB3,493,000.0, RMB3,848,000.0 and RMB19,445,000.0, respectively.

Audit committee

Our Company established an audit committee on September 9, 2009 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time) (the "Listing Rules"). The primary duties of the audit committee are to review and supervise our financial reporting process and our internal control system.

The audit committee has three members, Mr. Yim Ping Kuen, Mr. Liu Shun Fai and Mr. Wo Rui Fang, all of whom are the independent non-executive Directors. Mr. Yim Ping Kuen has been appointed as the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee on September 9, 2009 with the primary duties of establishing and reviewing the policy and structure of the remuneration for the Directors and senior management.

The remuneration committee has three members, namely Mr. Zhang Zhi Rong, Mr. Liu Shun Fai and Mr. Wo Rui Fang. Mr. Zhang Zhi Rong has been appointed as the chairman of the remuneration committee.

Directors' and chief executives' interests

As of March 31, 2010, the interests of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company as recorded in the register which were required to be kept under section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of director	Capacity	Number of ordinary shares	Approximate Percentage of issued share capital
Mr. Zhang Zhi Rong.	Beneficial owner	5,055,645,772(1)	64.877%
Mr. Zhang Zhi Rong.	Beneficial owner	15,000,000(2)	0.192%
Mr. Ding Xiang Yang	Beneficial owner	15,000,000(2)	0.192%
Mr. Cheng Li Xiong	Beneficial owner	15,000,000(2)	0.192%
Mr. Xia Jing Hua	Beneficial owner	5,000,000(2)	0.064%
Mr. Yan Zhi Rong.	Beneficial owner	5,000,000(2)	0.064%
Mr. Liu Ning	Beneficial owner	5,000,000(2)	0.064%
Mr. Li Xiao Bin	Beneficial owner	5,000,000(2)	0.064%

Notes:

(1) Mr. Zhang Zhi Rong owns the entire issued share capital of Best Era International Limited ("Best Era") and Novel Ventures Limited ("Novel Ventures") and is deemed to be interested in the 5,025,180,772 Shares held by Best Era and the 30,465,000 Shares held by Novel Ventures.

(2) Represents shares issuable upon exercise of options granted under the pre-IPO share option scheme.

Share option scheme

We adopted a share option scheme on September 9, 2009 ("Share Option Scheme"). The purpose of the share option scheme is to provide incentives to our employees including our executive directors and non-executive directors (each a "participant"). Our board of directors may, at any time within 10 years after the date of adoption of the share option scheme, make an offer to any participant. The subscription price for shares granted pursuant to the share option scheme is the highest of:

- the closing price of the shares of the Company on the Hong Kong Stock Exchange on the business day on which an offer is made to a participant;

- the average of the closing prices of the shares on the Hong Kong Stock Exchange for the five business days immediately preceding the date on which such offer is made; and

- the nominal value of the shares of the Company.

The total number of shares which may be issued upon exercise of all options granted under the share option scheme must not, in aggregate, exceed 10% of the issued share capital of the Company at the date of approval of the share option scheme. The 10% limit may be refreshed with the approval by ordinary resolution of our shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted, and yet to be exercised, under the share option scheme must not exceed 30% of our issued share capital.

The total number of shares issued and to be issued upon exercise of all options granted under the share option scheme to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. If shares issued and to be issued upon exercise of all options granted under the share option scheme (including options exercised, cancelled and outstanding) to a participant who is a substantial shareholder or an independent non-executive director of the Company in any 12-month period, (i) represent in aggregate more than 0.1 % of the total number of shares in issue and (ii) have an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of HK$5,000,000, the proposed grant of option must be approved by our shareholders by poll in a general meeting.

The exercise period of any option granted under the share option scheme shall not be longer than 10 years from the date of grant of the relevant option. Our board of directors has the authority to determine the minimum period for which an option must be held before it can vest.

As of the date of this document, no share options have been granted under the Share Option Scheme.

Pre-IPO share option scheme

Outstanding option granted

Options to subscribe for an aggregate of 84,000,000 ordinary shares at an exercise price equal to HK$1.76 have been granted to 15 participants by us at a consideration of HK$1.00 under the pre-IPO share option scheme. All the options under the pre-IPO share option scheme were granted on September 9, 2009 and no further options will be granted under the pre-IPO share option scheme.

Summary of terms

The principal terms of the pre-IPO share option scheme, approved by written resolutions of the Shareholders dated September 9, 2009, are substantially the same as the terms of the share option scheme except that:

(a) the exercise price per share of options granted under the pre-IPO share option scheme is HK$1.76, equal to a 60% discount to the IPO offer price; and

(b) option grants under the pre-IPO share option scheme vested as to twenty (20)% on the date of our IPO; the remaining 80% vest 20% per year over a four-year period on each anniversary of the date of our IPO. The options expire on the tenth anniversary of the date of acceptance of the grant of options.

Options granted pursuant to the pre-IPO share option scheme are non-transferable. No share will be issued under the pre-IPO share option scheme if the Company's public float will as a result of such issue be less than the minimum requirements under the Listing Rules.

PRINCIPAL SHAREHOLDERS

As of March 31, 2010, the interested persons, other than the directors or chief executive of the Company, in the shares and the underlying shares of the Company representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of ordinary shares	Approximate Percentage of issued share capital
Best Era International Limited	Beneficial owner	5,025,180,772	64.49%

Notes:

(1) Best Era International Limited is owned as to 100% by Mr. Zhang Zhi Rong.

Save as disclosed, none of the directors knows of any person (not being a director or chief executive of the Company) who will have an interest or short position in the shares or underlying shares of the Company as representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions in 2007, 2008 and 2009 between us and controlling shareholder and, in each case, the companies with which they are affiliated. In 2007, 2008 and 2009, the aggregate amount of our related party transactions (in accordance with HKFRS) was RMB1,080.7 million, RMB1,233.5 million and RMB930.1 million (US$136.3 million), respectively. We discontinued some of these related party transactions after our IPO in October 2009.

The following table summarizes our related party transactions for the periods indicated.

	For the year ended December 31,			
	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	US$'000
Purchase of construction services				
- Shanghai Ditong	1,019,730	1,185,545	816,787	119,660
- Other related parties	3,700	2,117	1,950	286
	1,023,430	1,187,662	818,737	119,946
Property management services	1,764	326	51	8
Purchase of gardening services	2,529	3,204	—	—
Purchase of property design services	17,524	10,656	14,723	2,157
Purchase of consultancy services	17,658	3,333	3,333	488
Commission fees paid/payable	6,082	18,872	6,104	894
Interest expenses	5,809	1,282	—	—
Key management compensation	5,927	8,177	87,148	12,767
Total	1,080,723	1,233,512	930,096	136,260

Amounts due from and to related parties

As of December 31, 2007, 2008 and 2009, respectively, we had the following trading balances with our related parties:

	As of December 31,			
	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	US$'000
Balances included in current assets:				
Prepayments of construction costs to or purchase of services from related companies - included in "Prepayments"				
- Shanghai Ditong.	643,863	1,165,395	1,493,992	218,871
- Other companies controlled by close family members of Mr. Zhang Zhi Rong	21	8	—	—
- Companies controlled by Mr. Zhang Zhi Rong	9,702	5,000	1,667	244
- An associate of the Company	—	—	—	—
	653,586	1,170,403	1,495,659	219,115
Non-trading balances - included in "Other receivables"				
- Shanghai Ditong.	782,984	—	—	—
- Other companies controlled by close family members of Mr. Zhang Zhi Rong	21,803	—	—	—
- Companies controlled by Mr. Zhang Zhi Rong	346,130	—	—	—
- An associated company of a company controlled by Mr. Zhang Zhi Rong.	8,350	—	—	—
- An associated company of Mr. Zhang Zhi Rong	9,828	—	—	—
- Mr. Zhang Zhi Rong	74,461	—	—	—
	1,243,556	—	—	—
Balances included in current liabilities:				
Trading balances - included in "Trade payables"				
- Shanghai Ditong.	393,322	489,797	18,839	2,760
- Associated companies of Mr. Zhang Zhi Rong	8,346	—	—	—
- An associate of the Company	—	8,777	3,961	580
- Other companies controlled by close family members of Mr. Zhang Zhi Rong	16,295	14,302	12,502	1,832
- Companies controlled by Mr. Zhang Zhi Rong	61,270	10,637	8,755	1,283
	479,233	523,513	44,057	6,455

	As of December 31,			
	2007	2008	2009	
	RMB'000	RMB'000	RMB'000	US$'000
Non-trading balances - included in "Other payables"				
- Shanghai Ditong.	—	—	—	—
- Other companies controlled by close family members of Mr. Zhang Zhi Rong	225,809	—	—	—
- Companies controlled by Mr. Zhang Zhi Rong	75,086	4,500	—	—
- Mr. Zhang Zhi Rong	87,340	—	—	—
- An associated company of a company controlled by Mr. Zhang Zhi Rong.	30	—	—	—
- An associated company of Mr. Zhang Zhi Rong	1,628	—	—	—
	389,893	4,500	—	—
Non-trading balances included in "Borrowings"				
- A company controlled by Mr. Zhang Zhi Rong	680,000	—	—	—

Deed of Non-compete Undertaking

On September 9, 2009, we entered into the Deed of Non-compete Undertaking with Mr. Zhang Zhi Rong and Best Era, our controlling shareholders. Under the terms of the Deed of Non-compete Undertaking, Mr. Zhang Zhi Rong and Best Era have agreed not to compete with us in our business.

Property management services

We do not engage in property management services. Yangguang Management is 90% owned by the wife of Mr. Zhang Zhi Rong. Yangguang Management is one of the service providers we engage by way of a tender process in accordance with the relevant property management laws and regulations to provide pre-delivery property management services. Yangguang Management currently provides pre-delivery property management services (which include security, property maintenance, gardening and other ancillary services) for two of our project developments. These two project developments are Shanghai Park Avenue (development completed) and Sunshine Venice (development of Phases I, II, IIIA and IIIB completed, and the expected completion of Phase IIIC in September 2009). After more than 70% of the properties in a property development are delivered to our customers, an owners' committee is formed to choose the property management service provider for on-going property management services. Following the delivery of the properties to our customers, such property management services are no longer be provided to us, but are contractually or legally provided to the customers, which therefore will not constitute connected transactions. The provision of pre-delivery property management services by Yangguang Management constitutes a connected transaction.

The management fee is determined by reference to the prevailing market rates set by the relevant government authorities and is calculated based on the GFA of the units. Based on the number of unsold units and their GFAs, we estimate that our annual pre-delivery management service fees payable to Yangguang Management for each of the two financial years ending December 31, 2011 will not exceed HK$1,000,000.

On September 9, 2009, we entered into a framework management service agreement with Yangguang Management (the "Management Service Agreement"), pursuant to which Yangguang Management has agreed to provide pre-delivery property management service to us according to the property management agreements to be signed between Yangguang Management and us. According to the Management Service Agreement, the management fee will be based on: (a) a rate fixed by the PRC government, (b) if there is no rate fixed by the PRC government, a rate proposed by the PRC government, (c) if there is no rate proposed by the PRC government, the market rate, or (d) if all the above rates are inapplicable, a rate agreed by Yangguang Management and us. The Management Service Agreement shall be effective from the date of our IPO up to December 31, 2011 and the term may be renewed as the parties may mutually agree.

Construction Services Agreement

Shanghai Ditong, which is principally engaged in property construction and engineering work and holds a Class I Qualification for General Contracting of Building Construction Works (房屋建築工程施工總承包一級資質), is controlled by Mr. Zhang De Huang, the father of Mr. Zhang Zhi Rong. For the three financial years ended December 31, 2009, the total construction costs incurred for the construction services provided by Shanghai Ditong amounted to RMB1,019.7 million, RMB1,185.5 million and RMB816.8 million. Shanghai Ditong is currently working on six uncompleted construction projects for us.

In connection with the IPO, we undertook that, with respect to our project developments for which a construction company had not yet been selected at the time of the IPO, the annual construction fees paid to Shanghai Ditong for such projects will not exceed 40%, 30% and 20%, respectively, of the estimated total annual construction fees payable for such projects for each of the three years ending December 31, 2011. For the year ended December 31, 2009, we paid Shanghai Ditong RMB816.8 million in construction fees. Taking into account our undertaking and the estimated total amounts payable for our anticipated project developments of RMB2,090.0 million and RMB4,347.6 million, respectively, for each of the two financial years ending December 31, 2011, the maximum amounts payable to Shanghai Ditong for the two financial years ending December 31, 2011 are RMB627.0 million and RMB869.5 million, respectively. After December 31, 2011, we will continue to adopt corporate governance measures in the selection of construction contractors and review its list of construction contractors from time to time so as to evaluate its working relationship with other third party construction contractors. We will comply with the requirements under the listing rules of the Hong Kong Stock Exchange if we intend to engage Shanghai Ditong in providing construction services to us after going through the corporate governance measures and the tender process.

On September 9, 2009, Shanghai Ditong entered into a framework construction services agreement (the "Construction Services Agreement") with us, pursuant to which Shanghai Ditong agreed, in the event it is selected following the tender process, to provide construction and related services to us according to the tender document and the construction contracts to be signed between Shanghai Ditong and us from time to time. The Construction Services Agreement is effective from October 9, 2009 up to December 31, 2011 and may be renewed if the parties mutually agree, subject to compliance with Chapter 14A of the listing rules of the Hong Kong Stock Exchange.

To fund our existing property projects and to finance our working capital requirements, we have borrowed money from various banks and other third parties. As of December 31, 2009, our total borrowings (including the promissory notes issued to pre-IPO investors and the Shanghai Bay Arrangement) totaled RMB6,847.9 million in outstanding principal amount. We set forth below a summary of the material terms and conditions of these loans and other material indebtedness.

Project loan agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, primarily China Construction Bank, China Bank of Communications, Bank of China, China Minsheng Bank and Bank of Shanghai. These loans typically are secured project loans to finance the construction of our projects (the "project loans") and have terms ranging from 1 year to 5 years, which generally correspond to the construction periods of the particular projects. As of December 31, 2009, the balance of our project loans was RMB4,131.5 million.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to periodic review by the banks. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. As of December 31, 2009, the weighted average interest rate on the aggregate outstanding amount of our project loans was 7.89% per annum.

Covenants

Under these project loans, many of our subsidiary borrowers have agreed, among other things, to restrictions on taking the following actions without first obtaining the lenders' prior consent:

- creating encumbrances on their properties or assets;
- granting guarantees to third parties;
- making major changes to their corporate structures, such as entering into joint ventures, mergers or acquisitions and reorganizations or making other changes to the company's status, such as by liquidation or dissolution;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing of assets; and
- incurring other indebtedness.

Guarantee and security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries and associates have guaranteed all liabilities of the subsidiary borrowers under these project loans. Our obligations under the project loan agreements are typically secured by mortgages over the land use rights for the projects.

2010 Entrusted Loan Agreements

On February 1, 2010, our subsidiaries Wuxi Wangjiarui and Shanghai Yijing borrowed an aggregate of RMB1.0 billion under two entrusted loan agreements with CITIC for the specific purpose of funding the purchase price for the Xuhui Acquisition. Under current PRC laws and regulations, PRC companies other than licensed financial institutions are prohibited from making loans to each other directly. As a result, companies commonly use indirect entrusted loan arrangements under which funds are first deposited by the lending company with a PRC commercial bank, and the PRC commercial bank then loans the corresponding amount of funds to the borrower pursuant to the instruction of the lending company. As the principal and interest of the loan are repaid to the bank, the bank makes corresponding repayments to the lending company after deducting service fees. Each of these entrusted loan agreements bear interest at the rate of 6.5% per annum. One is repayable within 18 months, and the second is repayable within 24 months. The entrusted loans are guaranteed by our Company and secured by a pledge of Wuxi Wangjiarui's 100% equity interest in the companies acquired in the acquisition. In relation to these two entrusted loans, Wuxi Wangjiarui agreed to pay to CCB Shenzhen and CITIC a loan arrangement fee in an aggregate amount of RMB67.3 million, which is payable in various installments throughout the life of the loans.

On March 5, 2010, Shanghai Xintai borrowed an aggregate of RMB1.0 billion under two entrusted loan agreements with Bohai International Entrustment Company Ltd. for the specific purpose of funding development of Phases I, IIA and III of Shanghai Bay. Each of the entrusted loan agreements bear interest at a floating interest rate calculated as the base borrowing rate set by the People's Bank of China plus 0.6% per annum, which interest rate totaled 6% per annum at execution. Under the two entrusted loan agreements, RMB400 million is repayable within 18 months, an additional RMB400 million is repayable within 21 months and a further RMB200 million is repayable within 24 months. The entrusted loans are guaranteed by our Company and secured by a pledge of a 70% equity interest in Shanghai Xintai by Shanghai Yijing. In relation to these two entrusted loans, Shanghai Xintai agreed to pay to CCB Shenzhen a loan arrangement fee of RMB68.0 million, which is payable in various installments throughout the life of the loans.

On March 29, 2010, Shanghai Xintai borrowed an aggregate of RMB925.0 million under two entrusted loan agreements with Huabao Entrustment Company Ltd. to finance the purchase price for the Nanjing Jiangxu Acquisition. Each of these entrusted loan agreements bear interest at the rate of 4.98% per annum. Under the two entrusted loan agreements, RMB92.5 million is repayable within 18 months, an additional RMB92.5 million is repayable within 24 months and a further RMB740 million is repayable within 30 months. The entrusted loans are guaranteed by our Company and secured by pledges of a 60% equity interest in Nanjing Jiangxu. The sales revenues from some of our existing projects will be used to repay these loans. If our Sanchahe Project is not funded within nine months after the drawdown date under these loan agreement, we may be obligated to provide additional security or guarantees. In relation to these two entrusted loans, Shanghai Xintai agreed to pay to CCB Shenzhen a loan arrangement fee of RMB87.0 million, which is payable in various installments throughout the life of the loans.

On April 13, 2010, Shanghai Xintai borrowed an aggregate of RMB1.0 billion under two entrusted loan agreements with Bohai International Entrustment Company Ltd. for the specific purpose of funding development of Phases I, IIA and III of Shanghai Bay. Each of the entrusted loan agreements bear interest at a floating interest rate calculated as the base borrowing rate set by the People's Bank of China plus 0.6% per annum, which interest rate totaled 6% per annum at execution. Under the two entrusted loan agreements, RMB200.0 million is repayable within nine months, additional RMB300.0 million is repayment within 12 months, a further RMB400.0 million is repayable within 15 months and a final amount of RMB100.0 million is repayable within 24 months. The entrusted loans are guaranteed by our Company and secured by a pledge of Shanghai Yijing's 70% equity interest in Shanghai Xintai, which is shared as security under the two entrustment loan agreements Shanghai Xintai entered into with Bohai International Entrustment Company Ltd. on March 5, 2010. In relation to these two entrusted loans, Shanghai Xintai agreed to pay to CCB Shenzhen a loan arrangement fee of RMB47.5 million, which is payable in various installments throughout the life of the loans.

Shanghai Bay Arrangements

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

In December 2009, we received a second payment in an amount equal to the US$ equivalent of RMB0.7 billion when we pledged 30% of the total equity interests of our subsidiary, Shanghai Xintai, to Shanghai Industrial Group, and agreed to transfer our legal interests in additional Blocks Nos. 9 and 10 of Shanghai Bay with a total GFA of 53,984 sq. m. to Shanghai Industrial Group by December 31, 2011.

Under the Shanghai Bay Arrangement, we have the right and obligation to reacquire Shanghai Penghui, the legal entity that owns Blocks No.2 and 8 of Shanghai Bay and that will own Blocks No.9 and 10 if they are transferred, and Shanghai Industrial Group has the right and obligation to resell Shanghai Penghui to us on December 1, 2011. The consideration for the reacquisition of Shanghai Pengui will be RMB2.0 billion. Upon payment of such consideration, the pledge to Shanghai Industrial Group of 30% of the equity in our subsidiary, Shanghai Xintai, will also be released. As part of such arrangements, we have agreed to ensure that Shanghai Industrial Group receives a "shareholder return" (net of tax) for each of the three years ending December 31, 2011 equal to 18% per annum of the consideration paid by Shanghai Industrial Group. The payments we received from Shanghai Industrial Group are accounted for as a loan on our balance sheet. The "shareholder return" is accounted for in our financial statements as interest.

As of December 31, 2009, the weighted average interest rate on the aggregate outstanding amount under the Shanghai Bay Arrangement was 20.0% per annum.

The commercial intention for entering into the Shanghai Bay Arrangement was to enable us to obtain financing from, and grant collateral for such financing to, Shanghai Industrial Group. As such, pursuant to the terms of the Shanghai Bay Arrangement and following the transfer of each of the transferred blocks and prior to December 31, 2011, (i) we will continue to bear the risks associated with the development of the transferred blocks and (ii) unless a non-performing event occurs, we still will retain the right to manage and control the construction, pre-sale, sale, and development of the transferred blocks and manage the daily operations of Shanghai Penghui, the entity that will have legal ownership of the transferred blocks during such period.

As part of the Shanghai Bay Arrangement, we have also agreed to provide additional security to Shanghai Industrial Group in the form of a pledge of our legal interests in Block No. 6 of Shanghai Bay (once Block No. 6's development status meets the required standard to be pledged). The pledge of Block 6, if made, will be released at the time that we repurchase Shanghai Penghui or when the amount of pre-sale proceeds from Block No. 6 received by Shanghai Penghui reaches RMB350.0 million (whichever is earlier).

Assuming that we do not default in our obligations under the Shanghai Bay Arrangement, including our obligation to repurchase Shanghai Penghui for RMB2.0 billion and to ensure payment of the 18% shareholder return to Shanghai Industrial Group, Shanghai Industrial Group will have no further interest or entitlement in respect of the transferred blocks or Shanghai Penghui once we repurchase Shanghai Penghui. If we fail to repurchase Shanghai Penghui or fail to pay the shareholder return, we are liable to make a penalty payment in an amount equal to 8% of the RMB2.0 billion consideration.

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 RMB2,749.8 million.