本公告並不構成在美國或任何其他司法權區提呈出售建議或招攬購買任何證券的建議，倘未根據任何該等司法權區的證券法辦理登記或未獲批准而於上述地區進行上述建議、招攬或出售即屬違法。本公告所述的證券將不會根據經修訂的一九三三年美國證券法(「證券法」)登記，亦不得在美國提呈或出售，惟根據證券法登記規定獲豁免或毋須遵守證券法的登記規定進行的交易則除外。於美國公開發售任何證券將須以招股章程形式作出。該招股章程將載有關於提呈發售之公司以及其管理及財務報表之詳細資料。本公司無意於美國進行證券公開發售。

KWG PROPERTY HOLDING LIMITED
合 景 泰 富 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：1813)

建議發行優先票據

本公司擬進行擔保優先票據之國際發售，並將開始與機構投資者進行一連串會議。有關是次發售，本公司將向若干機構投資者提供本集團近期之企業及財務資料，包括本集團之前可能未有公開之最新風險因素、管理層討論及分析、物業項目簡介、關連方交易及債務資料。本公告隨附該等近期資料之節錄，並大約於向機構投資者發放有關資料之同時在本公司網站www.kwgproperty.com可供查閱。

建議發行票據之完成須視乎市況及投資者興趣而定。Morgan Stanley及渣打作為聯席牽頭經辦人兼聯席賬簿管理人，負責經辦建議發行票據。本公司擬應用票據所得款項為現有及新增物業項目提供資金及作一般企業用途。本公司或會因應市況變化而調整先前計劃，並因而重新調配所得款項用途。

本公司擬尋求票據於新加坡交易所上市。獲准於新加坡交易所正式上市及任何票據在新加坡交易所報價，並不視為本公司或票據之價值指標。

由於截至本公告日期並無就建議發行票據訂立具約束力協議，建議發行票據可能或不可能落實。本公司之投資者及股東於買賣本公司證券時務請謹慎行事。倘簽署購買協議，本公司將就建議發行票據另行發表公告。

建議發行票據

緒言

本公司擬進行擔保優先票據之國際發售，並將開始與機構投資者進行一連串會議。有關是次發售，本公司將向若干機構投資者提供本集團近期之企業及財務資料，包括本集團之前可能未有公開之最新風險因素、管理層討論及分析、物業項目簡介、關連方交易及債務資料。本公告隨附該等近期資料之節錄，並大約於向機構投資者發放有關資料之同時在本公司網站www.kwgproperty.com可供查閱。

建議發行票據之完成須視乎市況及投資者興趣而定。Morgan Stanley及渣打作為聯席牽頭經辦人兼聯席賬簿管理人，負責經辦建議發行票據。票據將僅會(1)依據第144A條規則規定獲豁免遵守證券法登記規定向合資格機構買家；及(2)根據證券法項下S規例於美國境外以離岸交易形式提呈發售。票據概不會向香港公眾人士發售。

進行建議發行票據之原因

本集團為一家大型物業發展商，穩佔廣州的龍頭地位，業務亦拓展至蘇州、成都、北京及海南。本集團專注發展別樹一格的中高端住宅物業。為使盈利組合多元化，本集團亦在黃金地段發展商業物業作為長期投資，包括寫字樓、購物中心、服務式公寓及酒店。本集團於二零零七年八月開始營運其首家寫字樓物業國際金融廣場。於二零零九年九月，本集團開設其首家酒店廣州的福朋喜來登酒店，目前在廣州發展另外兩家高級酒店，包括中國大陸的首家W酒店、花都喜來登度假酒店及W服務式公寓。此外，本集團正計劃在廣州、蘇州、成都及海南省等多個城市發展其他六家高級酒店及五家高級購物中心。本集團的酒店將由國際享負盛名的酒店營運商(其中包括Starwood Hotels & Resorts Worldwide, Inc.的聯營公司)營運。本集團相信，其投資物業及酒店將有助進一步強化其品牌。本集團亦從事物業相關業務，例如住宅及商業物業的物業管理。

進行建議發行票據乃為現有及新增物業項目提供資金及作一般企業用途。本公司或會因應市況變化而調整先前計劃，並因而重新調配所得款項用途。

上市

本公司擬尋求票據於新加坡交易所上市。獲准於新加坡交易所正式上市及任何票據在新加坡交易所報價，並不視為本公司或票據之價值指標。本公司並無於香港尋求票據上市。

一般事項

由於截至本公告日期並無就建議發行票據訂立具約束力協議，建議發行票據可能或不可能落實。本公司之投資者及股東於買賣本公司證券時務請謹慎行事。

倘簽署購買協議，本公司將就建議發行票據另行發表公告。

釋義

在本公告內，除文義另有所指外，下列詞彙之函義如下：

「董事會」	指	董事會
「本公司」	指	合景泰富地產控股有限公司，一家於開曼群島註冊成立之有限公司，其股份於聯交所主板上市
「董事」	指	本公司董事
「本集團」	指	本公司及其附屬公司
「香港」	指	中國香港特別行政區
「Morgan Stanley」	指	Morgan Stanley & Co. International plc，為有關發售及銷售票據之聯席牽頭經辦人及聯席賬簿管理人之一
「票據」	指	本公司將發行之擔保優先票據
「中國」	指	中華人民共和國，就本公告而言不包括香港、中國澳門特別行政區及台灣
「建議發行票據」	指	本公司建議進行之票據發行
「購買協議」	指	由(其中包括)本公司、Morgan Stanley與渣打就建議發行票據擬訂立之協議
「證券法」	指	經修訂之一九三三年美國證券法
「新加坡交易所」	指	新加坡證券交易所有限公司

「渣打」	指	渣打銀行，為有關發售及銷售票據之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

代表董事會
合景泰富地產控股有限公司
主席
孔健岷

香港，二零一零年八月三日

於本公告日期，本公司執行董事為孔健岷先生、孔健濤先生、孔健楠先生、李建明先生、徐錦添先生、何偉志先生及余耀勝先生；獨立非執行董事為李嘉士先生、戴逢先生和譚振輝先生。

Extract of Operating and Financial Data
of KWG Property Holding Limited
(As of 3 August 2010)

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

Risks Relating to Our Business

We are heavily dependent on the performance of the PRC property market, particularly in Guangzhou, Suzhou, Chengdu, Beijing and Hainan

Our business and prospects depend on the performance of property market in the PRC. As of April 30, 2010, we had 20 projects at various stages of development located in Guangzhou, Suzhou, Chengdu, Beijing and Hainan, four of which were completed, and 16 of which were under development or held for future development. As of April 30, 2010, we had three completed projects and eight projects under development and held for future development in Guangzhou. Any property market downturn in the PRC generally or, in particular, in Guangzhou and other cities and regions where we operate, could adversely affect our business, results of operations and financial condition. We cannot assure you that the demand for new properties in Guangzhou and other regions and cities in China where we operate or intend to expand will continue to grow or that prices will not deteriorate. In addition, volatility in market conditions and fluctuations in property prices, as well as the demand for properties have been affected and will continue to be affected by the economic, social, political and other factors that are outside of our control and we cannot assure you that there will not be over-supply of properties or an economic downturn in the property sectors in Guangzhou and other cities and regions of China. Any such over-supply or economic downturn may result in a slow down in property sales or downward pressure on property prices regionally or nationwide. Any adverse development in the property market in Guangzhou or other regions and cities in China where we operate or may operate in the future could have a material and adverse effect on our business, results of operations and financial condition.

Our business, financial condition and results of operations have been and will continue to be dependent on the state of the PRC property market, particularly in Guangzhou, Suzhou, Chengdu, Beijing and Hainan, and our business may be affected by adverse developments in the supply and demand for properties or adverse change in property prices in the PRC. Any adverse development in the property market in the regions and cities in China where we operate or may operate in the future could have a material and adverse effect on our business, results of operations and financial condition.

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

Our business is subject to extensive governmental regulation and the macro-economic control measures implemented by the PRC government from time to time. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designated to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector.

For example, the PRC government has recently announced a series of measures designed to stabilize the growth of the PRC economy and to stabilize the growth of specific sectors, including the property market, to a more sustainable level.

- On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (Guofa (2010) No. 10) (國務院關於堅決遏制部分城市房價過快上漲的通知), which stipulated that the down payment for the first property bought with mortgage loans that is larger than 90 sq.m. shall be not less than 30% of the purchase price, down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not lower than 110% of the benchmark lending rate published by the People's Bank of China (the "PBOC"). In certain areas where commodity residential properties are in short supply and prices rise too quickly, the banks may suspend mortgage loans for the third or further properties bought by mortgage applicants or to non-residents who cannot provide any proof of tax or social insurance payment for more than one year.

- On April 30, 2010, the Beijing Municipal Government issued the Circular on Implementation of the Notice on Containing the Excessive Hike of Property Price in Some Cities by the State Council (北京市人民政府貫徹落實國務院關於堅決遏制部分城市房價上漲文件的通知), under which one household is allowed to purchase only one new residential unit in Beijing.

- On May 18, 2010, the Guangzhou Municipal Government issued the Opinion on the Implementation of the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities by the State Council. (關於貫徹落實國務院關於堅決遏制部分城市房價過快上漲的通知精神努力實現住有所居的意見), which reiterates and specifies the above regulations by the State Council.

- On May 19, 2010, the State Administration of Taxation (the "SAT") issued the Circular on Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to clarify and strengthen the settlement of the land appreciation tax. Furthermore, on May 25, 2010, the SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), which requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. If the LAT is calculated based on the authorized taxation method (核定徵收), the minimum taxation rate shall be 5% in principle. For more details, see "Regulations — Taxation in China — Land Appreciation Tax."

- On May 26, 2010, the Ministry of Housing and Urban-Rural Development, PBOC, and the China Banking Regulatory Commission (中國銀行業監督管理委員會) (the "CBRC") jointly issued the Circular on Standardizing the Assessing Criteria of the Second Home for Personal Mortgage Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通

知), under which a stricter standard will be adopted in assessing whether a house to be bought is a second home when granting mortgage loans. The new standard will be based on property ownership, not mortgage history, and the unit for the number of the houses will be determined in terms of family (including the borrower, his spouse and minor children), rather than individuals. Home buyers are required to provide a registration record from the local housing registration system when applying for mortgage loans. If it is impossible to check the purchasing record, loan applicants are required to submit a certification listing the number of homes owed by the applicant's family. The banks will examine both the number of the homes owned by the applicant's family and the applicant's previous mortgage and purchasing record in order to counter speculative activities. The banks will define a loan applicant as a second-home buyer as long as the applicant has taken out a mortgage loan previously, or his family has a home ownership record in the housing registration system, or it is confirmed that his family has owned a property based on due diligence.

Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be amended and revised over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future.

If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business, reduce our sales or average selling prices, or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected.

During May and June 2010, our monthly aggregate value of pre-sales declined as compared to the preceding four months of 2010 due principally to lower volumes of new development projects offered for sale and the adverse effects of tightening measures on the real estate sector implemented by the PRC government commencing in mid-April 2010.

You should read the various risk factors under the section entitled "— Risks Relating to the Property Industry in China — The PRC government may adopt further measures to slow down growth in the property sector" below for more information relating to these risks and uncertainties.

Our results of operations may vary significantly from period to period

Our results of operations may vary significantly from period to period, due to a number of factors, including the timetables of our property development projects, the timing of the sale of properties that we have developed, our revenue recognition policies and any volatility in expenses such as raw material costs. The overall schedules of our property development and the number of properties that we can develop or complete during any particular period are limited as a result of the substantial capital required for the acquisition of land, demolition and resettlement and construction. The sale of properties we develop is subject to general market or economic conditions in the areas where we conduct our business and the level of acceptance of our properties by prospective customers. According to our accounting policy, we recognize revenue upon the completion and delivery of the properties to purchasers, which may typically take up to two years after the commencement of pre-sales. Therefore, in periods in which we pre-sell a large aggregate GFA, we may not generate a correspondingly high level of revenue if the properties pre-sold are not delivered within the same period. In addition, our business depends on obtaining adequate supplies of raw materials and is subject to fluctuation in the market prices of raw materials. The prices that we pay for raw materials may increase due to increased industry demand, inflation, higher fuel and transportation costs and other factors. We will continue to experience significant fluctuations in revenue and profit from period to period in connection with our property development business. We therefore believe that period-to-period comparisons of our operating results may not be as meaningful as they would be for a company with more stable recurring revenue.

We may not always be able to obtain land reserves that are suitable for development

We derive our revenue principally from the sale of properties that we have developed. Therefore, we must maintain or increase our land reserves in strategic locations at an appropriate pace in order to ensure sustainable business growth. Based on our current rate of property development, we believe we have sufficient land reserves for development for the next several years. To have a steady stream of developed properties available for sale and support sustainable growth, we need to replenish and increase our land reserves with additional land suitable for development.

Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control. The supply of substantially all of the land in China is controlled by the PRC government. The land supply policies adopted by the PRC government directly impact our ability to acquire land use rights for development and our costs of such acquisitions. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land. The PRC government also controls land supply through zoning, land usage regulations and other means. All these measures further intensify the competition for land in China among property developers. In 2002, the PRC government introduced a nationwide system of mandatory public tender, auction or listing-for-sale for the grant of land use rights for commercial use, tourism, entertainment and commodity property development. In 2007, the Ministry of Land and Resources of the PRC (the "Ministry of Land and Resources") issued revised Rules on the Grant of State-owned Land Use Rights through Public Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定), which further stipulate legal and procedural requirements on the means by which state-owned land use rights can be granted by the PRC government for industrial purposes, commercial purposes, tourism, entertainment and commodity property development, and require that the land premium must be paid in full to the local land administration bureau pursuant to the underlying land grant contract before the land use rights certificate can be issued to the land user. For more details, see "— Risks Relating to the Real Estate Industry in China — The PRC government may adopt further measures to slow down growth in the property sector." The PRC government's policy to grant state-owned land use rights at competitive market prices is likely to increase the acquisition cost of land reserves generally in the PRC.

If we fail to acquire sufficient land reserves in a timely manner and at acceptable terms, or at all, our business, prospects, results of operations and financial condition may be materially and adversely affected.

We may not always be able to obtain land use rights certificates with respect to certain parcels of land in connection with which we have entered into various contractual arrangements

We may not be able to obtain land use rights certificates with respect to certain parcels of land. Under current PRC land grant policies, the relevant authorities will not issue the formal land use right certificate for a piece of land until the developer has paid the land premium in full, completed the resettlement process and is in compliance with other land grant conditions, and the land use rights for properties and lands will not be formally vested until corresponding land use right certificates have been issued. As of April 30, 2010, there were also several parcels of land related to

The Sapphire, Foshan Project and Lie De project, for which we have obtained land grant confirmation letter but have not entered into land grant contracts, or have entered into land grant contracts but have not obtained the land use rights certificates. In connection with these land acquisitions, as of April 30, 2010, we had paid land premium in the aggregate amount of RMB4,838.5 million and had outstanding commitments totaling approximately RMB1,555.4 million.

We cannot assure you that we will enter into formal land grant contracts, or that the relevant PRC government authorities will grant us the appropriate land use rights or issue the relevant land use rights certificates in respect of these parcels of land or in respect of other land we may contract to acquire in the future, in a timely manner, or at all. Nor can we assure you that our contractual arrangements will eventually result in our acquisition of any land use rights. As these contractual arrangements are subject to various government approvals that involve relatively complex procedures, it is not uncommon to take years to complete the acquisition of the underlying land, if at all. If we fail to obtain, or experience material delay in obtaining, the land use rights certificates with respect to any parcels of land we have contracted or may contract to acquire in the future, in a timely manner, or at all, our business, results of operations and financial condition may be materially and adversely affected. Furthermore, we cannot assure you that if the transactions as contemplated in the relevant agreement cannot be completed, any refund of our prepayments will be provided in a timely manner or at all. If we fail to obtain refunds, our financial condition, cash flow and results of operations may be materially and adversely affected.

Restrictions on the payment terms for land use rights may adversely affect our financial condition

The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and therefore may require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum down payment of land premium to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract must be entered into within 10 working days after the land grant deal is closed, and the down payment of 50% of the land premium is to be paid within one month of signing the land grant contract, with the remainder to be paid in full within one year of the date of the land grant contract, subject to limited exceptions. Such change of policy may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments.

In 2007, the Ministry of Land and Resources issued revised "Rules regarding the Grant of State-owned Land Use Rights for Construction by Way of Tender, Auction and Listing-for-sale" (招標拍賣掛牌出讓國有建設用地使用權規定), which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. The implementation of such regulation requires property developers to maintain a higher level of working capital, which may have a material adverse effect on our cash flow position, financial condition and business plans.

We may not have adequate financing to fund our land acquisitions and property projects

Property development is capital intensive. We finance our property projects primarily through a combination of internal funds, project loans from banks, capital contributions from shareholders, proceeds from pre-sales and sales of our developed properties and other financing sources such as our equity placement of HK$1,530.0 million in June 2009. As of April 30, 2010, our total bank loans amounted to RMB10,246.2 million. Our ability to procure adequate and suitable financing for acquisitions of land or companies and property developments depends on a number of factors that are beyond our control, including general economic conditions, our financial strength and performance, credit availability from financial institutions, financing costs and monetary policies in China.

The PRC government has in recent years implemented a number of measures to control money supply and credit availability for fixed asset investments, particularly with respect to the property development sector. For example:

- The PBOC has prohibited commercial banks from granting loans to property developers to pay land premiums since June 2003;

- The PBOC has restricted PRC commercial banks from granting project loans for the development of luxury residential properties since 2003;

- The Ministry of Housing and Urban-Rural Development of the PRC ("Ministry of Construction") (中華人民共和國住房和城鄉建設部) and other PRC government authorities jointly issued the Opinions on Adjusting the Housing Supply Structure and Stabilizing the Housing Prices (關於調整住房供應結構穩定住房價格的意見) in May 2006, which, among other things,

  — restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties; and

  — prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for their loans;

- The State Administration of Foreign Exchange of the PRC (the "SAFE") issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Properly Registered with the Ministry of Commerce (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) in July 2007, which, among other things,

  — effectively prohibits offshore funding to Foreign Invested Real Estate Enterprises (the "FIREE") in the form of loans after June 1, 2007; and

  — restricts the ability of FIREEs to raise funds by increasing registered capital; and

- The PBOC and the CBRC jointly issued the Circular on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的通知) in September 2007, which, among other things,

  — prohibits commercial banks from granting loans to property projects if the developer's own capital is less than 35% of the total investment amount;

- — prohibits commercial banks from granting loans to property projects that have not obtained land use rights certificates, construction land planning permits, construction works planning permits and construction works commencement permits;

- — requires that commercial bank loans to property developers be classified as real estate development loans and not as general working capital loans; and

- — requires that real estate development loan proceeds may only be used for developments in the local city where the loan is originated.

- In November 2009, the PRC government raised the minimum down-payment of land premium to 50% and now requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions; and

- In March 2010, the Ministry of Land and Resources of PRC stipulated that the minimum down payment of land premium of 50% should be paid within one month after the signing of a land grant contract and the rest of the land premium should be fully paid within one year after the signing of a land grant contract.

On January 3, 2008, the State Council issued a Notice on Promoting the Economic Use of Land (關於促進節約集約用地的通知) with respect to the collection of additional land premium, establishment of a land utilization priority planning scheme and the formulation of a system for assessing the optimal use of land and other measures. The notice calls for the full and effective use of existing construction land and the preservation of farm land. The notice also emphasizes the enforcement of the current rules on assessing idle land fees at a rate equal to 20% of the land premium for any land left idle for over one year but less than two years. The notice also urges financial institutions to exercise caution when they review loan applications from property developers that have failed to complete development of at least one-third of the land area or to invest at least 25% of the total investment within one year of the construction date provided in the land grant contract. The notice states that a value-added land premium will be levied on the idle land, especially on those used for property development, and the relevant rules will be formulated jointly by the Ministry of Land and Resources and other authorities. The notice indicates that the relevant governmental authorities will formulate and issue additional rules and regulations on these matters.

In addition, the PBOC has adjusted the reserve requirement ratio for commercial banks three times since January 2010. The reserve requirement ratio currently ranges from 13.5% to 17.0%, which took effect on May 10, 2010. Such increases may negatively impact the amount of funds available to lend to business, including us, by commercial banks in China.

These government actions and policy initiatives limit our ability to use bank loans to finance our acquisitions and property development projects. The PRC government, moreover, could introduce other initiatives which may further limit our access to capital, and consequently limit our ability to obtain bank loans, the net proceeds from this offering or other forms of financing. If we fail to secure adequate financing or renew our existing credit facilities prior to their expiration, or if the PRC government adopts further restrictive credit policies in the future, our business, results of operations and financial condition may be materially and adversely affected.

Our LAT provisions and prepayments may not be sufficient to meet our LAT obligations

In accordance with the provisions of the Provisional Regulations of the People's Republic of China on Land Appreciation Tax ("LAT") (中華人民共和國土地增值稅暫行條例) and the related implementation rules, all entities and individuals that receive income from the sale or transfer of land use rights, buildings and ancillary facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of such properties. The PRC government issues rules and regulations in respect of LAT, including rules and regulations relating to assessable rates, the deductibility of certain expenses and the collection and settlement of LAT. In addition, the PRC Government has determined that provincial and local tax bureaus may formulate their own implementing rules and determine how LAT will be settled in their jurisdiction. For more details, see "Regulations — Taxation in China — Land Appreciation Tax." There is an exemption for the sale of ordinary residential properties if the appreciated value does not exceed 20% of the total deductible expense items allowed under the relevant LAT regulations. This exemption is not available for sales of luxury residential properties, villas and commercial properties. It is not clear whether the residential portion of our mixed residential and commercial developments will be eligible for the exemption available to ordinary residential properties.

We make LAT prepayments and provisions in respect of our property development activities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — LAT" in this offering memorandum. We cannot assure you that the relevant tax authorities will agree with our calculation of LAT liabilities nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities, in particular, the local tax bureau of Guangzhou and other cities and regions where we operate our business, determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount immediately, our cash flow, results of operations and financial condition may be materially and adversely affected.

We experienced net cash outflows from operating activities in the past three years and maintain a significant amount of indebtedness, which may materially and adversely affect our liquidity and our ability to service our indebtedness

We had a net cash outflow from operating activities of RMB1,466.5 million in 2007, RMB4,711.7 million in 2008 and RMB398.0 million in 2009. We experienced consistent net operating cash outflows in 2007, 2008 and 2009, principally because during those periods we committed substantial resources to the development of new properties under development.

We maintain a significant amount of indebtedness to finance our operations. As of December 31, 2007, 2008 and 2009 and April 30, 2010, our total bank loans was RMB2,720.5 million, RMB5,994.2 million, RMB8,645.5 million and RMB10,246.2 million, respectively. We also finance some of our property developments with trust financing. See "Description of Material Indebtedness and Other Obligations — Trust Finance Arrangement." Our gearing ratio, calculated as net borrowings (total bank loans net of cash and cash equivalents and restricted cash) divided by total equity, was 50.3% and 48.4%, respectively, as of December 31, 2008 and 2009. As of December 31, 2007, we had a net cash position. Of our total outstanding bank loans of RMB8,645.5 million as of December 31, 2009, RMB2,566.6 million was repayable within 12 months and RMB6,078.9 million was repayable in more than one year.

Our cash flow and results of operations of our operating subsidiaries will affect our liquidity and our ability to service our indebtedness, including the Notes. We cannot assure you that we will be able to continue to generate and maintain sufficient cash flow to service our indebtedness. If we are unable to make scheduled payments in connection with our debts and other fixed payment obligations as they become due, we may need to refinance such obligations or obtain additional financing. Furthermore, the Notes and some of our bank loans contain cross default provisions under which default in one such loan could trigger a default on the Notes or one or more of the other bank loans as well. We cannot assure you that we will be able to successfully refinance our existing indebtedness or that we will be able to secure additional financing on acceptable terms, on a timely basis, or at all. If we fail to maintain sufficient cash flow to service our indebtedness or our refinancing efforts are unsuccessful, our liquidity, business, and financial condition will be materially and adversely affected.

In addition to bank loans, we rely on proceeds from the pre-sale of our properties as a major source of funding for our property development activities. If our pre-sales are limited or reduced for any reason, including policy or regulatory changes, a reduction in demand for or in the prices of our properties, or delays in our property development schedule, we could experience cash flow shortfalls and difficulties in funding our property development activities and servicing our indebtedness.

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

The recent global economic slowdown and turmoil in the global financial markets beginning in the second half of 2008 had a negative impact on the PRC economy, which in turn has affected the PRC property market. For example:

- we experienced a decrease in pre-sales in the second half of 2008 primarily due to the unfavorable property market conditions as a result of the recent global economic slowdown; the economic slowdown and tightened credit conditions resulted in lower demand for residential and commercial properties and declining property prices;

- the economic slowdown adversely impacted home owners and potential property purchasers, which led to a decline in the general demand for property products and an erosion of their selling prices; and

- the tightening of credit negatively impacted the ability of property developers and potential property purchasers to obtain financings.

As a result, revenue from our property development segment and GFA sold decreased by 61.8% and 59.8%, respectively, in 2008 as compared to 2007.

Although certain parts of the PRC property market showed signs of recovery in the second half of 2009 due in large part to stimulus measures adopted by the PRC government, we cannot assure you that the property market will continue to recover or that the PRC government will maintain its stimulus measures, nor can we predict as to how long the recent economic slowdown may last and to what extent it may impact us. If the nascent economic recovery fails to continue or if an economic slowdown were to return, the demand for our products, our average selling prices, and the fair value of our properties and investments and our ability to obtain necessary financing for our operations could be materially and adversely affected, which in turn would negatively impact our business, financial condition, results of operations and prospects.

We may be adversely affected by the performance of third-party contractors

We engage third-party contractors to provide various services, including piling and foundation, construction, facilities installation, interior decoration and electromechanical installation. We generally select independent contractors through an open tender process. We cannot assure you that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet our quality and safety standards. If the performance of any independent contractor is not satisfactory, we may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of our projects. Further, the completion of our property developments may be delayed, and we may incur additional costs due to a contractor's financial or other difficulties. In addition, we are expanding our business into other regions in China, and there may be a shortage of contractors that meet our quality requirements in such markets. Moreover, contractors may undertake projects for other developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for us on time or within budget. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

We have developed certain projects jointly with other entities through joint ventures or cooperation agreements. See "Business — Property Development — Financing of Property Developments."

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.

Additionally, 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.

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. See "— Risks Relating to Our Business — We may be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations and may face significant liabilities as a result."

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

Our results of operations may be affected by the performance and reputation of, and any adverse developments relating to, the hotel management partners that manage our hotels and serviced apartments

We have entered into management agreements with Starwood Hotels Group, an internationally renowned hotel management group. Pursuant to these agreements, Starwood Hotels Group will provide hotel and serviced apartment operation and management services to Guangzhou W Hotel, Huadu Sheraton Resort and Four Points by Sheraton Guangzhou, Dongpu. We also intend to engage other international hotel management companies to manage our future hotel developments. See "Business — Hotel Management." Therefore, our results of operations may be affected by the performance of these hotel management partners, as well as any adverse publicity or other adverse developments that may affect these companies or their brands generally. For example, under the terms of the management agreements with the Starwood Hotels Group, the Starwood Hotels Group will control the daily operations of our hotels and serviced apartments. Although we intend to monitor our hotel management partners' performance and although we participate in making operating and financial management decisions, we typically do not have the direct authority to require any hotel or serviced apartment to be operated in a particular manner or to influence any particular aspect of the daily operations of any hotel or serviced apartment (for instance, setting room rates or managing personnel). Thus, even if we believe our hotels and serviced apartments are being operated inefficiently or in a manner that does not result in optimal or satisfactory occupancy rates, operating profit margins or other performance indicators, we may not be able to require the hotel management partners to change the way they manage our hotels and serviced apartments. Any disagreement between our hotel management partners and us in respect of the management of our hotels and serviced apartments and any adverse publicity or other adverse developments that may affect the brand image of the hotel brands held by the hotel management partners in general may adversely affect the performance of our hotels and serviced apartments, and as a result, our results of operations. In addition, in the event that we wish to replace any of our hotel management partners, we may be unable to do so under the terms of our management agreements or we may need to pay substantial termination fees and may experience disruptions at the relevant hotels and serviced apartments. The effectiveness and performance of the hotel management partners in managing our hotels and serviced apartments will, therefore, significantly affect the revenue, expenses and value of our hotels and serviced apartments.

Our objectives may conflict from time to time with the objectives of our hotel management partners, which may adversely impact the operations and results of operations of our hotels and serviced apartments

The hotel management partners that operate our hotels and serviced apartments have no exclusive arrangements with us and own, operate or franchise properties other than our properties, including properties that may compete with our properties. Therefore, our hotel management partners may have interests that differ from or conflict with our own with respect to short-term or long-term goals and objectives. These differences may be significant depending upon many factors, including the remaining term of our management or tenancy agreement, trade area restrictions with respect to competition or differing policies, procedures or practices. Any of these factors may adversely impact the operations and results of operations of our hotels and serviced apartments, which could harm our business, financial condition and results of operations.

The hotel industry is dependant on the levels of business and leisure travel, demand for and supply of hotel rooms and other factors

A number of factors, many of which are common to the hotel industry and are beyond our control, could affect our business, including the following:

- adverse economic conditions;
- dependence on business, commercial and leisure travelers and tourism;
- dependence on meeting and conference business;
- the impact of acts of war or increased tensions between certain countries, increased terrorism threats, terrorist events, impediments to means of transportation (including airline strikes, road closures and border closures), extreme weather conditions, natural disasters, outbreaks of diseases and health concerns, rising fuel costs or other factors that may affect travel patterns and reduce the number of business and leisure travelers;
- adverse effects of international market conditions, which may diminish the demand for first class and luxury leisure travel or the need for business travel, as well as national, regional and local political, economic and market conditions where our hotels operate and where our customers live;

- increased competition and periodic local oversupply of guest accommodation, which may adversely affect occupancy rates and room rates;
- increases in operating costs due to inflation, labor costs (including the impact of unionization), workers' compensation and health-care related costs, utility costs (including energy costs), increased taxes and insurance costs, as well as unanticipated costs such as acts of nature and their consequences and other factors that may not be offset by increased room rates;
- seasonality in travel patterns;
- changes in interest rates and in the availability, cost and terms of debt financing; and
- changes in governmental laws and regulations (including trade restrictions), fiscal policies and zoning ordinances and the related costs of compliance.

These factors could have a material adverse effect on our hotel operations, which in turn will affect our financial condition and results of operations.

We incur significant construction and capital expenditures for development and renovation of investment properties and hotels and certain fixed costs in relation to hotel and rental property operations

Unlike properties developed for sale which can be pre-sold (subject to applicable PRC laws relating to pre-sales) to finance other property developments, our investment properties and hotels require significant upfront capital expenditures but generate no cash inflow until the development has been completed and the hotel operation or the lease with respect to the relevant investment properties commences. In addition, our existing investment properties and hotels, and all of our future investment properties and hotels, will require continuing capital expenditures associated with renovations and other capital improvements, some of which are mandated by health, safety or other regulations or by the hotel management partners. The cost of construction and capital improvements could have a material adverse effect on our business, financial condition and results of operations. The fixed costs associated with owning hotels and investment properties, including rental property operating and maintenance expenses, hotel operating and maintenance expenses, taxes, other fees and payments, may be significant. There may not be sufficient and consistent market demand for hotels and rental properties in our target markets. We may be unable to reduce the fixed costs in a timely manner in response to a decline in demand for our hotel services or investment properties for rental, and any failure to adjust our fixed costs may adversely affect our business, financial condition and results of operations. Moreover, our hotels and investment properties may be subject to increases in operating and other expenses due to adverse changes in contractual terms and increases in tax rates, utility costs, operating expenses, insurance costs, repairs and maintenance and administrative expenses, which could materially adversely affect our business, financial condition and results of operations.

We may not be able to effectively manage our expansion and growth

While we have historically focused on developing properties in Guangzhou, we have expanded into other cities such as Suzhou, Chengdu, Beijing and Hainan, and intend to further explore other promising markets in China. Our expansion is based on our forward-looking assessment of market prospects. We cannot assure you that our assessments will turn out to be accurate. In addition, to succeed with our business expansion, we will need to recruit and train new managers and other employees and build our operations and reputation in our target regional markets within a relatively short period of time. We have limited knowledge of the conditions of these local property markets and little or no experience in property development in these regions. As we enter new markets, we may not have the same level of familiarity with contractors, business practices and customs and customer tastes, behavior and preferences as compared to the cities where we are an established property developer. In addition, when we enter new geographical areas, we may face intense competition from developers with an established presence and market share in those areas. Therefore, we cannot assure you that we can successfully execute our contemplated expansion plan or that we will succeed in effectively integrating our expanded operations, or that our expanded operations will generate adequate returns on our investments or positive operating cash flows. Furthermore, our business expansion may place a substantial strain on our managerial and financial resources. Any failure in effectively managing our expanded operations may materially and adversely affect our business, prospects, results of operations and financial condition.

We may not be successful in leveraging our past experience in residential property development to expand to our new hotel, serviced apartments, and investment property businesses

We are entering into hotel, serviced apartments, and investment property businesses, namely the development and management of office buildings, serviced apartments and hotels. We completed our first office building, the International Finance Place, in 2007. In September 2009, we opened our Four Points by Sheraton Guangzhou, Dongpu, located in Tianhe Dongpu, Guangzhou and are currently developing two high-end star-rated hotels in Guangzhou, namely, Guangzhou W Hotel and Sheraton Huadu Resort, and one serviced apartment. In addition, we are planning to develop six other high-end star-rated hotels and five high-end shopping malls located in various cities including Guangzhou, Suzhou, Chengdu and Hainan. However, our experience as a residential property developer may not be applicable to the development of these types of investment properties. We cannot assure you that we will be able to leverage our past experience to face the challenges in these new investment property businesses. We rely and will continue to rely on third-party property management companies to conduct the daily operation of these serviced apartments and hotels. If their performance is not satisfactory to our guests or tenants, the occupancy rate and/or rental value for our hotels and serviced apartments may decrease, and thus adversely affect our results of operations and our reputation. We also may not be able to reduce the costs associated with the management of hotels and serviced apartments in a timely manner in response to changes in demand for those properties. Furthermore, the performance of our investment properties is subject to various factors beyond our control, such as the economic conditions and the level of business activities, business travel and tourism in the region. There may not be sufficient and consistent market demand for high-end hotels, serviced apartments, and office space in Guangzhou and our other target markets in the PRC, and, as a result, our results of operations in these new segments may not be profitable or generate recurring income or cashflow as we expect, and could even operate at a loss.

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

We are required to reassess the fair value of our investment properties as of each balance sheet date. In accordance with HKFRS, gains or losses arising from changes in the fair value of our investment properties should be accounted for in our statements of comprehensive income in the period in which they arise. Our investment properties were revalued by an independent property valuer as of December 31, 2007, 2008 and 2009, respectively, on an open market for existing use basis which reflected market conditions at those dates. Based on such valuation, we recognized the aggregate fair market value of our investment properties on our consolidated statements of financial position, and recognized changes in fair values of investment properties and the relevant deferred tax on our consolidated statements of comprehensive income. In 2007, 2008 and 2009, the fair value gains (losses) on our investment properties, net of deferred tax, were RMB1,533.3 million, RMB(17.7) million and RMB45.5 million, respectively, and accounted for approximately 57.2%, (4.8)% and 6.3%, respectively, of our profit for the respective years.

Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and accordingly do not increase our liquidity in spite of the increased profit represented by any fair value gains. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanization rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. We recorded net fair value losses on investment properties of approximately RMB23.6 million in 2008. All these factors are beyond our control and we cannot assure you that changes in market conditions will continue to create fair value gains on our investment properties at the historical levels, or at all, or that the fair value of our investment properties will not decrease in the future. If the fair value of our investment properties declines, our profitability could be materially and adversely affected.

We have mortgaged certain properties and pledged shares in certain subsidiaries to secure our borrowings

We have mortgaged certain of our properties and pledge shares in certain subsidiaries to secure some of our general banking facilities. If we default on such banking facilities, the lenders may foreclose such properties we mortgage and shares in subsidiaries we pledge. Although the terms of our indebtedness limits our ability to do so, we cannot assure you that we will not mortgage our properties or pledge shares in subsidiaries to secure our borrowings in the future. Nor can we assure you that we will not default on any of our borrowings in the future.

We guarantee mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments

The purchasers of our properties may need mortgage loans to purchase our properties, and we typically arrange for various banks to provide these mortgage loans. In accordance with market practice, the mortgagee banks require us to guarantee our customers' mortgage loans. Typically, our guarantee obligations for such customers' mortgage loans are released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property; and (ii) the issuance of the property ownership certificate for the mortgaged property. If a purchaser defaults on a mortgage loan guaranteed by us we may have to repay the mortgage loan. If we fail to do so, the mortgagee bank may foreclose the underlying property and recover any balance from us as the guarantor of the defaulted mortgage loan. In line with industry practice, we rely on the credit analysis performed by the mortgagee banks in respect of individual customers and we do not conduct any independent credit checks on them.

As of December 31, 2007, 2008 and 2009, our outstanding guarantees for the mortgage loans of our customers amounted to RMB1,558.1 million, RMB1,624.9 million and RMB4,067.1 million, respectively. However, if any material default by our customers occurs on such loans, we may be required to honor our guarantees and our results of operations and financial position may be materially and adversely affected.

We may suffer certain losses not covered by insurance

We do not carry comprehensive insurance against all potential losses or damages with respect to our properties before their delivery to customers nor do we maintain insurance coverage against liability from tortious acts, property damage or personal injury relating to the construction and maintenance of our properties. Although we expect our third-party construction companies to maintain appropriate insurance coverage, we cannot assure you that their insurance would cover or be sufficient to satisfy all claims, or that we would not be sued or held liable for damages notwithstanding their insurance coverage. Moreover, there are certain losses for which insurance is not available on commercially practicable terms in China, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in the course of our business, we may not have sufficient financial resources to cover such losses, damages or liabilities or to satisfy our related obligations. Any payment we make to cover any losses, damages or liabilities may have a material and adverse effect on our business, results of operations and financial condition.

We may not be able to complete our development projects according to schedule or on budget

A property development project requires substantial capital expenditures prior to and during the construction period, and it may take over a year before a development generates positive cash flow through pre-sales or sales. The progress of, and costs for, a development project can be adversely affected by many factors, including:

- changes in market conditions, an economic downturn or a decline in consumer confidence;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation of existing residents and demolition of existing structures;
- increases in the market prices of raw materials if we cannot pass on the increased costs to customers;
- shortages of materials, equipment, contractors and skilled labor;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;
- labor disputes;
- construction accidents;
- natural disasters;
- adverse weather conditions;
- changes in government practices and policies, including reclamation of land for public works or facilities; and

- other unforeseen problems or circumstances.

Our property projects are at risk from earthquakes, floods and other natural disasters in the regions where we operate. Damage to any of our properties or impact on the markets, whether by natural disasters or otherwise, may either delay or preclude our ability to develop and sell our properties or adversely affect our budget for the projects. We cannot assure you that we will not experience significant delays in completion or delivery of our projects or subject to liability for any such delays. Construction delays or failure to complete construction of a project according to its planned specifications, schedule or budget may materially and adversely affect our reputation, business, results of operations and financial condition.

Our profitability and results of operations are affected by changes in interest rates

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. In April 2006, the PBOC raised the benchmark one-year lending rate from 5.58% to 5.85% and in August 2006 further increased such rate to 6.12%. The PBOC again increased the one-year lending rate six times in 2007 from 6.12% to 7.47% in December 2007. Beginning in 2008, the PBOC decreased the benchmark one-year lending rate five times, from 7.47% to 5.31% in December 2008, which has remained unchanged as of April 30, 2010. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments.

A substantial portion of the interest expense has been capitalized as properties under development, which will then be recognized in the consolidated statements of comprehensive income as cost of sales upon the sale of properties. As a result, such capitalized interest expense may adversely affect our gross profit margin upon the sales of properties in future.

In addition, increases in interest rates may affect our customers' ability to secure mortgages on acceptable terms, which in turn may affect their ability to purchase our properties.

We may have to compensate our customers if we fail to meet all requirements for the delivery of completed properties and the issuance of property ownership certificates

According to the relevant PRC law, property developers must meet various requirements as stated below within 90 days after the delivery of property or such other time period that may be provided in the relevant sales and purchase agreement to assist a purchaser in obtaining the individual property ownership certificate. We generally elect to specify the deadline to apply for an individual property ownership certificate in the sales and purchase agreement to allow sufficient time for the application and approval process. Within three months of the date of the completion certificate for a development, we must apply for a general property ownership certificate for the entire development. This involves, among other things, the submission of a number of documents, including land use rights documents, planning approvals and construction permits. Following the effective date of a sales and purchase agreement for one or more units in a development, we then assist the purchaser to apply for an individual property ownership certificate for each unit. This involves submission of other documents, including the sales and purchase agreement, identification documentation for the purchaser, evidence of payment of deed tax and a copy of the general property ownership certificate issued to us. Delay by a purchaser in providing the documents relating to the purchaser, or delay by the various administrative authorities in reviewing the relevant application document, as well as other factors beyond our control, may affect timely delivery of the relevant individual property ownership certificate. Under current PRC laws and regulations and under our sales and purchase agreements, we are required to compensate our customers for delays in delivery caused by us of individual property ownership certificates. We cannot assure you that delays in delivery caused by us of the required property ownership certificates will not occur. Significant delays with respect to one or more of our developments may materially and adversely affect our reputation, business, results of operations and financial condition.

The PRC government may impose fines on us or take back our land if we fail to develop a property according to the terms of the land grant contract

Under PRC laws and regulations, if we fail to develop a property according to the terms of the land grant contract, including terms relating to the payment of land premium, demolition and resettlement costs and other fees, the specified use of the land and the time for commencement and completion of the development, the PRC government may issue a warning, impose a penalty, and/or take back our land. Under current PRC laws and regulations, if we fail to pay any outstanding land grant premium on time, we may be subject to a late payment penalty for every day of delay in payment. In addition, the PRC government may impose an idle land fee equal to 20% of the land premium or allocation fees if (i) we do not commence construction for more than one year after the date specified in the relevant land grant contract, (ii) total constructed GFA is less than one-third of the total proposed GFA for the development, or (iii) the capital invested in the development is less than one-fourth of the total investment approved for the development and the development is suspended for more than one year without governmental approval. Furthermore, the PRC government has the authority to take back the land without compensation to us, if we do not commence construction for more than two years after the date specified in the land grant contract, unless the delay is caused by force majeure or governmental action. In the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進集約節約用地的通知) promulgated by the State Council on January 3, 2008, this policy was reinforced. This notice states, among other things, that the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009, which reiterates the current rules on idle land.

As of April 30, 2010, we delayed in making the payment of land premium for certain parcels of land related to Guangzhou Cosmos and The Sapphire. In relation to the land for Guangzhou Cosmos, the local government imposed a penalty fine in the amount of RMB223,125 on us due to the delay in payment for land premium. In relation to the land for The Sapphire, we had paid land premium of RMB1,018.6 million and had obtained land use rights of approximately 261,672 sq.m. We delayed in the payment of the outstanding amount of RMB246.4 million according to the time stipulated in the relevant land grant contract. We cannot assure you that we will not be subject to a late payment penalty, nor can we assure you that the local government will not terminate the contracts and confiscate the land in the future. In addition, as of April 30, 2010, we had six parcels of land related to Chengdu Cosmos, Lingshui Project, Fragrant Seasons and Suzhou Apex with a total site area of 1,068,868 sq.m. that we had not commenced development within the time stipulated in the relevant land grant contracts. We cannot assure you that there will be no significant delays in the commencement of construction or the development of our properties in the future, or that our developments will not be subject to idle land penalties or be taken back by the government as a result of such delays. The imposition of substantial idle land penalties could have a material and adverse affect on our business, results of operations and financial condition. If any of our land is taken back by the government, we would not only lose the opportunity to develop the property, but we would also lose our prior investments in the development, including land premiums paid and costs incurred prior to the date in connection with such land.

Our acquisition of companies holding land use rights may be unsuccessful and our acquisition agreements may not provide us with sufficient protection against potential liability

We intend to continue to acquire the controlling equity interests in companies holding land use rights as a means of expanding our business and land bank. However, we may face strong competition during the acquisition process and we may not be successful in selecting or valuing target companies or their land appropriately. As a result, we may be unable to complete such acquisitions at reasonable cost, or at all. In addition, we may have to allocate additional capital and human resources to integrate the acquired business into our operations. We also cannot assure you that the integration of any acquired company will be successfully completed within a reasonable period of time, or at all, or that it will generate the economic benefit that we expected.

Our success depends on the continued services of our senior management team

Our future success depends heavily upon the continuing services of our executive directors and members of our senior management team, in particular, our Chairman, Kong Jian Min. Many members of our senior management team have more than ten years of property development experience in the PRC. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Moreover, along with our steady growth and expansion into other regional markets in China, we will need to employ, train and retain additional suitable skilled and qualified management and employees from a wider geographical area. If we cannot attract and retain suitable personnel, our business and future growth may be materially and adversely affected.

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

We engage our own or third-party property management companies on behalf of our purchasers to manage the residential properties we developed. We believe that property management is an important part of our business strategy and is critical to the successful marketing and promotion of our property developments. Under PRC laws and regulations, a majority of property owners of a residential community of certain size have the right to change the property management service provider. In 2007, 2008 and 2009, the revenue derived from our property management services was RMB9.7 million, RMB28.5 million and RMB47.9 million, respectively. If the owners of a residential property that we have developed, however, choose to terminate our property management services, or our customers are unsatisfied with our property management services, our reputation may be materially and adversely affected.

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

We may be involved in disputes with various parties involved in the construction, development and the sale of our properties, including contractors, suppliers, construction workers, original owners and residents, partners and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, incurrence of substantial costs and the diversion of resources and management's attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the relevant project is perceived to be inconsistent with our representations and warranties made to such earlier purchasers. These disputes and legal and other proceedings may materially and adversely affect our reputation, business, results of operations and financial condition. See "Business — Legal Proceedings" in this offering memorandum.

In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our property developments. If we fail to comply with any applicable PRC laws or regulations, our reputation and our business, results of operations and financial condition may be materially and adversely affected.

We are subject to legal and business risks and our business may be adversely affected if we fail to obtain or maintain the required qualification certificates and other requisite government approvals

A PRC property developer must hold a valid qualification certificate to develop property. In addition, at various stages of project development, the PRC property developer must also obtain various licenses, certificates, permits, and approvals from the relevant PRC administrative authorities, including land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion.

According to the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) issued by the Ministry of Construction, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be renewed annually for not more than two consecutive years. If, however, the newly established property developer fails to commence a property development project within the one-year period following the provisional qualification certificate, it will not be allowed to extend the term of its provisional qualification certificate. Developers with longer operating histories must submit their qualification certificates to relevant construction administration authorities for review annually. Government regulations require developers to fulfill all statutory requirements before they may obtain or renew their qualification certificates.

We conduct our property developments through project companies. These project companies must hold valid qualification certificates to be able to conduct their businesses. As of April 30, 2010, the following companies had not obtained qualification certificates: Chengdu City Hengyu Real Estate Development, Chengdu City Hongyu Real Estate Development, Chengdu City Kaiyu Real Estate Development, Chongqing Junzhao Real Estate Development, Guangzhou Hejing Yingfu Real Estate Development, Guangzhou City Wanjing Property Development, Guangzhou City Yujing Property Development, Hainan Hejing Property Development, Shanghai Hejing Property Development and seven project companies in Foshan. None of these companies currently conducts property development activities. As of the date of this memorandum, the following project companies, which conduct property development activities, were in the process of applying for, extending or renewing, their respective qualification certificates: Suzhou Hejing Real Estate Development, Kunshan Baicheng Real Estate Development, Guangzhou Tianjian Real Estate Development and Guangzhou Xinhengchang Enterprise Development. We cannot assure you that our project companies will continue to be able to obtain or renew the necessary qualification certificates in a timely manner, or at all. If any of our project companies does not obtain or renew the necessary qualification certificate in a timely manner, or at all, our prospects, and our business, results of operations and financial condition may be materially and adversely affected.

Pursuant to the Measures for the Administration of Qualifications of Property Service Enterprises (物業服務企業資質管理辦法), entities engaged in property management are required to obtain qualification certificates before they commence their business operations. Our wholly owned property management subsidiaries are primarily engaged to manage the residential and commercial properties we developed. If any property management companies are unable to meet the relevant requirements and therefore unable to obtain or maintain the qualification certificates, our business and financial condition could be materially and adversely affected. As of April 30, 2010, Guangzhou

Kangrui Property Service and Guangzhou Junzhao Property Operation had not obtained qualification certificates. None of these companies currently conduct property service activities at present.

In addition to the above, we cannot assure you that we will not encounter significant problems in satisfying the conditions to, or delays in, the issuance of other necessary licenses, certificates, permits or approvals. As of April 30, 2010, the following project companies had not fully paid their registered capital: Guangzhou Tianjian Real Estate Development, Guangzhou Weibai Real Estate Development, Hainan New World Property Development, Guangzhou Fujing Real Estate Development and seven project companies in Foshan. There may also be delays on the part of the administrative bodies in reviewing and processing our applications and granting licenses, certificates, permits or approvals. If we fail to obtain the necessary governmental licenses, certificates, permits or approvals for any of our major property projects, or a delay occurs in the government's examination and review process, our development schedule and our sales could be substantially delayed, resulting in a material and adverse effect on our business, results of operations and financial condition.

The value of our properties may be affected if the current ancillary facilities in the vicinity of our residential communities cease to provide services to the owners or users of our properties

The ancillary facilities (e.g., schools, hospitals, public parks) in the vicinity of our residential communities enhance the value of our properties by improving the overall quality and value of the surrounding areas, thereby offering a better living environment to our property owners and users. However, we do not operate nor manage some of the ancillary facilities. We cannot assure you that these facilities will continue to operate and provide services in our residential communities. In the event that some or all of these facilities cease to operate in our residential communities, our properties may become less attractive and less valuable.

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

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

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

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

Risks Relating to the Real Estate Industry in China

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

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the increase in property investments, from 2004 to the first half of 2010, the PRC government introduced various policies and measures to curtail property developments, including:

- requiring real estate developers to finance, with their internal resources, at least 35% of the total investment (excluding affordable housing projects);

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;

- suspending land supply for villa construction and restricting land supply for high-end residential property construction;

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

- requiring that at least 70% of the total development and construction area of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 square meters and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the PRC Ministry of Construction (中華人民共和國建設部) and currently known as PRC Ministry of Housing and Urban-Rural Development (中華人民共和國住房和城鄉建設部), or the Ministry of Construction;

- requiring any first-time home owner to pay the minimum amount of down-payment at 20% of the purchase price of the underlying property if the underlying property has a unit floor area of less than 90 square meters and the purchaser is buying the property as a primary residence, or 30% of the purchase price if the underlying property has a unit floor area of larger than 90 square meters;

- requiring any second-time home buyer to pay an increased minimum amount of down-payment at 50% of the purchase price of the underlying property and an increased minimum mortgage loan interest rate at 110% of the relevant PBOC benchmark one-year bank lending interest rate;

- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down-payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate, and (iv) limiting the terms of such bank borrowings to no more than 10 years, with commercial banks allowed flexibility based on their risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down-payment to 45% of the purchase price of the underlying property, with the other terms similar to those for commercial properties;

- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties; and

- imposing more restrictions on the types of property developments that foreign investments may engage in.

Beginning in the second half of 2008, in order to mitigate the impact of the global economic slowdown, the PRC government has adopted measures to encourage domestic consumption in the residential property market and support property development. However, in December 2009 and January 2010, the PRC government adjusted some policies in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain regions and cities. At the same time, the PRC government abolished certain preferential treatments relating to business taxes payable upon transfers of residential properties by property owners and imposed more stringent requirements on the payment of land premium by property developers. In addition, in April 2010, the PRC government identified certain policy measures to increase down payment for properties purchased with mortgage loans. For a more detailed description of the PRC government's measures to curtail the overheating of the PRC property market, see the section entitled "Regulations — The Land System of the PRC — National Legislation." These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The property industry in China is still at a relatively early stage of development, and there is a significant degree of uncertainty in the market as a whole

Private ownership of property in China is still at a relatively early stage of development. Demand for private residential property has been increasing rapidly in recent years. However, increased demand has often been coupled with volatile market conditions and fluctuations in prices. Numerous factors may affect the development of the market and accordingly, it is very difficult to predict when and how much demand will develop. Limited availability of accurate financial and market information and the general low level of transparency in China contribute to overall uncertainty. Investors may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property. Finally, the risk of over-supply is increasing in parts of China where property investment, trading and speculation have become more active. If as a result of any one or more of these or similar factors, demand for residential property or market prices decline significantly, our business, results of operations and financial condition may be materially and adversely affected.

Increasing competition in the property industry in China, particularly in Guangzhou and other cities where we operate may adversely affect our business and financial condition

We face competition from a number of property developers. Our existing and potential competitors include private and public developers in the PRC, as well as developers from Hong Kong. Some of them may have greater marketing, financial, technical or other resources than us and greater economies of scale, broader name recognition and more established relationships in the market. In recent years, a large number of property developers have undertaken property development and investment projects, particularly in Guangzhou and other cities where we operate. Competition among property developers may cause increases in land premiums and raw material costs, shortages in quality construction contractors, surpluses in property supply leading to decreased property prices, delays in the issuance of government approvals and permits, and higher costs to attract or retain talented employees.

In addition, the property markets in Guangzhou and elsewhere in the PRC are rapidly changing. Macro-economic measures have recently been adopted by the PRC government in an attempt to slow the rapid growth of the PRC's economy and deter investment in fixed assets, including real estate assets. If we cannot respond to changes in market conditions in Guangzhou or elsewhere, or changes in customer preferences more swiftly or more effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

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

We depend on cash flows from pre-sales of properties as an important source of funding for our property developments. We face risks relating to the pre-sale of properties. For example, we may find ourselves liable to the purchasers for their losses, if we pre-sell units in a property development and fail to complete that development. If we fail to complete a pre-sold property on time, our purchasers may claim compensation for late delivery pursuant to either their contracts with us or relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate their pre-sale contracts and claim for compensation. A purchaser may also terminate his or her contract with us if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. We cannot assure you that we will not experience delays in the completion and delivery of our projects, nor that the GFA for a delivered unit will not deviate more than 3% from the GFA set out in the relevant contract. Any termination of the purchase contract as a result of our late delivery of properties will have a material adverse effect on our business, financial condition and results of operations.

Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties and pre-sales proceeds may only be used to finance the related development. Various PRC authorities and regulators have publicly called for the discontinuance or abolishment of pre-sales, or to impose tighter regulations on such practice. See "Regulations — Pre-sales." We cannot assure you that the PRC governmental authority 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. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow results of operations and financial condition.

The total GFA of some of our developments may exceed the original permitted GFA and the excess GFA is subject to governmental approval and payment of additional land premium

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved plans as set out in relevant construction works planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for the development, and as a consequence, we would not be in a position to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA requires governmental approval, and the payment of additional land premium. We may also be subject to liability to purchasers under our sales and purchase agreements.

We cannot assure you that constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA for that development, or that the authorities will not determine that all built-up areas conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to pay for any corrective action that may be required in a timely manner, or at all. Any of these circumstances may materially and adversely affect our reputation, business, results of operations and financial condition.

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

Substantially all of the purchasers of our properties rely on mortgages to finance their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of residential properties. In addition, the PRC government and commercial banks may also increase the down payment 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.

The PRC government has enacted various laws and regulations governing terms of mortgage financing for our customers, including minimum down payment requirements, minimum mortgage loan interest rates, limitations on pre-sales, maximum mortgage term lengths, the suspension of mortgage loans to certain investors, and limits on how many houses a household can buy. See "Regulations — The Land System of the PRC — Real Estate Loans." If the availability or attractiveness of mortgage financing is further reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

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

Potential liability for environmental damages could result in substantial cost increases

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations that apply to any given project development site vary according to the site's location, the site's environmental condition, the present and former uses of the site and the nature and former uses of adjoining properties. Compliance with environmental laws and regulations may result in delays in development, substantial costs and may prohibit or severely restrict project development activity in environmentally sensitive regions or areas. Under PRC laws and regulations, we are required to submit an environmental impact assessment report to the relevant governmental authorities for approval before commencing construction of any project. Although the environmental inspection conducted by the relevant PRC environmental protection agencies to date have not revealed any environmental violations that we believe would have a material adverse effect on our business, results of operations or financial condition, there may be potential material environmental liabilities of which we are unaware. In addition, our operations could result in environmental liabilities or our contractors could violate environmental laws and regulations in their operations that may be attributed to us. For more information, see "Business — Environmental and Safety Matters" in this offering memorandum.

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

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

Risks Relating to China

PRC economic, political and social conditions, as well as governmental policies, could affect our business and prospects

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

- the amount and degree of the PRC government involvement;
- growth rate and degree of development;
- uniformity in the implementation and enforcement of laws;
- content of and control over capital investment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy that the government believed to be overheating, including the real estate industry. These measures have included restricting foreign investment in certain sectors of the real estate industry, raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits and raising the thresholds and minimum loan interest rates for residential mortgages. These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity, and in turn have a material and adverse impact on our business and financial condition.

Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations

The PRC government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive substantially all our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or service their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局), or SAFE, by complying with certain procedural requirements.

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

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

The value of Renminbi depends, to a large extent, on domestic and international economic, financial and political developments and China's governmental policies, as well as supply and demand in the local and international markets. Since 1999 till 2005, the conversion of Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, was based on exchange rates set and published daily by the PBOC in light of the previous day's inter-bank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The official exchange rate for the conversion of Renminbi into the U.S. dollar was largely stable until July 2005. On July 21, 2005, the PBOC revalued Renminbi by reference to a basket of foreign currencies, including the U.S. dollar. As a result, the value of Renminbi appreciated by more than 2% on that day. Since then, the PBOC has allowed the official Renminbi exchange rate to float against a basket of foreign currencies. Further, from May 18, 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, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. On June 19, 2010, the PBOC announced its intention to proceed with the reform of the Renminbi exchange rate regime to increase the Chinese currency's exchange rate flexibility. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 22% from July 21, 2005 to July 21, 2010. The Renminbi exchange rate could fluctuate widely against the U.S. dollar or any other foreign currency in the future. Since our income and profits are denominated in Renminbi, any appreciation of Renminbi will increase the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Conversely, any depreciation of Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Fluctuation of the value of Renminbi will also affect the amount of our foreign debt service in Renminbi terms since we have to convert Renminbi into foreign currencies to service our indebtedness in foreign currency. We currently do not hedge against our foreign exchange rate risk.

Our income tax obligations may increase, dividends from our PRC subsidiaries may be subject to withholding tax under PRC tax laws and we may be subject to PRC tax under the New Tax Law

In March 2007, the National People's Congress of the PRC and its Standing Committee (the "NPC" or the "National People's Congress") enacted the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "New Tax Law"), which took effect on January 1, 2008. The New Tax Law imposes a unified income tax rate of 25% on all domestic and foreign-invested enterprises unless they qualify under certain limited exceptions. According to the New Tax Law, enterprises that are subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower rate and gradually transition to the new tax rate within five years after January 1, 2008.

We are a holding company that is financially dependent on distributions from our subsidiaries and our business operations are principally conducted through our PRC subsidiaries. Prior to December 31, 2007, dividend payments to foreign investors made by foreign-invested enterprises, such as dividends paid to us by our PRC subsidiaries, were exempt from PRC withholding tax. The New Tax Law and the Regulations for Implementation of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (together with the New Tax Law, the "New Tax Laws"), effective January 1, 2008, provide that any dividend payment to foreign investors will be subject to a withholding tax at a rate of 10%. Pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary. However, according to a Circular of the PRC State Administration of Taxation dated October 27, 2009, tax treaty benefits will be denied to "conduit" or shell companies without business substance. Therefore, it is unclear whether dividend payments made by our PRC subsidiaries to our Hong Kong subsidiaries, which hold the equity interests in our PRC subsidiaries, will continue to enjoy the 5% PRC tax rate.

In addition, under the New Tax Laws, enterprises established under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The New Tax Laws provide that "de facto management body" of an enterprise is the organization that exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise. If a majority of the members of our management team continue to be located in China, we may be considered a PRC resident enterprise and therefore subject to PRC enterprise income tax at the rate of 25% on our worldwide income. If our PRC subsidiaries are subject to the withholding tax or we or any of our non-PRC subsidiaries otherwise is a PRC resident enterprise under the New Tax Laws, our profitability and cash flow would be materially and adversely affected. Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we currently intend to take the position that we are not a PRC resident enterprise, but there can be no assurance that the PRC tax authorities will accept our position.

Interest payable by us to our foreign investors and gain on the sale of our Notes may be subject to taxes under PRC tax laws

Under the New Tax Laws, if our Company were determined to be a PRC resident enterprise, the interest payable on the Notes will be considered to be sourced within China. In that case, PRC income tax at the rate of 10% will be withheld from interest payable on the Notes to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. In addition, we would be obligated to withhold PRC income tax of up to 7% on payments of interest and certain other amounts on the Notes to investors that are non-resident enterprises located in Hong Kong according to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排). It is uncertain whether we will be considered a PRC "resident enterprise," and whether the interest payable to our foreign investors, or the gain our foreign investors may realize from the transfer of our Notes, would be treated as income sourced within China and be subject to PRC tax. We currently do not intend to withhold taxes from interest payments, but there can be no assurance that the PRC income tax authorities will accept our withholding position. If we are required under the New Tax Laws to withhold PRC income tax on our interest payable to our non-resident noteholders who are "non-resident enterprises," we will be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. Prospective holders should consult their tax advisers as to whether they may be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas if we are considered a PRC "resident enterprise."

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations

In October 2005, the SAFE issued the Notice Regarding Certain Administrative Measures on Financing and Round-trip Investment by PRC Residents through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) which became effective on November 1, 2005. The notice requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before establishing or controlling any company outside of China (an "offshore special purpose company") for the purpose of acquiring any assets of or equity interest in a PRC company and raising funds offshore. In addition, any PRC resident who is the shareholder of an offshore special purpose company is required to update its SAFE registration with the local SAFE branch with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment or creation of any security interest over any assets located in the PRC. Failure to comply with the required SAFE registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of that offshore special purpose company, including the increase in registered capital, the payment of dividends and other distributions or payments to the offshore special purpose company and capital inflows from the offshore entity. Failure to comply may also subject relevant PRC residents or the PRC subsidiaries of that offshore special purpose company to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

If the SAFE promulgates clarifications or regulations in the future requiring our beneficial owners who are Hong Kong permanent residents to comply with the registration procedures and update requirements described above and if our beneficial owners are unable or fail to comply with such procedures, our beneficial owners may be subject to fines and legal sanctions and our business operations may also be materially and adversely affected, particularly with respect to the ability of our Chinese subsidiaries to remit foreign currency payments out of China, which could affect an ability to service our offshore indebtedness (including the Notes).

Interpretation of the PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you

Our core business is conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to you may be limited. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

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

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. We have three projects located in Chengdu, approximately 92 kilometers from the earthquake's epicenter in Wenchuan County, Sichuan Province. Based on our investigation and site inspections, our properties in Sichuan Province did not suffer any material damage or loss as a result of the earthquake. However, earthquakes with such magnitude may adversely affect our ability to complete and sell or lease our properties as scheduled or cause material damage or loss to our properties. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may adversely affect our financial condition and results of operations.

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

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

Risks Relating to the Notes

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

We are a holding company with no material operations. We conduct our operations through our PRC subsidiaries. The Notes will not be guaranteed by any current or future PRC subsidiaries. Moreover, the Notes will not be guaranteed by certain other Non-Guarantor Subsidiaries. Our primary assets are loans to and ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries and may be held by JV Subsidiary Guarantors in the future. In addition, certain of our subsidiaries will not guarantee the Notes and their shares will not be pledged for the benefit of the holders of the Notes. The Subsidiary Guarantors do not and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries. See "— Risks Relating to China — Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations."

Creditors, including trade creditors of our PRC subsidiaries and other Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries (including obligations of our Non-Guarantor Subsidiaries under guarantees issued in connection with our business), and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of December 31, 2009, our Non-Guarantor Subsidiaries had bank loans in the amount of RMB8,385.4 million (US$1,228.5 million) and capital commitments and contingent liabilities arising from guarantees of approximately RMB2,728.0 million (US$399.7 million) and RMB4,767.1 million (US$698.4 million), respectively. See "Capitalization and Indebtedness." The Notes and the Indenture do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Moreover, under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee (a "JV Subsidiary Guarantee") following the sale or issuance to a third party of a 20% to 49.9% equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

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

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. As of December 31, 2007, 2008 and 2009 and April 30, 2010, our total bank loans were RMB2,720.5 million, RMB5,994.2 million, RMB8,645.5 million and RMB10,246.2 million, respectively. We also finance some of our property developments with trust financing. See "Description of Material Indebtedness and Other Obligations — Trust Financing Arrangement."

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

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

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Although the Indenture governing the Notes restrict us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

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

In addition, the terms of the Indenture prohibits us from incurring additional indebtedness unless (i) we are able to satisfy certain financial ratios or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratios requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. Certain of our other financing arrangements also impose operating and financial restrictions on our business. See "Description of Material Indebtedness and Other Obligations." Such restrictions in the Notes and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

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

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments on the Notes. Further, certain loan agreements in relation to project loans obtained by our PRC subsidiaries from PRC lender banks contain provisions that restrict or prohibit the payment or declaration of dividends or distributions. Although such project loans typically do not require requisite consent or notice from the lender bank, these restrictions could have a negative impact on the calculation of our EBITDA and could also reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the ability of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be. See "Description of Material Indebtedness and Other Obligations."

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

Furthermore, in practice, the market interest rate that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders' loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholders' loans. PRC regulations require approval by the SAFE prior to any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries and require such loans to be registered with the SAFE. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with the SAFE, as well as any other documents that the SAFE or its local branch may require.

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

The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority owned joint ventures

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries under the indenture governing the Notes. Although the indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority joint ventures, these restrictions are subject to important exceptions and qualifications.

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

On July 10, 2007, the SAFE issued a circular indicating that it would not process for foreign investment enterprises in the real estate sector any foreign debt registration or conversion of foreign debt that was approved by the local MOFCOM and registered with MOFCOM after June 1, 2007. As PRC companies cannot repay any loans or interest with respect to foreign debt under the PRC foreign exchange control system to persons outside the PRC without registration of the foreign debt with the SAFE, this new circular effectively prohibits our ability to fund our PRC subsidiaries in the form of loans. Therefore, the proceeds of the current offering that will be used for land acquisitions and developments in China can only be transferred to our PRC subsidiaries as equity investments and not as loans. Without having the flexibility to transfer funds to PRC subsidiaries as loans, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each interest payment date to pay the interest due and payable under the Notes, or on the maturity date or any redemption date to pay the principal of the outstanding Notes.

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

The Notes are denominated in U.S. dollars, while substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 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, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The PBOC announced its intention to proceed with the reform of the Renminbi exchange rate regime to increase the Chinese currency's exchange rate flexibility on June 19, 2010. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 22% from July 21, 2005 to July 21, 2010. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. In addition, following the offering of the Notes, we may enter into foreign exchange or interest rate hedging agreements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging agreements permitted under the Indenture governing the Notes, and these agreements may be secured by pledges of our cash and other assets as permitted under the Indenture. If we were unable to provide such collateral, it could constitute a default under such agreements.

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries and may be material in relation to the performance of our or their respective obligations under or in relation to the Notes (if applicable), any indebtedness or any other present or future obligations and commitments.

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

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

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes. Our failure to make the offer to purchase or purchase the outstanding Notes would constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definitions of Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definitions of Change of Control Triggering Event for purposes of the indenture governing the Notes also include a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes, and the ability of a holder of the Notes to require us to purchase its notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

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

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

We may be unable to obtain and remit foreign exchange

Our ability to satisfy our obligations under the Notes depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us and to repay shareholder loans. Our PRC subsidiaries must present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE). Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan. Although under a regulation issued on July 10, 2007, we can no longer make shareholder loans to our PRC subsidiaries, we have in the past made shareholder loans to certain of our PRC subsidiaries to finance the property developments and land acquisitions that they are currently undertaking. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on our existing shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

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

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

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

The Indenture and other debt agreements include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on their capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;

- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

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

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

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

The ratings assigned to the Notes may be lowered or withdrawn in the future

The Notes are expected to be rated B+ by Standard and Poor's Ratings Services and B1 by Moody's Investors Service. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that the ratings will be confirmed or they will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

Certain transactions that constitute "connected transactions" under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") will not be subject to the "Limitation on Transactions with Shareholders and Affiliates" covenant

Our shares are listed on the Stock Exchange and we are required to comply with the Listing Rules, which provide, among other things, that any transaction between a listed company or any of its subsidiaries, on the one hand, and a "connected person" of such listed company, on the other hand, is a "connected transaction" that, if the value of such transaction exceeds the applicable de minimis thresholds, will require the prior approval of the independent shareholders of such listed company. The definition of "connected person" to a listed company includes, among others, any 10% or more shareholder of (i) such listed company or (ii) any subsidiary of such listed company. The concept of "connected person" also captures "associates," which include, among others, (a) any subsidiary of such "connected person," (b) any holding company of such "connected person" and any subsidiary of such holding company, and (c) any company in which such entity or entities mentioned in (a) and (b) above taken together has/have the power to exercise control, directly or indirectly, of 30% or more of the voting power of such company.

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules to obtain approval from independent shareholders. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

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

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

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

Facts and statistics in this offering memorandum relating to China's economy and the real estate industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our or their respective advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with HKFRS, which differ in certain significant respects from U.S. GAAP. See "Summary of Certain Differences Between HKFRS and U.S. GAAP."

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

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

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

Our initial Subsidiary Guarantors do not currently have significant operations

None of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the Notes will not be guaranteed by certain other Non-Guarantor Subsidiaries. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and such Non-Guarantor Subsidiaries. In addition, certain of the Non-Guarantor Subsidiaries the capital stock of which has been pledged in favor of our existing lenders, and certain dormant companies, will not provide Subsidiary Guarantees upon issuance of the Notes and as a result, the Notes will be effectively subordinated to all the debt and other obligations of these Non-Guarantor Subsidiaries. See "Description of the Notes — The Subsidiary Guarantees" for a list of the Non-Guarantor Subsidiaries. Moreover, the Collateral will not include the capital stock of our existing or future PRC subsidiaries and Non-Guarantor Subsidiaries.

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

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a minority interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. See "— Risks Relating to the Notes — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries."

The Intercreditor Agreement may impair the ability of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors to pay amounts due under the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees and the Intercreditor Agreement may limited the rights of the Noteholders to the Collateral.

The Shared Security Agent is required to take action to enforce the Collateral in accordance with the instructions of the secured creditors given under Intercreditor Agreement. Any enforcement action taken by the Shared Security Agent will adversely affect our entitlement to receive proceeds from the Collateral, which will, in turn, have an adverse impact on the Company's ability to fulfill its payment obligations under the Notes. Further, our ability to pay under the Subsidiary Guarantees will be adversely affected.

The ability of the Noteholders to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Shared Security Agent is permitted to take enforcement actions. If an event of default occurs under the Notes, the holders of the Notes holding 25% of the outstanding amount of the Notes and representatives of other Permitted Pari Passu Secured Indebtedness must decide whether to take any enforcement action and thereafter, through the Trustee, may instruct the Shared Security Agent to take such enforcement action. In addition, by virtue of the instructions given to the Shared Security Agent described above, actions may be taken in respect of the Collateral that may be adverse to you. In such event, the only remedy available to the Noteholders would be to sue for payment on the Notes, the Subsidiary Guarantees, the JV Guarantees and the Collateral. For a description on the Intercreditor Agreement, see "Description of Notes — Security — Intercreditor Agreement."

Security over the Collateral will not be granted directly to the holders of the Notes, and the Collateral will generally be shared with creditors under certain other financings.

Security over the Collateral for the obligations of the Company under the Notes and the Indenture will not be granted directly to the holders of the Notes but will be granted only in favor of the Shared Security Agent on behalf of the Trustee. As a consequence, holders of the Notes will not have direct security and will not be entitled to take enforcement action in respect of the security for the Notes, except through the Shared Security Agent, which has agreed to apply any proceeds of enforcement on such security towards such obligations.

In addition, the Indenture provides that the Collateral will be shared equally and ratably with the lender under the Standard Chartered Credit Facility, and all obligations of the Company and the Subsidiary Guarantors under all other future Permitted Pari Passu Secured Indebtedness. For a further discussion of the Intercreditor Agreement, see "Description of the Notes — Collateral — Intercreditor Agreement." Because the Collateral will be shared equally and ratably with creditors under other financings, the full value of the Collateral will not be available to satisfy the Noteholders' claims.

The Indenture also permits us to enter into certain future financings, and creditors under those future financings may share the Collateral *pari passu* with the holders of the Notes. See "Description of the Notes — Security — Permitted Pari Passu Secured Indebtedness" for a further discussion of the sharing of the Collateral with future financings. If creditors under future financings opt to share the Collateral under the Intercreditor Agreement, a smaller portion of the proceeds from the Collateral will be available to satisfy the Noteholders' claims, which could have a material adverse effect on the ability of the Noteholders to recover sufficient proceeds to satisfy their claims under the notes.

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

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

For Subsidiary Guarantors incorporated in BVI:

i. incurred the debt with the intent to defraud creditors (whenever the transaction took place, and irrespective of insolvency);

ii. put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

iii. received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor;

iv. in the case of ii. and iii., a guarantee will be only be voidable if it was entered into at a time when the guarantor was insolvent, or if it became insolvent as a consequence of doing so. Insolvent in this context under BVI law means that the guarantor is unable to pay its debts as they fall due. Additionally, a guarantee will only be vulnerable if is given within the 6 month period preceding the commencement of liquidation, or, if the guarantee and beneficiary are connected entities, 2 years.

For Subsidiary Guarantors incorporated in other jurisdictions:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of such incurrence;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debt as it became absolute and matured. We cannot assure you that such limitation will be effective in preserving the enforceability of any of the Subsidiary Guarantees or the JV Subsidiary Guarantees. In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantors. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration, and, as a result, such guarantee would be rendered void.

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

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

The pledge of certain Collateral may in some circumstances be voidable

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

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

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

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

The ability of the Shared Security Agent, on behalf of the Trustee, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Shared Security Agent, the Trustee or holders of the Notes will be able to enforce the security interest.

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

The Collateral will be shared on a pari passu basis by the holders of the Notes and the lender of the Standard Chartered Credit Facility and any other creditors with respect to Permitted Pari Passu Secured Indebtedness. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The value of the Collateral securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors is unlikely to be sufficient to satisfy the Company's and each of the Subsidiary Guarantor Pledgors' obligations under the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Notes and such Subsidiary Guarantees may be reduced or diluted under certain circumstances, including the issuance of Additional Notes and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth on an actual basis our borrowings and capitalization as of December 31, 2009 and as adjusted to give effect to the Notes in this offering after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering. Except as otherwise disclosed herein, there has been no material change in our capitalization since December 31, 2009.

	As of December 31, 2009			
	Actual		As Adjusted	
	RMB	US$	RMB	US$
	(in thousands)			
Cash and cash equivalents[1]	2,540,698	372,214		
Short-term borrowings[2][3][4][5]				
Bank loans — secured	408,210	59,803		
Bank loans — unsecured	1,438,693	210,770		
Current portion of long-term bank loans	719,725	105,440		
Total short-term borrowings	2,566,628	376,013		
Long-term borrowings[3][4][5][6][7]				
Bank loans — secured	5,339,192	782,196		
Bank loans — unsecured	739,660	108,361		
Notes to be issued	—	—		
Total long-term borrowings	6,078,852	890,557		
Equity attributable to owners of the parent				
Issued capital (HK$0.1 par value per share, 2,893,750,000 shares issued and fully paid)	280,538	41,099		
Treasury shares	(3,041)	(446)		
Reserves	9,982,514	1,462,447		
Proposed final dividend	144,658	21,193		
Total equity attributable to owners of the parent	10,404,669	1,524,293		
Total capitalization[8]	**16,483,521**	**2,414,850**		

(1) Cash and cash equivalents exclude restricted cash of RMB1,069.9 million (US$156.7 million). As of April 30, 2010, our cash and cash equivalents amounted to RMB3,846.5 million.

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

(3) As of April 30, 2010 our unaudited total bank loans amounted to RMB10,246.2 million (US$1,501.1 million), of which RMB3,140.2 million (US$460.1 million) and RMB7,106.0 million (US$1,041.0 million) are classified under current liabilities and non-current liabilities, respectively.

(4) Our borrowings do not include any accrual for capital commitments or contingent liabilities. As of December 31, 2009, capital commitments were RMB2,728.0 million (US$399.7 million) and our contingent liabilities, which were in the form of guarantees that we have provided to our customers in relation to their purchase of our properties and guarantees given to a bank in connection with bank loans granted to a third party, amounted to approximately RMB4,067.1 million (US$595.8 million) and RMB700.0 million (US$102.6 million), respectively. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Contractual Obligations" and "— Contingent Liabilities."

(5) As of December 31, 2009, our Non-Guarantor Subsidiaries had bank loans in the amount of RMB8,385.4 million (US$1,228.5 million) and capital commitments and contingent liabilities arising from guarantees of approximately RMB2,728.0 million (US$399.7 million) and RMB4,767.1 million (US$698.4 million), respectively. On March 18, 2010, our PRC subsidiary, Guanzhou Tianjian Real Estate Development Co., Ltd. signed a term loan agreement with China Construction Bank, Guangzhou Dongshan Branch, for an RMB-denominated term loan facility with an aggregate principal amount of up to RMB1.16 billion. As of April 30, 2010, RMB830 million in principal amount was outstanding under this facility.

(6) Long-term borrowings exclude the current portion of long-term bank loans.

(7) On July 29, 2010, we entered into a three year term loan with a principal amount up to HK$500 million with ICBC. See "Description of Material Indebtedness and Other Obligations — ICBC 2010 Loan." The borrower under this loan is a Non-Guarantor Subsidiary.

(8) Total capitalization includes total long-term borrowings plus total equity attributable to owners of the parent.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

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

Selected Consolidated Income Statement and Other Financial Data

	Year Ended December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$
	(in thousands)			
Revenue	3,868,136	1,574,214	4,266,572	625,056
Cost of sales	(1,809,200)	(746,413)	(2,650,267)	(388,266)
Gross profit	2,058,936	827,801	1,616,305	236,790
Other income and gains	206,549	150,644	49,265	7,217
Selling and marketing costs	(65,437)	(89,514)	(188,494)	(27,615)
Administrative expenses	(148,099)	(170,908)	(281,988)	(41,311)
Other operating expenses, net	(1,086)	(1,758)	(42,183)	(6,180)
Fair value gains/(losses) on investment properties, net[1]	2,288,520	(23,569)	60,587	8,876
Finance costs	(18,749)	—	(9,024)	(1,322)
Share of profits and losses of:				
An associate	—	—	(10)	(1)
Jointly-controlled entities	(36)	10,582	65,024	9,526
Profit before tax	4,320,598	703,278	1,269,482	185,980
Income tax expenses	(1,637,788)	(337,108)	(548,025)	(80,286)
Profit for the year	2,682,810	366,170	721,457	105,694

	Year Ended December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$
	(in thousands)			
OTHER FINANCIAL DATA				
EBITDA(2)	1,850,507	574,877	1,121,166	164,252
EBITDA margin(3)	47.8%	36.5%	26.3%	26.3%

(1) Certain information may not be comparable in the periods shown due to the adoption of new and revised HKFRS. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Valuation of Our Investment Properties."

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

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

Selected Consolidated Statement of Financial Position Data

	As of December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$
	(in thousands)			
NON-CURRENT ASSETS				
Property, plant and equipment	227,685	443,268	981,508	143,792
Investment properties	3,650,919	3,546,400	3,501,460	512,967
Land use rights	875,254	549,952	572,833	83,920
Interest in an associate	—	—	1,348,990	197,628
Interests in jointly-controlled entities	3,905	20,487	1,228,036	179,908
Deferred tax assets	111,371	168,453	398,325	58,355
Long term prepayment	933,359	1,098,483	—	—
Total non-current assets	5,802,493	5,827,043	8,031,152	1,176,570
CURRENT ASSETS				
Properties under development	7,745,585	11,878,560	13,951,102	2,043,848
Completed properties held for sale	1,189,629	1,534,404	2,300,415	337,013
Trade receivables	34,620	30,713	147,413	21,596
Prepayments, deposits and other receivables	735,413	1,069,487	453,039	66,371
Due from a jointly-controlled entity	29,001	50,314	46,999	6,885
Taxes recoverable	1,800	3,316	24,492	3,588
Restricted cash	147,353	205,942	1,069,876	156,738
Cash and cash equivalents	3,288,639	1,167,009	2,540,698	372,214
Total current assets	13,172,040	15,939,745	20,534,034	3,008,253
CURRENT LIABILITIES				
Trade payables	3,437,982	2,879,007	1,415,470	207,367
Other payables and accruals	1,755,906	2,063,396	5,222,361	765,080
Due to an associate	—	—	129,956	19,039
Interest-bearing bank loans	275,068	1,058,928	2,566,628	376,013
Taxes payable	1,149,171	1,012,289	1,418,808	207,857
Total current liabilities	6,618,127	7,013,620	10,753,223	1,575,356
NET CURRENT ASSETS	6,553,913	8,926,125	9,780,811	1,432,897
TOTAL ASSETS LESS CURRENT LIABILITIES	12,356,406	14,753,168	17,811,963	2,609,467

	As of December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$
	(in thousands)			
NON-CURRENT LIABILITIES				
Interest-bearing bank loans	2,445,404	4,935,253	6,078,852	890,557
Deferred tax liabilities	638,656	626,704	624,788	91,532
Deferred revenue	—	—	700,000	102,550
Total non-current liabilities	3,084,060	5,561,957	7,403,640	1,084,639
Net assets	9,272,346	9,191,211	10,408,323	1,524,828
EQUITY				
Equity attributable to owners of the parent				
Issued capital	254,093	254,093	280,538	41,099
Treasury shares	—	—	(3,041)	(446)
Reserves	7,890,527	8,136,797	9,982,514	1,462,447
Proposed final dividends	389,063	77,813	144,658	21,193
	8,533,683	8,468,703	10,404,669	1,524,293
Minority interests	738,663	722,508	3,654	535
Total equity	9,272,346	9,191,211	10,408,323	1,524,828

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

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

Our consolidated financial statements were prepared in accordance with HKFRS, which differ in certain material respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions. See "Summary of Certain Differences Between HKFRS and U.S. GAAP". In this section of the offering memorandum, references to "2007", "2008" and "2009" refer to our financial years ended December 31, 2007, 2008 and 2009, respectively.

Overview

We are a large scale property developer with a leadership position in Guangzhou and an established presence in Suzhou, Chengdu, Beijing and Hainan. We focus on medium-to high-end residential property developments with distinctive characteristics. To diversify our earnings mix, we also develop commercial properties in prime locations as long-term investments, including office buildings, shopping malls, serviced apartments and hotels. We commenced operation of our first office property, International Finance Place, in August 2007. In September 2009, we opened our first hotel, Four Points by Sheraton in Guangzhou, and are currently developing two additional high-end hotels in Guangzhou, including mainland China's first W Hotel and Huadu Sheraton Resort as well as W Service Apartment. In addition, we are planning to develop six further high-end hotels and five high-end shopping malls in various cities including Guangzhou, Suzhou and Chengdu as well as Hainan Province. Our hotels will be operated by internationally renowned hotel operators including affiliates of Starwood Hotels & Resorts Worldwide, Inc. (the "Starwood Hotels Group"). We believe our investment properties and hotels will help further strengthen our brand name. We also engage in property-related businesses such as property management for residential and commercial properties.

For 2007, 2008, 2009, our revenue was RMB3,868.1 million, RMB1,574.2 million and RMB4,266.6 million, respectively. For 2007, 2008 and 2009, our profit for the year was RMB2,682.8 million, RMB366.2 million and RMB721.5 million, respectively.

Key Factors Affecting Our Performance

Our business, results of operations and financial condition are affected by a number of factors, many of which are beyond our control. See "Risk Factors." Such factors include the following:

The Regulatory Environment and Measures Affecting the Real Estate Industry in China

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

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

In response to the global financial crisis and in an effort to expand domestic demand, the State Council issued a notice on Adjusting the Capital Ratio 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) on May 25, 2009. Pursuant to the notice, the capital ratio for government subsidized housing projects and ordinary commodity housing projects was reduced from 35% to 20%, and the capital ratio for other property development projects was reduced from 35% to 30%. On October 22, 2008, the PBOC promulgated the Notice on Several Issues Regarding the Expansion of the Extent of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度有關問題的通知). Pursuant to the notice, the minimum down payment for home buyers on their first home purchase was lowered to 20% of the purchase price, with the minimum mortgage loan interest rate lowered to 70% of the relevant PBOC benchmark interest rate. These and other measures have affected the overall economy in China, with differing effects on various sectors. More recently, in November and December 2009, in response to the rising property prices across the country, the PRC government announced new policies and adopted new measures to curtail speculation in the property market and imposed more stringent requirements on the payment of land premiums by property developers. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations.

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

The Product Mix and Geographic Locations of Our Properties

Our principal source of revenue and cash from operations is derived from the sale of units in our residential properties, and to a lesser extent from sales of office properties, retail properties, carpark spaces and serviced apartments. We also derive recurring revenue from our investment properties, which are held for recurring income and/or for capital appreciation. Our results of operations and the sources and amount of our cash from operations may vary significantly from period to period depending on the type and volume of our completed properties that we sell or rent, which frequently depends on the timing of the completion of various stages in the property development process. See "— Timing of Property Development." Our results of operations and cash flows will also vary depending on the market demand at the time we sell or rent our properties, which affects the rental and occupancy rates of our investment properties and hotels and the selling prices for units in our residential properties. The recurring income and selling prices we receive from, and the occupancy levels of, our property developments depend on local market prices which in turn depend on local supply and demand conditions, as well as the type of property being developed.

Timing of Property Development

The number of property developments that a developer can undertake during any particular period is limited due to substantial capital requirements for land acquisitions and construction costs as well as limited land supply. In addition, significant time is required for property developments and it may take many months or probably years before pre-sales of a property development can occur. Moreover, while the pre-sale of a property generates positive cash flow for us in the period in which it is made, we must place a portion of such proceeds in restricted bank accounts and may only use such cash for specified purposes. In addition, no revenue is recognized with respect to such property until it has been completed and delivered to the purchaser. As market demand is not stable, revenue in a particular period can also depend on our ability to gauge the expected demand in the market at the expected completion date of a particular project, while delays in construction, regulatory approval processes and other factors can adversely affect the timetable of our projects. As our revenue from sales of properties are recognized upon the delivery of properties, the timing of such delivery may not only affect the amount and growth rate of our revenue but also cause changes in other payables and accruals to fluctuate from period to period. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future. For 2007, 2008 and 2009, our revenue was RMB3,868.1 million, RMB1,574.2 million and RMB4,266.6 million, respectively. The fluctuations in revenue were primarily due to the volume of GFA delivered during such period, which is partially a result of timing of our property development.

Fluctuation in the Valuation of Our Investment Properties

Our investment properties principally consist of office buildings for rent, retail shop units and carpark spaces held for recurring revenue and/or for capital appreciation. Our investment properties (excluding hotels and serviced apartments, which are recorded as non-current assets under "Property, plant and equipment" on our consolidated statements of financial position) are stated at their fair value on our consolidated statements of financial position as non-current assets as of the end of each reporting period on the basis of valuations by an independent property valuer or by our management. Gains or losses arising from changes in the fair value of our investment properties are accounted for as profit or loss upon revaluation increase or decrease in investment properties in our consolidated income statements, which may have a substantial effect on our profits. The property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The bases and assumptions which the valuer uses for the valuation typically includes values realized in comparable precedent transactions in the market for properties of similar size, character and location. The fair value of our investment properties may have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant reporting dates and are not profit generated from the sales or rentals of our investment properties, and do not generate any cash inflow to us until such investment properties are disposed of at similarly revalued amounts. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets and may fluctuate significantly. We cannot assure you that we will record fair value gains, or that we will not record fair value losses, in the future. For 2007, 2008 and 2009, we recorded net fair value gains (losses), net of deferred tax, of RMB1,533.3 million, RMB(17.7) million and RMB45.5 million, respectively. For 2007, the net fair value gains, net of deferred tax, represented approximately 57.2% of our profit for the year.

Availability and Cost of Land

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

Costs of Labor and Construction Materials

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

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

Access to and Cost of Financing

Borrowing is an important source of funding for our property developments. As of December 31, 2007, 2008 and 2009 and April 30, 2010, our outstanding bank loans amounted to RMB2,720.5 million, RMB5,994.2 million, RMB8,645.5 million and RMB10,246.2 million (US$1,501.1 million), respectively. Because commercial banks in China link the interest rates on their borrowings to the benchmark lending rates published by PBOC, any increase in such benchmark lending rates will increase the interest costs for financing our developments. Our access to capital and cost of financing are affected by restrictions imposed from time to time by the PRC government on bank lending for property development. In addition, since we have Hong Kong dollar denominated debt, our access to capital and cost of financing are also affected by fluctuations in the Hong Kong Interbank Offered Rate, an interest rate stated in Hong Kong dollars on the lending and borrowing between banks in the Hong Kong interbank market. A significant portion of our finance costs are capitalized rather than being expensed at the time they are incurred to the extent such costs are directly attributable to the acquisition and construction of a project or a projected phase.

Our capitalized borrowing costs attributable to revenue included in our cost of sales in 2007, 2008 and 2009 was RMB103.8 million, RMB35.1 million and RMB123.9 million, respectively. An increase in our finance costs would negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will negatively affect our results of operations.

Critical Accounting Policies

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2.4 to our consolidated financial statements included in this offering memorandum. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items such as revenue recognition, cost or expense allocation and provision. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. See Note 3 to the financial statements starting on page F-1 of this offering memorandum.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably, on the following bases:

(a) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, which is when the construction work has been completed and the properties have been delivered to the buyer. Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities;

(b) rental income, on a time proportion basis over the lease terms;

(c) hotel revenue from room rentals, food and beverage sales and other ancillary services when the services are rendered;

(d) property management fee income, when the related management services have been provided; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Properties Under Development, Cost of Sales and Completed Properties Held for Sale

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost and net realizable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Cost of sales for each property we sell includes construction costs, costs of obtaining land use rights and capitalized borrowing costs on related borrowed funds during the period of construction, based upon the total saleable GFA of properties expected to be sold in each project, which are allocated to each property based on the estimated relative saleable GFA of each property. We make such estimates based on the information available at the time of completion of the relevant sales contracts, including the development plan and budget for the project. If there is any change to the estimated total development cost subsequent to the initial sales for a project, for example, due to fluctuations in construction costs or changes in development plans, we will need to finalize the cost with the contractor and allocate the increased or decreased cost to all the properties in the project, including those that have been sold in prior periods, which will increase or decrease the unit costs of, and erode or improve the margins realizable on, the properties of the project during the period in which such change occurs.

Completed properties held for sale are stated at the lower of cost and net realizable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realizable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Valuation of Our Investment Properties

Our investment properties are stated at fair value based on valuations performed by independent professional valuers. In determining the fair value, the valuers have based this on a method of valuation which involves certain estimates. In relying on the valuation report provided by the valuers, our management team has exercised its judgment and is satisfied that the method of valuation is reflective of current market conditions. See "Certain Income Statement Items — Fair Value Gains on Investment Properties."

Effective from January 1, 2009, Hong Kong Accounting Standard 40 revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendments prospectively from January 1, 2009. The Group's accounting policy for investment properties is to subsequently state them at fair value with changes in fair values recognized in profit or loss. As a result of the amendments, an investment property under construction is carried at fair value at the earlier of when the fair value first becomes reliably determinable and when the construction of the property is completed.

As a result of the adoption of this amendment, during the year ended December 31, 2009, the Group reclassified properties under development of approximately RMB11.8 million into investment properties. A fair value increase of approximately RMB58.4 million in respect of the investment properties under construction has been recognized in the income statement for the year ended December 31, 2009.

Capitalized Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

LAT

We are subject to LAT with respect to the appreciated value of land. LAT applies to both domestic and foreign developers and investors in real properties in China, irrespective of whether they are corporate entities or individuals. For 2007, 2008 and 2009, we made LAT prepayments of RMB30.9 million, RMB36.1 million and RMB62.2 million, respectively and LAT provisions of RMB572.2 million, RMB197.6 million and RMB351.2 million, respectively. We prepay LAT on the basis of our pre-sale proceeds in accordance with requirements of PRC tax authorities and provide for unpaid LAT liabilities based on our best estimate according to our understanding of prevailing tax rules. Actual LAT liabilities are, however, subject to determination by the tax authorities upon completion of the property development projects and, because the PRC government has not published clear and comprehensive guidelines in this regard, the tax authorities may disagree that our provisions are sufficient to cover all actual LAT obligations as of each balance sheet date in respect of our past LAT liabilities. See "Regulations — Taxation in China — Land Appreciation Tax."

Classification between Investment Properties and Properties Held for Sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as assets under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at the end of each reporting period.

Certain Income Statement Items

Revenue

Our revenue represents the (i) gross proceeds from the sale of properties, (ii) gross rental income received and receivable from investment properties, (iii) gross revenue from hotel operation and (iv) property management fee income, which is categorized into four segments: property development, property investment, hotel operation and property management, respectively. We are subject to business tax at the rate of approximately 3% to 5% for all our operating segments. Revenue is presented net of business tax.

The following table sets forth our revenue in each operating segment and the percentage of revenue represented by each segment in 2007, 2008 and 2009, respectively.

	Year Ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Property development	3,846,838	99.4%	1,471,220	93.5%	4,109,986	602,116	96.3%
Property investment .	11,639	0.3%	74,526	4.7%	98,701	14,460	2.3%
Hotel operation	—	—	—	—	10,003	1,465	0.3%
Property management	9,659	0.3%	28,468	1.8%	47,882	7,015	1.1%
Total	3,868,136	100%	1,574,214	100%	4,266,572	625,056	100%

In 2007, 2008 and 2009, we derived substantially all of our revenue from the development and sale of residential properties. In the future, we intend to further expand our business into the development of hotels, office buildings and other commercial properties, and therefore we expect that our recurring revenue generated from our property development, hotel operation and property investment segments should increase over time.

Property Development

The following table sets forth the revenue and GFA sold by project for 2007, 2008 and 2009.

	Year Ended December 31,								
	2007			2008			2009		
	sq.m.	RMB ('000)	%	sq.m.	RMB ('000)	%	sq.m.	RMB ('000)	%
Linkreit International Business Development Center(1)	29,310	238,967	6%	10,406	83,519	6%	3,280	25,308	1%
City of Perfection	1,518	8,439	0%	—	—	—	—	—	—
International Finance Place	3,467	91,292	2%	—	—	—	—	—	—
Ma'an Mountain No.1	41,616	317,512	8%	11,600	91,404	6%	3,836	39,472	1%
Cosmos	115,522	2,221,879	58%	21,535	553,888	38%	9,719	215,802	5%
Jinghu Garden	88,335	373,844	10%	35,170	171,595	12%	57,123	255,835	6%
Sky Ville	52,331	593,516	16%	33,475	332,825	22%	115,539	625,694	15%
Colour of United	230	1,389	0%	402	2,217	0%	—	—	—
Waterfront Mansion	—	—	—	9,805	42,548	3%	154,008	699,729	17%
King Peak Garden	—	—	—	11,138	193,224	13%	21,726	425,711	10%
The City Island	—	—	—	—	—	—	58,992	351,462	9%
The Apex	—	—	—	—	—	—	64,408	1,288,201	31%
The Emerald	—	—	—	—	—	—	21,203	182,772	5%
	332,329	3,846,838	100%	133,531	1,471,220	100%	509,834	4,109,986	100%

(1) Historical project, for which as of April 30, 2010, substantially all of the saleable GFA attributable to our Group had been sold out.

Revenue from property development represents proceeds from sales of our properties held for sale. Because we derive substantially all of our revenue from the property development segment, our results of operations for a given period depend upon the GFA of properties we have completed and delivered during that period, the market demand for those properties and the price we are able to obtain for such properties. Conditions of the property markets in which we operate change from period to period and are affected by the general economic, political and regulatory developments in the PRC as well as in Guangzhou and other locations where we operate. See "— Key Factors Affecting Our Performance."

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. See "Business — Property Development — Pre-sale." In general, there is a time difference, typically ranging from several months to one year, between the time we commence pre-selling properties under development and the completion of the relevant property development. We do not recognize any revenue from the pre-sales of our properties until such properties are completed and delivered to the purchasers, even though we receive payments at various stages prior to delivery. Before the delivery of a pre-sold property, payments received from purchasers are recorded as "Deposits received and receipts in advance" under "Current Liabilities — Other payables and accruals" on our consolidated statements of financial position. As our revenue from sales of properties are recognized upon the delivery of properties, the timing of such delivery may not only affect the amount and growth rate of our revenue but also cause changes in other payables and accruals to fluctuate from period to period. As of December 31, 2007, 2008 and 2009, our deposits received in advance arising from pre-sales of various development projects, amounted to approximately RMB784.0 million, RMB803.7 million and RMB3,308.5 million, respectively.

Property Investment

Revenue from our property investment segment represents recurring revenue from our investment properties, which has historically been generated from the rental of the retail properties and carpark spaces of our residential projects, that is recognized on a straight-line basis over the lease period. For 2007, 2008 and 2009, our gross rental income was RMB11.6 million, RMB74.5 million and RMB98.7 million, respectively. In the future, we expect that our recurring revenue will continue to increase over time as we further expand to the development and management of office buildings and other commercial properties. We believe the increase of such recurring revenue will help us reduce over-reliance on a particular sector of the property market and diversify our risk exposure to reduce the potential impact of adverse developments in the PRC economy and property markets in the cities in which we do business.

Hotel Operation

Revenue derived from hotel operations is recognized when such services are provided. Revenue from our hotel operations was RMB10.0 million for 2009. We expect that as a proportion of our total revenue, revenue from hotel operations will continue to increase as we develop more hotel projects in the future.

Property Management

Revenue from our property management segment is recognized when the related management services are provided. We established our two property management subsidiaries in 2003 and 2004, respectively, which provide property management services to our residential and commercial properties. For 2007, 2008 and 2009, our revenue from property management fees was RMB9.7 million, RMB28.5 million and RMB47.9 million, respectively. We expect that our revenue from property management fees will increase over time due to the cumulative growth of our portfolio of residential and commercial properties under management. We currently do not and do not intend to provide property management services to third-party projects.

Cost of Sales

Cost of sales primarily represents the costs we incur directly for our property development activities. The principal component of cost of sales is cost of properties sold, which includes the direct cost of construction, costs of obtaining land use rights and capitalized borrowing costs on related borrowed funds during the period of construction.

The table below sets forth information relating to cost of sales for the periods indicated.

	Year Ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Sales of properties							
Land	441,266	24.5%	149,229	20.0%	622,885	91,253	23.5%
Capitalized interest	103,814	5.7%	35,139	4.7%	123,909	18,153	4.7%
Construction cost	1,259,705	69.6%	554,527	74.3%	1,890,195	276,915	71.3%
	1,804,785	99.8%	738,895	99.0%	2,636,989	386,321	99.5%
Property management	4,415	0.2%	7,518	1.0%	11,864	1,738	0.4%
Hotel operation	—	—	—	—	1,414	207	0.1%
Total	1,809,200	100%	746,413	100%	2,650,267	388,266	100%

We recognize the cost of sales of our properties for a given period to the extent that revenue from such properties have been recognized in such period. Prior to their completion and delivery, properties under development are included in our consolidated statements of financial position at the lower of cost and net realizable value. Net realizable value for our properties under development is determined by reference to management's estimates of the selling prices based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs of completion. Net realizable value for our completed properties held for sale is determined by our directors based on prevailing market prices, or on individual property basis. Cost for properties under development comprises construction costs, costs of obtaining land use rights, and capitalized borrowing costs. The components of our cost of sales may change in any given year based on the stage of our projects in the property development process. See "Business — Property Development."

Construction Costs

Construction costs include all of the costs for the design and construction of a project, including payments to third-party contractors and designers and costs of construction materials. Historically, construction material costs (which are generally included in the payments to the construction contractors), particularly the cost of steel and cement, has been a major cause of fluctuations in our construction costs. See "— Key Factors Affecting Our Performance — Cost of Labor and Construction Materials."

Other components of our construction costs include ventilation systems, plant watering systems, elevators and interior decoration materials. Construction cost per sq.m. decreased from RMB4,153 in 2008 to RMB3,708 in 2009, principally due to the increasing proportion of our construction of mid-end residential projects which have relatively lower construction costs. Construction cost per sq.m. increased from RMB3,791 in 2007 to RMB4,153 in 2008, principally due to an overall increase in material costs.

In addition, with the overall improvement of living standards in the PRC as well as the PRC government's recent policies aiming to increase wages of migrant workers, we expect the trend of increasing labor costs to continue into the near future, which in turn will increase our construction costs.

Costs of Land Use Rights

Costs of land use rights include costs relating to acquisition of the rights to occupy, use and develop land, and primarily represent land premiums incurred in connection with a land grant from the government or land obtained in the secondary market by transfer, cooperative arrangement, corporate acquisition or otherwise. Our costs of land use rights are influenced by a number of factors, including the location of the property, the timing of the acquisition, and the project's plot ratios. Costs of land use rights are also affected by our method of acquisition, whether by PRC government-organized tenders, auctions or listings-for-sale, through private sale transactions and cooperative agreements with third parties in the secondary market or through the acquisition of other companies that hold land use rights. We may also be required to pay demolition and resettlement costs. Our costs of land use rights are also vulnerable to changes in PRC regulations. Costs of land use rights per sq.m. remained constant in 2008 and 2009. Land cost per sq.m. decreased from RMB1,328 in 2007 to RMB1,118 in 2008, principally because in 2007, we delivered a portion of International Finance Place and our luxury residential project, The Cosmos, where land premium paid is relatively higher. Both such projects were built in Pearl River New Town, a prime location in Guangzhou.

Capitalized Borrowing Costs

We capitalize a portion of our costs of borrowings to "Properties under development"; "Investment properties" or "Assets under construction" under "Property, plant and equipment" on our consolidated statements of financial position (depending on whether the relevant project is being developed for sale; for investment or hotel operation purposes) to the extent that such costs are directly attributable to the construction of a project. In general, we capitalize finance costs incurred from the commencement of the planning and design of a project, which typically precedes the receipt of a construction permit, until the completion of construction. For any given project, finance costs incurred after the end of the month in which construction on the project is completed are not capitalized, but are instead accounted for in our consolidated income statements as finance costs in the period in which they are incurred.

Other Income and Gains

Other income and gains comprise net gains on the disposal of our investment properties, interest income on bank deposits, net foreign exchange differences, and miscellaneous income, including revenue from clubhouses and other facilities in our residential projects. Upon the disposal of an investment property, the difference between the net proceeds and the carrying value is accounted for as a gain or loss on the disposal of an investment property and is recorded on our consolidated income statements under "Other income and gains."

Selling and Marketing Costs

Selling and marketing costs include advertising and promotional expenses relating to sales and rental of our properties (including advertisements on television and in newspapers, magazines, on billboards, promotional offers made directly to our customers and certain other promotional events), selling and marketing staff costs and other selling expenses. Our selling and marketing costs in any period are affected by the proportion of newly-introduced developments in our portfolio in that period. We expect our selling and marketing costs to continue to increase, as we have multiple projects which we expect to be released to the market on a rolling basis in the near future. Furthermore, we may be required to incur additional selling and marketing costs when we enter into a new market as part of our efforts to develop our brand in those markets.

Administrative Expenses

Administrative expenses include primarily administrative staff costs, travelling and entertainment expenses, other professional fees, and general office expenses.

Fair Value Gains (Losses) on Investment Properties

Investment properties are interests in land and buildings held to earn recurring income and/or for capital appreciation. In 2007 and 2008, before the completion of construction of these properties, such interests were recorded as non-current assets under "Land use rights" or "Assets under construction" under "Property, plant and equipment" on our consolidated statements of financial position and, upon their completion, were transferred to investment properties on our consolidated statements of financial position. In 2009, due to a change in accounting policies, such interests were recorded as non-current assets under "Investment properties" on our consolidated statements of financial position. "Properties under development" on our consolidated statements of financial position represent the properties that we are developing for sale and do not include any investment properties. Our investment properties currently comprise commercial properties held for rental purposes and/or for capital appreciation, including office building, retail properties and carpark spaces. With regard to retail properties and carpark spaces on a residential project, we treat some of them as investment properties upon the completion of such properties. However, we have the discretion to sell these retail properties and carpark spaces when we believe sales will generate more economic return. Once a retail property or a carpark space is sold, it is excluded from our investment properties. The gains on disposals of these investment properties are recognized as "Other income and gains", and the losses on disposal of such properties are recognized as "Other operating expenses, net."

Gains or losses arising from changes in the fair values of investment properties are included in our consolidated income statements in the year in which they arise. CBRE revalued our investment properties as of December 31, 2007, 2008 and 2009, respectively, on an open market, existing use basis which reflected market conditions at those dates. Based on such valuation, we recognized the aggregate fair market value of our investment properties on our consolidated statements of financial position, recognized fair value gains or losses on investment properties on our consolidated income statements and recognized the relevant deferred tax under "Income tax expenses" on our consolidated income statements.

As of December 31, 2007, 2008 and 2009, the fair value of our investment properties was RMB3,650.9 million, RMB3,546.4 million and RMB3,501.5 million, respectively. For 2007, 2008 and 2009, the fair value gains/(losses) on our investment properties were RMB2,288.5 million, RMB(23.6) million and RMB60.6 million, respectively, and the relevant deferred tax for these fair value gains charged under "Income tax expenses/(credits)" on our consolidated income statements were RMB755.2 million, RMB(5.9) million and RMB15.1 million, respectively. Accordingly, for the same periods, net fair value gains (losses), net of deferred tax, on our investment properties were RMB1,533.3 million, RMB(17.7) million and RMB45.5 million.

For 2007, net fair value gains, net of deferred tax, represented approximately 57.2% of our profit for the year. In 2007, fair value gains were recognized mainly from our investment properties in Guangzhou. For 2008, our net fair value loss was primarily due to the rapid decline in the PRC property market and lack of new significant investment properties. Our net fair value gains in 2009 increased to RMB60.6 million primarily as a result of our additional investment properties in Guangzhou. For 2009, the net fair value gains, net of deferred tax represented approximately 6.3% of our profit for the year.

The fair value of each of our investment properties is likely to fluctuate from time to time and the fair value of our investment properties may decrease significantly in the future. Any such decrease in the fair value of our investment properties would reduce our profits. See "Risk Factors — Risks Relating to Our Business — The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability."

Finance Costs

Finance costs consist primarily of interest costs on bank loans net of capitalized borrowing costs. We capitalize a portion of our costs of borrowings to "Properties under development" or to "Assets under construction" under "Property, plant and equipment" or to "Investment property under construction" under "Investment Properties" on our consolidated statements of financial position (depending on whether the relevant project is being developed as for sale or for investment purposes) to the extent that such costs are directly attributable to the construction of a project. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness and the interest rates on such indebtedness. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the interest costs related to a property development can be capitalized. As a result, the period to period fluctuation of our finance costs is also attributable to the amount and timing of capitalization. See "— Cost of Sales — Capitalized Borrowing Costs."

Share of Profit and Loss of an Associate

Share of profit and loss of an associate represents our profit or loss after tax that is attributable to our interest in an associate pursuant to the joint venture agreement. The associate is Suzhou City Kaiyu Real Estate Development Company Limited.

Share of Profits and Losses of Jointly-controlled Entities

Share of profits and losses of jointly-controlled entities represents our profits or losses after taxation that is attributable to our interests in jointly-controlled entities pursuant to the joint venture agreements. The jointly-controlled entities are Guangzhou Weibai Real Estate Development Limited, Precious Wave Investments Limited, Quality Express Limited and Guangzhou Fujing Real Estate Development Limited.

Income Tax Expenses

Our tax expenses for a given year include PRC corporate income tax and LAT during the period. For 2007, 2008 and 2009, our effective tax rate (income tax expenses divided by profit before tax) was 37.9%, 47.9% and 43.2%, respectively. Our effective tax rate is affected by, among other things, the LAT we are required to make.

PRC Corporate Income Tax

Income tax expense represents PRC corporate income tax liabilities accrued by our operating subsidiaries. The PRC corporate income tax has been calculated at the applicable tax rate on the assessable profits for each of 2007, 2008 and 2009. Before January 1, 2008, the corporate income tax rate generally applicable in the PRC was 33%. According to the PRC Enterprise Tax Law enacted by the National People's Congress on March 16, 2007, which became effective on January 1, 2008, a uniform income tax rate of 25% has been applied towards foreign investment and foreign enterprises which have set up production and operation facilities in the PRC. We are subject to tax at the new uniform income tax rate.

LAT

Under PRC laws and regulations, our PRC subsidiaries that are engaged in the property development business are subject to LAT, as determined by the local authorities in the location in which each project is located.

LAT Calculation. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, as defined in the relevant tax laws. Certain exemptions are available for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the total deductible items (as defined in the relevant tax laws). Sales of commercial properties are not eligible for such an exemption. Whether a property qualifies for the ordinary residential property exemption is determined by the local government, taking into consideration the property's plot ratio, aggregate GFA and sales price. Sales of higher-end properties and commercial properties are generally assessed at higher appreciation values, and are therefore generally subject to higher LAT rates.

LAT Provision. During 2007, 2008 and 2009, we generated sales from 13 projects. Our Guangzhou properties and all of our other projects currently under development or held for future development are subject to the regular LAT obligation at progressive rates between 30% and 60%. We estimate and make provisions for what we believe to be the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations. For 2007, 2008 and 2009, we have provided for LAT in the amount of RMB572.2 million, RMB197.6 million and RMB351.2 million, respectively. Because we are only permitted to deduct our LAT provisions for corporate income tax purposes when the relevant LAT is paid, we recognize deferred tax assets on our consolidated statements of financial position to the extent that we have made provision for LAT on properties sold or pre-sold, in each case until such time as the related LAT payments are made.

LAT Prepayment. Effective from January 1, 2005, the Guangzhou local tax bureau has required prepayment of LAT on pre-sale and sale proceeds of property developments on a quarterly basis. The applicable prepayment rates, as a percentage of pre-sale and sale proceeds of the previous quarter, are 0.5% for ordinary residential properties, 0.7% for residential and commercial complexes and 1% for other types of properties. Effective from January 1, 2008, the Guangzhou local tax bureau has changed the applicable prepayment rates of LAT. The applicable prepayment rates, as a percentage of pre-sale and sale proceeds, are 1% for ordinary residential properties and 2% for other types of properties. For the years ended December 31, 2007, 2008 and 2009, we made LAT prepayment in the amount of RMB30.9 million, RMB36.1 million and RMB62.2 million, respectively.

LAT Enforcement. On December 28, 2006, the PRC State Administration of Taxation issued a circular, which took effect on February 1, 2007. Under this circular, LAT must be settled if any of the following criteria is met: (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole development project prior to completion; or (3) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may require the developer to settle its LAT obligations if any of the following criteria is met:

- for completed property development projects, the GFA transferred to buyers represents more than 85% of total saleable GFA of the relevant project, or the proportion represented is less than 85%, but the remaining saleable GFA has been leased out or used by the developer;

- the project has not been sold out for more than three years after obtaining the sale or presale permit;

- the developer applies for cancellation of tax registration without having settled the relevant LAT obligations; or

- other conditions stipulated by the tax authorities.

On May 25, 2010, the PRC State Administration of Taxation published the Circular on Strengthening the Collection and Administration of Land Value Increment Tax (關於加強土地增值稅徵管工作的通知, "Circular") to require all local government to scientifically formulate the tax ratio and strengthen the pre-tax of land value increment tax. According to the Circular, all local government shall made adjustments to the current pre-tax ratio. In addition to safeguarding housing, the pre-tax ratio of provinces in the eastern region shall not be lower than 2%, while the provinces in middle and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%; and the local government shall determine the pre-tax ratio applicable to different types of real estate.

For projects developed in different phases, the LAT must be settled upon the completion of each phase. Local authorities, including the Guangzhou tax bureau, are required to issue regulations in compliance with the circular in consideration of local conditions. Our final LAT clearance and settlement in respect of any given property development project can be determined and made according to the requirements of the circular, or as and when requested by the relevant tax authorities. The relevant tax authorities have not yet notified us to commence final LAT clearance and settlement in respect of any of our property development projects. We believe we have made LAT prepayment and provision in accordance with all relevant PRC tax laws and regulations. Nevertheless, we cannot assure you that our LAT provisions are sufficient to cover our LAT obligations or that the tax authorities will agree with the basis on which we calculate our LAT obligations. In addition, our cash flows may be materially and adversely affected should the Guangzhou tax bureau require us to make immediate LAT settlement payments in respect of properties that we have developed.

As we are planning to continue to expand our property developments outside Guangzhou, we are subject to LAT as implemented by the local tax authorities in our new markets and we cannot assure you that any LAT obligations we calculate and provide for in respect of properties in these new markets will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

Deferred Tax

We provided for deferred tax, using the liability method, on temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantially enacted by the balance sheet date are used to determine the deferred tax.

We provided for deferred tax liabilities, including the taxable temporary differences arising on fair value gains on investment properties, in full while deferred tax assets are recognized to the extent that it is probable that future profit will be available against which the temporary differences can be utilized. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management estimation is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Hong Kong and Cayman Islands Tax

We have not made any provision for Hong Kong profits tax as we had no assessable profit in Hong Kong during 2007, 2008 and 2009. Furthermore, based on the Cayman Islands' tax regulations, we are not subject to Cayman Islands income tax because we operate as an exempted company.

Recent Developments

For the six months ended June 30, 2010, we pre-sold a total GFA of approximately 552,793 sq.m., generating pre-sales from property developments of approximately RMB6,512 million. The average selling price of the properties pre-sold during the same period was approximately RMB11,781 per sq.m.

During May and June 2010, our monthly aggregate value of pre-sales declined as compared to the preceding four months of 2010 due principally to lower volumes of new development projects offered for sale and the adverse effects of tightening measures on the real estate sector implemented by the PRC government commencing in mid-April 2010.

Results of Operations

The following table sets forth, for the periods indicated, certain items derived from our consolidated income statements and their respective percentages of our total revenue.

	Year Ended December 31,						
	2007		2008		2009		
	RMB	%	RMB	%	RMB	US$	%
	(in thousands, except percentages)						
Revenue	3,868,136	100.0%	1,574,214	100.0%	4,266,572	625,056	100.0%
Cost of sales	(1,809,200)	(46.8%)	(746,413)	(47.4%)	(2,650,267)	(388,266)	(62.1%)
Gross profit	2,058,936	53.2%	827,801	52.6%	1,616,305	236,790	37.9%
Other income and gains	206,549	5.3%	150,644	9.6%	49,265	7,217	1.2%
Selling and marketing costs	(65,437)	(1.7%)	(89,514)	(5.7%)	(188,494)	(27,615)	(4.4%)
Administrative expenses	(148,099)	(3.8%)	(170,908)	(10.9%)	(281,988)	(41,311)	(6.6%)
Other operating expenses, net	(1,086)	(0%)	(1,758)	(0.1%)	(42,183)	(6,180)	(1.0%)
Fair value gains/(losses) on investment properties, net	2,288,520	59.2%	(23,569)	(1.5%)	60,587	8,876	1.4%
Finance costs	(18,749)	(0.5%)	—	—	(9,024)	(1,322)	(0.2%)
Share of profits and losses of:							
An associate	—	—	—	—	(10)	(1)	(0%)
Jointly-controlled entities	(36)	(0%)	10,582	0.7%	65,024	9,526	1.5%
Profit before tax	4,320,598	111.7%	703,278	44.7%	1,269,482	185,980	29.8%
Income tax expenses	(1,637,788)	(42.3%)	(337,108)	(21.4%)	(548,025)	(80,286)	(12.8%)
Profit for the year	2,682,810	69.4%	366,170	23.3%	721,457	105,694	16.9%

2009 Compared to 2008

Revenue. Our revenue increased by 171.0% to RMB4,266.6 million in 2009 from RMB1,574.2 million in 2008, primarily due to the increase of total GFA delivered in sales of properties in 2009.

- *Property Development*. Revenue generated from property development increased by 179.4% to RMB4,110.0 million in 2009 from RMB1,471.2 million in 2008, primarily attributable to a 281.8% increase in total GFA delivered of 509,834 sq.m. in 2009 from 133,531 sq.m. in 2008. The increase in the total GFA delivered in 2009 was principally due to the completion and delivery of three projects in 2009 that were under construction in 2008. The increase in revenue was partially offset by the decrease in the recognized average selling price of our properties sold. The recognized average selling price of property decreased to RMB8,061 per sq.m. in 2009 from RMB11,018 per sq.m. in 2008 due to our sales portfolio comprising more mid-to high end residential GFA with relatively lower recognized average selling price in 2009 as compared to 2008.

- *Property Investment*. Revenue generated from property investment increased by 32.5% to RMB98.7 million in 2009 from RMB74.5 million in 2008, primarily as a result of an increase in total GFA of our rental area leased in International Finance Place in 2009, which was the first full year in which rental income was generated from certain tenants.

- *Hotel Operation*. In September 2009, we opened our first hotel property, Four Points by Sheraton Guangzhou, Dongpu. We reported hotel operation income of approximately RMB10.0 million for 2009. We had no hotel operation income for 2008.

- *Property Management*. Revenue generated from property management increased by 68.1% to RMB47.9 million in 2009 from RMB28.5 million in 2008, primarily due to an increase in the number of properties under management. In addition, 2009 was the first full year where we provided property management services to certain projects.

Cost of Sales. Cost of sales increased by 255.1% to RMB2,650.3 million in 2009 from RMB746.4 million in 2008, primarily due to an overall increase in cost of properties sold as a result of the increase in total GFA delivered in 2009. Construction cost per sq.m. decreased from RMB4,153 in 2008 to RMB3,708 in 2009, principally due to the increasing proportion of our construction of mid-end residential projects which have relatively lower construction costs. Land premium paid per sq.m. remained constant in both 2008 and 2009.

Gross Profit. Gross profit increased by 95.3% to RMB1,616.3 million in 2009 from RMB827.8 million in 2008. The increase in gross profit is primarily attributable to the increase in the total revenue in 2009. However, the increase of gross profit was partially offset by the decrease in recognized average selling price in 2009. Our gross profit margin decreased to 37.9% in 2009 from 52.6% in 2008. The decline in gross profit margin was mainly due to the increasing proportion of our sales and delivery of mid-to high end residential GFA, which have relatively lower average selling price and gross profit margin.

Other Income and Gains. Other income and gains decreased by approximately 67.3% to RMB49.3 million in 2009 from RMB150.6 million in 2008, primarily due to less recognized net exchange gains in 2009 as compared to 2008. In 2009, other income and gains mainly comprised interest income of approximately RMB7.1 million and net exchange gains of approximately RMB24.6 million.

Selling and Marketing Costs. Our selling and marketing costs increased by 110.6% to RMB188.5 million in 2009 from RMB89.5 million in 2008, primarily due to an increase of 62.9% in advertising expenses to RMB104.4 million in 2009 from RMB64.1 million in 2008, largely attributable to increased advertising for our new projects, such as The Emerald, Chengdu Cosmos and The Vision of the World in Chengdu, The Up Blue Town and The Sapphire in Suzhou, Fragrant Seasons (also known as "Sound of the Soul") in Beijing, The Apex, International Creative Valley and Zengcheng Summit in Guangzhou.

Administrative Expenses. Administrative expenses increased by 65.0% to RMB282.0 million in 2009 from RMB170.9 million in 2008, primarily due to an increased headcount in line with our rapid development. The opening of our Four Points by Sheraton Guangzhou, Dongpu and the increase of other tax and surcharges on sales of properties also contributed to the increase in 2009.

Other Operating Expenses, Net. Other operating expenses, net increased to RMB42.2 million in 2009 from RMB1.8 million in 2008. Other operating expenses, net in 2009 primarily comprised the losses on the disposal of investment properties of approximately RMB40.1 million, mainly due to the disposal of certain retail shops of Yuhua Garden. We did not incur any such losses in 2008.

Fair Value Gains on Investment Properties, Net. Net fair value gains on investment properties was RMB60.6 million for 2009, mainly related to fair value gains on the leasable portion of International Creative Valley in Guangzhou. We incurred net fair value losses of RMB23.6 million in 2008 primarily due to decrease in the fair value of International Finance Place.

Finance Costs. Finance costs increased substantially to RMB9.0 million in 2009 from nil in 2008. Finance costs in 2009 were primarily related to the borrowing costs on corporate loans. Since such loans were not earmarked for project development, such borrowing costs have not been capitalized.

Share of Profits and Losses of Jointly-controlled Entities. Share of profits of jointly-controlled entities increased to RMB65.0 million in 2009 from RMB10.6 million in 2008, mainly due to an increase in the total GFA delivered of Yucui Garden in 2009 as compared to 2008.

Profit before Tax. Profit before tax increased by 80.5% to RMB1,269.5 million in 2009 from RMB703.3 million in 2008. As a percentage of revenue, profit before tax decreased to 29.8% in 2009 from 44.7% in 2008, as a result of the cumulative effect of the foregoing factors.

Income Tax Expenses. Income tax expenses increased by 62.6% to RMB548.0 million in 2009 from RMB337.1 million in 2008, primarily due to an increase in profit attributable to the owners of the parent and provisions for LAT as a result of an increase in properties sold in 2009.

Profit for the Year. Profit for the year increased by 97.0% to RMB721.5 million in 2009 from RMB366.2 million in 2008. As a percentage of revenue, profit for the year decreased to 16.9% in 2009 from 23.3% in 2008, as a result of the cumulative effect of the foregoing factors.

2008 Compared to 2007

Revenue. Our revenue decreased by 59.3% to RMB1,574.2 million in 2008 from RMB3,868.1 million in 2007, primarily due to the decrease of GFA sold in 2008.

- *Property Development*. Revenue generated from property development decreased by 61.8% to RMB1,471.2 million in 2008 from RMB3,846.8 million in 2007, primarily due to a 59.8% decrease in the total GFA delivered to 133,531 sq.m. in 2008 from 332,329 sq.m. in 2007. The decrease in the total GFA delivered in 2008 was principally due to the delay in the construction schedule of two of our property development projects, which were originally scheduled for completion in 2008. In addition, the slowdown in the PRC property market in 2008 also led to a decline in both the number of property transactions and the price, and adversely affected the sales performance of certain of our projects. We adjusted the pace of development, principally to handle the sudden deterioration in the operating environment during 2008, which was driven by the global economic crisis, rapid decline in the PRC property market as a result of the Central Government's macroeconomic policy and tightened credit environment. Some of our projects in the mid-tier segment were particularly impacted by the depressed operating environment. Despite the poor market sentiment and our decrease in GFA delivered, we maintained a recognized average selling price of RMB11,018 per sq.m. in 2008, as compared to RMB11,575 per sq.m. in 2007.

- *Property Investment*. Revenue generated from property investment increased by 542.2% to RMB74.5 million in 2008 from RMB11.6 million in 2007, primarily due to an increase in the number of properties leased in 2008 as a result of the completion and delivery of one of our major investment properties, International Finance Place, in July 2007.

- *Property Management*. Revenue generated from property management increased by 193.8% to RMB28.5 million in 2008 from RMB9.7 million in 2007, primarily due to an increase in the number of properties under management in 2008.

Cost of Sales. Cost of sales decreased by 58.7% to RMB746.4 million in 2008 from RMB1,809.2 million in 2007, primarily due to an overall decrease in cost of properties sold following the decrease in GFA delivered. Construction cost per sq.m. increased from RMB3,791 in 2007 to RMB4,153 in 2008, principally due to an overall increase in material costs. Land cost per sq.m. decreased from RMB1,328 in 2007 to RMB1,118 in 2008, principally because in 2007, we delivered a portion of International Finance Place and our luxury residential project, The Cosmos, where land premium paid is relatively higher. Both such projects were built in Pearl River New Town, a prime location of Guangzhou.

Gross Profit. Gross profit decreased by 59.8% to RMB827.8 million in 2008 from RMB2,058.9 million in 2007. The decrease in gross profit was in line with the decrease in the total revenue in 2008. Despite the decrease in GFA delivered, we maintained our gross profit margin at 52.6% in 2008 as compared to the gross profit margin at 53.2% in 2007.

Other Income and Gains. Other income and gains decreased by 27.1% to RMB150.6 million in 2008 from RMB206.5 million in 2007, primarily because we earned interest on the over-subscription monies from our IPO in 2007, while we earned no such interest in 2008. In 2008, other income and gains mainly comprised the gains on the disposal of investment properties of RMB44.8 million, interest income of RMB23.5 million and net exchange gains of RMB73.7 million. Gains on the disposal of investment properties increased by 224.7% or RMB31.0 million in 2008, primarily due to the sale of retail shop units and carpark spaces at our existing projects, attributable to increase in GFA sold in 2008 as compared with 2007.

Selling and Marketing Costs. Our selling and marketing costs increased by 36.9% to RMB89.5 million in 2008 from RMB65.4 million in 2007. This increase was primarily due to an increase of 43.1% in advertising expenses to RMB64.1 million in 2008 from RMB44.8 million in 2007, which was largely attributable to increased advertising for our new projects, such as City Island in Suzhou, Waterfront Mansion in Conghua, Sky Ville Phase II and The Apex in 2008. However, selling and marketing personnel salaries and benefits for 2008 decreased to RMB10.0 million from RMB14.2 million in 2007, primarily due to the reduction in sales commission for sales of property during 2008.

Administrative Expenses. Administrative expenses increased by 15.4% to RMB170.9 million in 2008 from RMB148.1 million in 2007, primarily due to an increase in total salaries and benefits for our administrative personnel resulting from an increased headcount. In 2008, we established four regional offices in Suzhou, Chengdu, Beijing and Hainan.

Other Operating Expenses, Net. Other operating expenses, net increased by 63.6% to RMB1.8 million in 2008 from RMB1.1 million in 2007, primarily due to an increase in operating costs of facilities at our residential developments such as clubhouses and dining facilities.

Fair Value Gains on Investment Properties. As a result of the global economic crisis, the rapid decline in the PRC property market and lack of new significant investment properties, we incurred net fair value losses on investment properties of RMB23.6 million in 2008. We had net fair value gains of RMB2,288.5 million in 2007, principally due to the addition of International Finance Place to our portfolio of investment properties.

Finance costs. Our finance costs decreased to nil in 2008 from RMB18.7 million in 2007, mainly reflecting the capitalization of the borrowing costs on the corresponding projects in 2008.

Share of Profits and Losses of Jointly-controlled Entities. Share of profits of jointly-controlled entities was RMB10.6 million in 2008, representing our profits after taxation that is attributable to our interest in jointly-controlled entities as a result of GFA delivered relating to Yucui Garden. Share of losses of jointly-controlled entities in 2007 was RMB36,000, primarily because we started pre-sale but delivered no GFA for Yucui Garden in 2007.

Profit before Tax. Profit before tax decreased by 83.7% to RMB703.3 million in 2008 from RMB4,320.6 million in 2007. As a percentage of revenue, profit before tax decreased to 44.7% in 2008 from 111.7% in 2007, primarily because in 2007 we had substantial fair value gains on our investment properties, which was not repeated in 2008.

Income Tax Expenses. Income tax expenses decreased by 79.4% to RMB337.1 million in 2008 from RMB1,637.8 million in 2007, primarily due to a decrease in profit attributable to the equity holders of the parent and provisions for LAT as a result of a decrease in properties sold in 2008. The decrease of the deferred tax charges was primarily due to the decrease in fair value gains on investment properties in 2008.

Profit for the Year. Profit for the year decreased by 86.4% to RMB366.2 million in 2008 from RMB2,682.8 million in 2007. As a percentage of revenue, profit for the year decreased to 23.3% in 2008 from 69.4% in 2007, as a result of the cumulative effect of the foregoing factors.

Profit attributable to equity holders of the parent. Profit attributable to equity holders of the parent in 2008 decreased by 86.3% to RMB368.5 million from RMB2,683.1 million in 2007. Net profit margin (profit attributable to equity holders of the parent as a percentage of revenue) decreased to 23.4% in 2008 from 69.4% in 2007, mainly due to the decrease in fair value gains on investment properties to net losses of RMB23.6 million in 2008 as compared with gains of RMB2,288.5 million in 2007. Stripping the effect of the fair value gains or losses, the profit attributable to equity holders of the parent would have been RMB386.2 million for 2008, as compared to RMB1,149.8 million for 2007, representing a net profit margin of 24.5% for 2008 and 29.7% for 2007.

Liquidity and Capital Resources

We intend to continue to fund our future development and debt servicing costs from existing financial resources and cash generated from operations. We may also raise additional funds through debt or equity offerings or sales or other dispositions of assets in the future to finance all or a portion of our future development, for debt servicing or for other purposes. We also finance some of our property developments with trust financing. See "Description of Material Indebtedness and Other Obligations — Trust Financing Arrangements." Our ability to obtain adequate financing to satisfy our debt service requirements may be limited by our financial condition and results of operations and the liquidity of international and domestic financial markets. Any failure by us to achieve timely rollover, extension or refinancing of our short-term debt may result in our inability to meet our obligations in connection with debt service, accounts payable and/or other liabilities when they become due and payable. See "Risk Factors — Risks Relating to Our Business — We may not have adequate financing to fund our land acquisitions and property projects."

Cash Flows

The following table presents selected cash flow data from our consolidated statements of cash flows for 2007, 2008 and 2009.

	Year Ended December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US$
	(in thousands)			
Operating profit/(loss) before working capital changes[1]	1,909,945	657,563	1,204,645	176,481
Changes in working capital:				
(Increase)/decrease in properties under development	(5,543,926)	(3,168,278)	546,742	80,098
Increase in completed properties held for sale	(1,180,681)	(344,775)	(766,011)	(112,221)
Increase/(decrease) in trade payables	3,339,481	(857,469)	(1,165,043)	(170,680)
Increase in other payables and accruals	1,171,431	307,490	810,448	118,732
Increase in amount due to an associate	—	—	129,956	19,039
Changes in other working capital components[2]	(892,720)	(407,384)	(284,339)	(41,656)
Cash (used in)/generated from operations	(1,196,470)	(3,812,853)	476,398	69,793
Interest received	133,327	23,537	7,066	1,035
Interest paid	(186,874)	(377,845)	(486,963)	(71,341)
Taxes paid	(216,500)	(544,540)	(394,470)	(57,790)
Net cash flows used in operating activities	(1,466,517)	(4,711,701)	(397,969)	(58,303)
Net cash flows used in investing activities	(2,204,906)	(274,170)	(2,119,402)	(310,494)
Net cash flows from financing activities	6,252,774	2,968,898	3,925,268	575,055
Cash and cash equivalents	3,288,639	1,167,009	2,540,698	372,214

(1) Represents profit before tax as adjusted for finance costs, share of profit and loss of an associate, share of profits and losses of jointly controlled entities, interest income, depreciation, amortization of land use rights, net changes in the fair values of investment properties, net gains (losses) on disposal of investment properties, loss on disposal of items of property, plant and equipment, and equity-settled share options expenses.

(2) Represents changes in trade receivables, prepayments, deposits and other receivables, amount due from a director, amount due to related companies, amount due from a jointly-controlled entity and restricted cash.

We had a net cash outflow from operating activities of RMB398.0 million for 2009, primarily due to: (i) a decrease in trade payables of RMB1,165.0 million, mainly due to the settlement of land premium and construction costs during the year, (ii) an increase in restricted cash of RMB863.9 million, mainly due to an increase in pre-sales in 2009, and (iii) an increase in completed properties held for sale of RMB766.0 million, partially offset by an increase in other payables and accruals of RMB810.4 million as a result of an increase in deposits received in advance from pre-sales of properties.

We had a net cash outflow from operating activities of RMB4,711.7 million for 2008, primarily due to: (i) an increase in properties under development of RMB3,168.3 million, mainly due to an increase in property development relating to Fragrant Seasons, (ii) a decrease in trade payables of RMB857.5 million, mainly due to the settlement of land premium and construction costs during the year relating to Waterfront Mansion and King Peak Garden, and (iii) an increase in completed properties held for sale of RMB344.8 million, mainly due to GFA pre-sold, completed but not yet delivered for Waterfront Mansion and King Peak Garden, partially offset by an increase in other payables and accruals of RMB307.5 million as a result of an increase in deposits received in advance from pre-sales of properties.

We had a net cash outflow from operating activities of RMB1,466.5 million for 2007, primarily due to: (i) an increase in properties under development of RMB5,543.9 million, mainly due to an increase in property development relating to Chengdu Cosmos and The Sapphire in Suzhou, (ii) an increase in completed properties held for sale of RMB1,180.7 million, mainly due to The Cosmos and Sky Ville, and (iii) an increase in prepayments, deposits and other receivables of RMB630.1 million mainly due to deposits for acquisition of land, partially offset by (i) an increase in trade payables of RMB3,339.5 million, mainly due to an increase in acquisition of land, and (ii) an increase in other payables and accruals of RMB1,171.4 million as a result of advance from the joint venture partner in Chengdu projects.

Cash Flows From Investing Activities

The primary factors affecting net cash outflow from investing activities in 2009 were: (i) acquisition of minority interests of RMB716.0 million as a result of our acquisition of an additional 35% equity interest of Chengdu projects during 2009, (ii) purchases of items of property, plant and equipment of RMB548.9 million, principally relating to increases in construction costs for hotels, and (iii) investment in an associate of RMB499.0 million related to Suzhou Apex, partially offset by a cash inflow of RMB77.3 million relating to proceeds from the disposal of certain of our investment properties.

The primary factors affecting net cash outflow from investing activities in 2008 were: (i) purchases of items of property, plant and equipment of RMB222.1 million, principally relating to increases in construction costs for hotels, and (ii) increase in long term prepayment of RMB165.1 million primarily due to land premium paid in connection with Lie De project, partially offset by a cash inflow of RMB125.7 million relating to proceeds from the disposal of certain of our investment properties.

The primary factors affecting net cash outflow from investing activities in 2007 were: (i) the acquisition of land use rights of RMB779.6 million, principally relating to Chengdu Cosmos and The Sapphire in Suzhou and (ii) an increase in long term prepayment of RMB933.4 million primarily due to land premium paid in connection with Lie De project, partially offset by a cash inflow of RMB65.4 million relating to proceeds from the disposal of certain of our investment properties.

Cash Flows From Financing Activities

The primary factors affecting net cash inflow from financing activities in 2009 were: (i) new bank loans of RMB5,471.0 million, primarily for the financing of construction costs; and (ii) proceeds of RMB1,348.7 million from issue of an aggregate of 300,000,000 ordinary shares at HK$5.10 each. Cash inflows from financing activities were partially offset in 2009 by a cash outflow of RMB2,788.1 million in respect of repayment of bank loans.

The primary factor affecting net cash inflow from financing activities in 2008 was new bank loans of RMB3,816.5 million, primarily for the financing of construction costs. Cash inflows from financing activities were partially offset in 2008 by (i) a cash outflow of RMB458.5 million in respect of repayment of bank loans, and (ii) a cash outflow of RMB389.1 million in respect of dividends paid.

The primary factors affecting net cash inflow from financing activities in 2007 were: (i) proceeds of RMB5,085.2 million from issue of an aggregate of 718,750,000 ordinary shares at HK$0.10 each, (ii) new bank loans of RMB2,735.7 million, primarily for the financing of construction costs. Cash inflows from financing activities were partially offset in 2007 by a cash outflow of RMB2,282.0 million in respect of repayment of bank loans.

Bank loans

Our net borrowings (total bank loans less cash and cash equivalents and restricted cash) as of December 31, 2007, 2008 and 2009, respectively, were as follows.

	As of December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US$
	(in thousands)			
Bank loans included in non-current liabilities				
Long-term bank loans — secured	1,677,312	3,489,817	6,030,682	883,500
Long-term bank loans — unsecured . . .	957,000	2,185,534	767,895	112,497
Less: Amounts due within one year . . .	(188,908)	(740,098)	(719,725)	(105,440)
Bank loans included in current liabilities				
Short-term bank loans — secured	86,160	179,241	408,210	59,803
Short-term bank loans — unsecured . . .	—	139,589	1,438,693	210,770
Current portion of long-term bank loans	188,908	740,098	719,725	105,440
Total	2,720,472	5,994,181	8,645,480	1,266,570
Cash and cash equivalents	3,288,639	1,167,009	2,540,698	372,214
Restricted cash	147,353	205,942	1,069,876	156,738
Net borrowings	(715,520)	4,621,230	5,034,906	737,618

The maturity of our bank loans as of December 31, 2007, 2008 and 2009 that were included in non-current liabilities were as follows.

	As of December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US$
	(in thousands)			
Between 1 and 2 years	275,068	1,058,928	2,566,628	376,013
Between 2 and 5 years	2,254,473	4,751,706	5,242,382	768,013
Over 5 years	190,931	183,547	836,470	122,544
Total	2,720,472	5,994,181	8,645,480	1,266,570

The carrying amounts of all our bank loans as of December 31, 2007, 2008 and 2009 were denominated in the following currencies:

	As of December 31,						
	2007		2008		2009		
	RMB		RMB		RMB	US$	
	(in thousands, except percentage)						
RMB	1,922,771	70.7%	5,078,772	84.7%	7,580,094	1,110,490	87.7%
HK$	797,701	29.3%	915,409	15.3%	1,065,386	156,080	12.3%
Total	2,720,472	100%	5,994,181	100%	8,645,480	1,266,570	100%

As of April 30, 2010, our total bank loans amounted to RMB10,246.2 million (US$1,501.1 million), of which RMB3,140.2 million (US$460.1 million) and RMB7,106.0 million (US$1,041.0 million) are classified under current liabilities and non-current liabilities respectively. On July 29, 2010, we entered into a three year term loan with a principal amount of up to HK$500 million with ICBC. For a more detailed discussion of our material indebtedness and other obligations, see "Description of Material Indebtedness and Other Obligations."

Restricted Cash

In line with the industry practice, our project companies are required to deposit all proceeds from pre-sales of properties into designated bank accounts as guarantees for the completion of construction. Before construction of the pre-sold properties is completed, such deposits may only be used, with the prior approval of the relevant local authorities, for purchasing construction materials, equipment, making interim construction payments and paying taxes, in each case in respect of the project from which such pre-sale proceeds were received. As of December 31, 2007, 2008 and 2009, such guarantee deposits amounted to approximately RMB147.4 million, RMB205.9 million and RMB1,066.9 million, respectively.

As of December 31, 2009, certain of our time deposits of RMB3.0 million were pledged to secure general banking facilities granted to us.

Gearing Ratio

Gearing ratio is calculated as net borrowings (total bank loans net of cash and cash equivalents and restricted cash) divided by total equity. As of December 31, 2007, we were in a net cash position. As of December 31, 2008 and 2009, our gearing ratios were 50.3% and 48.4%, respectively. The increase in gearing ratio in 2008 as compared to 2007 was primarily due to the raising of new bank loans as a result of the ongoing new property development projects. The gearing ratio decreased in 2009 as compared to 2008, mainly due to the issuance of new shares. As of April 30, 2010, our cash and cash equivalents amounted to RMB3,846.5 million.

Contingent Liabilities

As of December 31, 2009, we provided guarantees to PRC banks for loans of approximately RMB4,067.1 million in respect of mortgage loans provided by lending banks to purchasers of the properties we developed and sold. Our guarantees are issued from the dates of grant of the relevant mortgage loans and released upon issuance of property ownership certificates, which are generally available within one to two years after the purchasers take possession of the relevant properties.

As of December 31, 2009, we had provided a guarantee in respect of a bank loan of RMB700.0 million as part of the consideration for the acquisition of Guangzhou Lihe.

Contractual Obligations

Our contractual obligations in connection with our property development activities primarily arise from contracted construction fees or other capital commitments for future property developments. The following table sets forth our contractual obligations as of the dates indicated.

	As of December 31,			
	2007	2008	2009	
	RMB	RMB	RMB	US$
	(in thousands)			
Operating lease arrangements:				
Office premises	1,010	3,319	2,538	372
Other commitments contracted but not provided for:				
Property, plant and equipment —				
Assets under construction[1]	237,701	301,444	451,210	66,103
Properties being developed for sale	865,207	2,146,067	2,276,794	333,552
Investment in a jointly-controlled entity	1,383,430	898,930	—	—
Total	2,486,338	3,346,441	2,728,004	399,655

(1) Assets under construction includes construction and related costs recorded in respect of our hotels that have not yet been completed.

Off-Balance Sheet Commitments and Arrangements

Except for the contingent liabilities set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any variable interests in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

Market Risks

Interest Rate Risk

Our business is sensitive to fluctuations in interest rates. Our exposure to changes in interest rates is mainly attributable to our borrowings, especially long-term borrowings. Borrowings at variable rates expose us to interest rate risk. As of December 31, 2009, we had floating rate bank loans of RMB8,645.5 million (US$1,266.6 million). As of the date of this offering memorandum, we have not used any interest rate swap to hedge our exposure to interest rate risk.

An increase in interest rates may also adversely affect prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue and profits. The PBOC benchmark one-year lending rates in China (which directly affects the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2007, 2008 and 2009 were 7.47%, 5.31% and 5.31%, respectively. We cannot assure you that the PBOC will not raise lending rates in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these adjustments. See "Risk Factors — Risks Relating to Our Business — Our profitability and results of operations are affected by changes in interest rates."

Foreign Exchange Rate Risk

We conduct our sales and purchases almost exclusively in Renminbi except that a small portion of our sales proceeds are in other currencies. Our exposure to foreign exchange risk is principally due to our Hong Kong 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 aggregate cash and bank balances (including restricted cash balances) of RMB3,610.6 million (US$529.0 million), of which RMB246.2 million (US$36.1 million) was denominated in Hong Kong dollars and RMB1.9 million (US$0.3 million) was denominated in U.S. dollars.

We recognize foreign exchange gain or loss on our statement of comprehensive income 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. and Hong Kong dollars generally results in a gain arising from our Hong Kong 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. and Hong Kong dollars 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 foreign exchange rates have had and will continue to have an impact on our business, financial condition and results of operations. See "Risk Factors — Risks Relating to the Notes — We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the U.S. dollar." We may choose to use hedging transactions to reduce our exposure to foreign exchange rate fluctuations from time to time. For example, we may enter into non-speculative hedging or other derivative transactions, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

Inflation

In recent years, the PRC has not experienced significant inflation, and thus inflation has not had a significant effect on our business during the past three years. According to the China Statistical Bureau, China's overall national inflation rate, as represented by the general consumer price index, was approximately 4.8% and 5.9% in the years ended December 31, 2007 and 2008, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase. In the year ended December 31, 2009, China experienced deflation of approximately 0.7%. As of the date of this offering memorandum, we had not been materially affected by any inflation or deflation.

Non-GAAP Financial Measures

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

- fair value gains/losses on investment properties;
- other income and gains;
- share of profits and losses of an associate and jointly-controlled entities;
- finance costs;
- income tax expenses;
- depreciation; and
- amortization.

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

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

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

	Year Ended December 31,			
	2007	2008	2009	2009
	RMB	RMB	RMB	US$
	(in thousands)			
Profit before tax	4,320,598	703,278	1,269,482	185,980
Adjustments:				
Fair value (gains)/losses on investment properties	(2,288,520)	23,569	(60,587)	(8,876)
Other income and gains	(206,549)	(150,644)	(49,265)	(7,217)
Share of profits and losses of:				
An associate	—	—	10	1
Jointly-controlled entities	36	(10,582)	(65,024)	(9,526)
Finance costs	18,749	—	9,024	1,322
Depreciation	5,930	8,638	16,716	2,449
Amortization	263	618	810	119
EBITDA	1,850,507	574,877	1,121,166	164,252

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

Dividends

Subject to the Cayman Companies Law, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the board. Our articles of association provide that dividends may be declared and paid out of our profit, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which the board may deem relevant.

Our directors will declare dividends, if any, in Hong Kong dollars with respect to shares on a per share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our shareholders' approval.

In July 2010, we distributed dividends in the amount of RMB144.7 million to our shareholders.

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

Overview of the PRC Economy

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. Over the past five years, China's GDP has increased from approximately RMB15,988 billion in 2004 to approximately RMB33,535 billion in 2009 at a compound annual growth rate, or CAGR, of approximately 16.0%.

We believe the economic growth of China, the increase in disposable incomes, the emergence of the mortgage lending market, and the increase in urbanization rate are key drivers sustaining the growth of China's property market. Government housing reforms continue to encourage private ownership and it is assumed that the proportion of urban residents who own private properties will increase over the coming years.

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

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Population (millions)	1,300	1,308	1,314	1,321	1,328	1,335	0.5%
Nominal GDP (BMB billions)	15,988	18,322	21,192	25,731	30,067	33,535	16.0%
Real GDP growth (%)	10.1%	10.4%	11.6%	13.0%	9.0%	8.7%	N/A
CPI growth (%)	3.9%	1.8%	1.5%	4.8%	5.9%	-0.7%	N/A
Urban Population (millions)	542.8	562.1	577.1	593.8	606.7	621.9	2.8%
Urbanization (%)	41.8%	43.0%	43.9%	44.9%	45.7%	46.6%	N/A
Unemployment rate (%)	4.2%	4.2%	4.1%	4.0%	4.2%	4.3%	N/A
Per capita disposable income (RMB)	9,422	10,493	11,759	13,786	15,781	17,175	12.8%
Foreign Direct Investment (US$ billions)	60.6	60.3	69.5	74.8	92.4	90.0	8.2%
Fixed Asset Investment (RMB billions)	7,048	8,877	11,000	13,732	17,283	22,485	26.1%
Real Estate Investment (RMB billions)	1,316	1,591	1,942	2,529	3,120	3,623	22.5%

Source: China Statistical Yearbooks 2004–2009, 2009 China National Economy and Social Development Communique

Since 2004, with a view to preventing China's economy from overheating and to achieving more balanced and sustainable economic growth, the PRC government has taken various measures to control money supply, credit availability and fixed assets investment. In particular, the PRC government has taken measures to discourage speculation in the residential property market and has increased the supply of affordable housing. See "Regulations."

The PRC Real Estate Industry

Prior to the reform of the PRC property market in 1990s, the PRC real estate development industry was part of the nation's centrally planned economy. In the 1990s, the PRC government initiated a number of housing reforms and, as a result, China's real estate and housing sector began its transition to a market-based system. A brief timeline of key housing reforms is set out below:

Timeline of housing reforms

1988	The PRC government amended the national constitution to permit the transfer of state-owned land use rights
1992	Public housing sales in major cities commenced
1994	The PRC government implemented further reforms and established an employer/employee-funded housing fund
1995	The PRC government issued regulations regarding the sales and pre-sales of real estate, establishing a regulatory framework for real estate sales
1998	The PRC government abolished state-allocated housing policy; the Guangdong government issued regulations on the administration of pre-sales of commodity properties in Guangdong Province
1999	The PRC government extended the maximum mortgage term to 30 years. The PRC government increased the maximum mortgage financing from 70% to 80%. The PRC government formalized procedures for the sale of real property in the secondary market
2000	The PRC government issued regulations to standardize the quality of construction projects, establishing a framework for administering construction quality
2001	The PRC government issued regulations relating to sales of commodity properties
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
	The PRC government eliminated the dual system for domestic and overseas home buyers in China
2003	The PRC government promulgated rules for more stringent administration of real estate loans with a view to reducing the credit and systemic risks associated with such loans
	The PRC State Council (the "State Council") issued a notice for sustained and healthy development of the property market

2004	The State Council issued a notice requiring that, with respect to property development projects (excluding ordinary housing), the proportion of capital funds should be increased from 20% to 35%
	Ministry of Construction amended Administrative Measures on the Presale of Commercial Housing in Cities
	China Banking Regulatory Commission issued the Guideline for Commercial Banks on Risks of Real Estate Loans to further strengthen the risk control of commercial banks on real estate loans
2005	The PRC government instituted additional measures to discourage speculation in certain regional markets including, among others, increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting reselling unfinished properties before they are completed
2006 to mid-2008	The PRC government implemented additional policies on land supply, bank financing, foreign investment and other measures to curtail fast increases in property prices, to encourage the development of middle- to low-end housing and to promote healthy development of the PRC property industry
	The PRC government issued regulations to urge the full and effective use of existing construction land and the preservation of farming land and rules to control financial institutions' property financings to further curtail speculation, over development and fast increases in property prices
Mid-2008 to the fourth quarter of 2009	The PRC government implemented a number of measures to combat the global economic slowdown. These measures include the lowering of the PBOC benchmark bank lending rates, the internal capital ratio for property projects and the down payment requirements for purchasing residential properties
The fourth quarter of 2009 to present	The PRC government adjusted some policies to curtail the overheating of the PRC property market including abolishing certain preferential treatment in respect of business tax payable upon transfer of residential properties, increasing the down payment and the loan interest rates for properties purchased with mortgage loans, imposing more stringent requirements on the payment of land premiums, suspending grant of mortgage loans to non-residents who cannot provide any proof of local tax or social insurance payment for more than one year, and limiting the number of residential properties one household can purchase in certain areas. The PRC government also clarified certain issues with respect to the calculation, settlement and collection of land appreciation tax in order to enforce the settlement and collection of land appreciation tax, and the criteria for commercial banks to identify the second housing unit when approving mortgage loans

For additional information on housing reforms and recent regulatory developments with respect to China's property industry, see "Regulations."

The Property Market in China

The continued growth of China's property industry is evidenced by the increase in both gross floor area sold and average selling prices over the period 2004–2009. According to CEIC Data Company Limited, the gross floor area of commodity properties sold in China has increased from approximately 453.6 million sq.m. in 2004 to 937.1 million sq.m. in 2009 representing a CAGR of 15.6%. At the same time, average selling prices for commodity properties in China have increased from approximately RMB2,778 per sq.m. in 2004 to RMB4,695 in 2009 representing a CAGR of 11.1%.

The same uptrend over this period is evident for both residential and commercial properties, as described below.

The gross floor area of residential properties sold in China has increased from approximately 397.2 million sq.m. in 2004 to 852.9 million sq.m. in 2009 representing a CAGR of 16.5%. The average selling price of residential properties have increased from approximately RMB2,608 per sq.m. in 2004 to approximately RMB4,474 per sq.m. in 2009 representing a CAGR of 11.4%.

The gross floor area of commercial properties sold in China has increased from approximately 39.8 million sq.m. in 2004 to 52.2 million sq.m. in 2009 representing a CAGR of 5.6%. The average selling price of commercial properties increased from approximately RMB3,884 per sq.m. in 2004 to approximately RMB5,886 per sq.m. in 2008, representing a CAGR of 11.0%.

The following table sets forth selected data relating to the PRC property market for the periods indicated.

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2004–2009 CAGR**
Investment in Real Estate (RMB in billions)	883.7	1,086	1,364	1,801	2,244	2,562	23.7%
Total GFA sold (sq.m. in millions)	453.6	554.9	618.6	773.5	659.7	937.1	15.6%
GFA of residential properties sold (sq.m. in millions). . .	397.2	495.9	554.2	701.4	592.8	852.9	16.5%
GFA of commercial properties sold (sq.m. in millions)	39.8	40.8	43.4	46.4	42.1	52.2	5.6%
Average price of residential properties (RMB per sq.m.)	2,608	2,937	3,119	3,645	3,576	4,474	11.4%
Average price of commercial properties[(1)] (RMB per sq.m.)	3,884	5,022	5,247	5,774	5,886	N/A	11.0%
Average price of commodity properties (RMB per sq.m.)	2,778	3,168	3,367	3,864	3,800	4,695	11.1%

Source: CEIC Data Company Limited

Note:

(1) 2004-08 CAGR

The Property Market in Guangdong Province

Guangdong Province is located in the southern part of China and comprises approximately 179,757 square kilometers in area. According to Guangdong Bureau of Statistics, as of the end of 2009, Guangdong Province had a permanent resident population of approximately 96.4 million. Guangdong Province has experienced substantial economic growth in the past 10 years. The real GDP growth rate of Guangdong Province exceeded the average national growth rate for each of the past 10 years and the per capita GDP of Guangdong Province was significantly higher than the national average.

The table below sets out selected economic statistics of Guangdong Province for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Population (millions)	91.1	91.9	93.0	94.5	95.4	96.4	1.1%
Nominal GDP (RMB in billions)	1,887	2,237	2,616	3,108	3,570	3,908	15.7%
Real GDP growth rate (%)	14.8%	13.8%	14.6%	14.7%	10.1%	9.5%	N/A
Per capita GDP (RMB)	20,876	24,438	28,284	33,151	37,589	40,748	14.3%
Per capita disposable income for urban households (RMB)	13,628	14,770	16,016	17,699	19,733	21,575	9.6%

Source: Guangdong Bureau of Statistics and CEIC Data Company Limited

According to CEIC Data Company Limited, in 2009, a total GFA of approximately 65.6 million sq.m. of residential properties was sold in Guangdong Province at an average selling price of RMB6,518 per sq.m. Over the period 2004–2009, residential GFA completed and residential GFA sold have increased by a CAGR of 6.7% and 19.1% respectively.

The table below sets out various statistics regarding the investment in, completion and sales of properties in Guangdong Province for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Total investment in property development (RMB in billions)	135.6	159.2	184.4	251.9	293.2	296.1	16.9%
Total GFA completed (sq.m. in millions)	34.1	43.9	43.1	42.7	43.6	47.0	6.6%
Total residential GFA completed (sq.m. in millions)	27.8	34.8	34.2	35.1	40.3	38.4	6.7%
Total commodity GFA sold (sq.m. in millions)	30.5	50.4	51.8	61.7	48.2	70.4	18.2%
Total residential GFA sold (sq.m. in millions)	27.4	45.5	46.9	56.1	43.6	65.6	19.1%

Source: CEIC Data Company Limited; 2004–2009 Guangdong Statistical Yearbook; and 2004–2009 Guangzhou City National Economic and Social Development Report

The Property Market in Guangzhou

Guangzhou is the largest city in southern China and the capital city of Guangdong Province. According to Guangzhou Statistics Net and CEIC Data Company Limited, as of the end of 2009, Guangzhou had a permanent resident population of approximately 10.3 million. The city experienced a high GDP growth rate for the six years from 2004 to 2009. In 2009, Guangzhou's GDP reached approximately RMB911.3 billion, representing a per capita GDP of approximately RMB88,834, ranking the third highest in the PRC.

The table below sets out selected economic statistics of Guangzhou for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Population (million)	9.7	9.5	9.8	10.0	10.2	10.3	1.2%
Nominal GDP (RMB in billions)	411.6	515.4	607.4	710.9	821.6	911.3	17.2%
Real GDP growth rate (%)	15.0%	12.9%	14.8%	14.9%	12.3%	11.5%	N/A
Per capita GDP (RMB)	56,271	69,268	63,100	71,808	81,223	88,834	9.6%
Per capita disposable income for urban household (RMB)	16,884	18,287	19,851	22,469	25,317	27,610	10.3%

Source: 2004–2009 Guangzhou City National Economic and Social Development Report; Guangzhou Statistics Net and CEIC Data Company Limited;

Guangzhou is also one of the largest commercial centers in southern China. It serves as a transportation hub for southern China. A new international airport, the Guangzhou Baiyun International Airport, was officially opened in August 2004. The Guangzhou Baiyun International Airport is expected to support an annual capacity of approximately 25.0 million passengers and approximately 1.0 million tons of air freight by 2010.

According to CEIC Data Company Limited, in 2009, a total GFA of approximately 12.5 million sq.m. of residential properties was sold in Guangzhou at an average selling price of RMB8,988 per sq.m. Over the period 2004-2009, residential GFA sold and average selling price have increased by a CAGR of 9.6% and 14.2% respectively.

The table below sets out the total investment in property development, GFA of commodity properties completed, GFA of residential properties sold, and average selling price of residential properties in Guangzhou for the periods indicated.

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2004–2009 CAGR**
Total investment in property development (RMB in billions)	47.7	50.8	55.7	70.4	76.4	81.7	11.4%
Total GFA completed (sq.m. in millions)	12.1	13.6	14.5	15.0	9.4	9.6	(4.5%)
Total Residential GFA sold (sq.m. in millions)	7.9	11.3	11.6	11.6	8.8	12.5	9.6%
Residential ASP (RMB)	4,618	4,921	6,336	7,993	8,502	8,988	14.2%

Source: CEIC Data Company Limited

The Property Market in Foshan

Foshan is located in the central part of Guangdong Province, situated to the east of Guangzhou. According to Statistical Report on Foshan Domestic Economy and Social Development 2009 and CEIC Data Company Limited, as of the end of 2009, Foshan had a permanent resident population of approximately 6.0 million. The city experienced a high GDP growth rate for the six years from 2004 to 2009. In 2009, Foshan's GDP reached approximately RMB481.5 billion, representing a per capita GDP of approximately RMB80,579. The table below sets out selected economic statistics of Foshan for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Population (millions)	5.8	5.8	5.9	5.9	6.0	6.0	0.7%
Nominal GDP (RMB in billions)	165.4	238.0	292.7	358.9	433.3	481.5	23.8%
Real GDP growth rate (%)	16.3%	19.2%	19.3%	19.2%	15.2%	13.5%	N/A
Per capita GDP (RMB)	47,500	41,266	50,232	61,199	72,975	80,579	11.1%
Per capita disposable income for urban households (RMB)	16,045	17,424	18,894	21,112	22,494	24,578	8.9%

Source: 2004–2009 Foshan City National Economic and Social Development Report

According to the 2009 Statistics Report on Foshan Domestic Economy and Social Development, in 2009, a total GFA of approximately 7.8 million sq.m. of residential properties was sold in Foshan. Over the period 2004–2009, residential GFA sold has increased by a CAGR of 14.3%.

The table below sets out the total investment in property development, GFA of commodity properties completed, and GFA of residential properties sold in Foshan for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Total investment in property development (RMB in billions)	9.6	14.2	18.2	31.4	26.7	35.8	30.1%
Total GFA completed (sq.m. in millions)	5.3	4.7	4.4	4.6	3.2	2.4	(14.7%)
Total Residential GFA sold (sq.m. in millions)	4.0	4.8	6.1	6.9	5.4	7.8	14.3%

Source: 2004–2009 Foshan City National Economic and Social Development Report and CEIC Data Company Limited

The Property Market in Jiangsu Province

The Property Market in Suzhou

Suzhou is located at the south-east of Jiangsu Province. It is one of the central cities of the Yangtze River Delta. The city has a total area of 8,488 square kilometres, of which 1,650 square kilometres is urban area. The total population of Suzhou as of the end of 2009 was approximately 6.3 million. According to the 2009 Statistics Report on Suzhou Domestic Economy and Social Development, in 2009, Suzhou's GDP reached RMB774.0 billion, representing an increase of approximately 11.5% as compared to 2008. In 2009, net income per capita of Suzhou's urban population was RMB26,320, representing an increase of 10.3% over the previous year.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Population (millions)	6.0	6.1	6.2	6.2	6.3	6.3	1.0%
Nominal GDP (RMB in billions)	345.0	402.7	482.0	570.1	670.1	774.0	17.5%
Real GDP growth rate (%)	17.6%	15.3%	15.5%	16.0%	13.0%	11.5%	N/A
Per capita GDP(1) (RMB)	57,992	66,766	78,802	91,911	106,863	N/A	16.5%
Per capita disposable income for urban households (RMB)	14,451	16,276	18,532	21,260	23,867	26,320	12.7%

Source: 2004–2009 Suzhou City National Economic and Social Development Report and Suzhou Statistical Year Book 2004–2009

Notes:

(1) 2004–08 CAGR

According to CEIC Data Company Limited and the Suzhou Statistics Bureau, in 2009, a total GFA of approximately 20.1 million sq.m. of residential properties was sold in Suzhou. The average selling price for residential properties in 2008 was RMB5,533 per sq.m. Over the period 2004–2009, residential GFA sold has increased by a CAGR of 26.1% and over the period 2004–2008, average selling price has increased by a CAGR of 16.9%.

The table below sets out the total investment in property development, GFA of commodity properties completed, GFA of residential properties sold, and average selling price of residential properties in Suzhou for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Total investment in property development (RMB in billions)	33.4	41.4	47.1	60.2	71.8	72.4	16.7%
Total GFA completed (sq.m. in millions)	11.3	16.0	14.4	16.0	14.8	18.8	10.7%
Total Residential GFA sold (sq.m. in millions)	6.3	9.7	11.9	16.5	8.3	20.1	26.1%
Residential ASP(1) (RMB)	2,964	3,718	4,415	5,004	5,533	N/A	16.9%

Source: CEIC Data Company Limited and Suzhou Statistical Bureau

Notes:

(1) 2004–08 CAGR

The Property Market in Sichuan Province

The Property Market in Chengdu

Chengdu is the capital of Sichuan Province, located in the southwestern part of China. According to Statistical Report on Chengdu Domestic Economy and Social Development 2009, as of the end of 2009, Chengdu had a population of approximately 11.4 million. The city experienced a high GDP growth rate for the six years from 2004 to 2009. In 2009, Chengdu's GDP reached approximately RMB450.3 billion representing a per capita GDP of approximately RMB34,996. The table below sets out selected economic statistics of Chengdu for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Population (millions)	10.6	10.82	11.03	11.1	11.3	11.4	1.5%
Nominal GDP (RMB in billions)	218.6	237.1	275.0	332.4	390.1	450.3	15.5%
Real GDP growth rate (%)	13.6%	13.5%	13.8%	15.3%	12.1%	14.7%	N/A
Per capita GDP (RMB)	20,777	19,627	25,171	26,525	30,855	34,996	11.0%
Per capita disposable income for urban households (RMB)	10,394	11,359	12,789	14,989	16,943	18,659	12.4%

Source: Chengdu Statistics Bureau and CEIC Data Company Limited, Statistical Report on Chengdu Domestic Economy and Social Development 2009

According to CEIC Data Company Limited, in 2009, a total GFA of approximately 25.3 million sq.m. of residential properties was sold in Chengdu at an average selling price of RMB4,875 per sq.m. Over the period 2004-2009, residential GFA sold and average selling price have increased by a CAGR of 30.1% and 17.0% respectively.

The table below sets out the total investment in property development, GFA of commodity properties completed, GFA of residential properties sold, and average selling price of residential properties in Chengdu for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Total investment in property development (RMB in billions)	29.1	45.1	61.4	90.5	92.4	94.5	26.6%
Total GFA completed (sq.m. in millions)	8.6	7.6	12.0	10.9	12.1	16.4	13.8%
Total Residential GFA sold (sq.m. in millions)	6.8	11.1	14.8	20.8	13.6	25.3	30.1%
Residential ASP (RMB)	2,224	2,308	3,437	4,190	4,869	4,875	17.0%

Source: CEIC Data Company Limited

The Property Market in Beijing

Beijing, the capital city of China, has been experiencing fast economic growth in the past few decades and has gradually developed into a relatively mature economy. Per capita GDP in Beijing is the highest among the regions presented above and reached RMB68,788 in 2009.

Annual disposable income per capita for urban households in Beijing also grew to RMB26,738 in 2009, representing a CAGR of 11.3% for the five years from 2004 to 2009, which is largely consistent with the overall growth in China.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Population (millions)	11.6	11.8	12.0	12.1	12.3	12.5	1.5%
Nominal GDP (RMB in billions)	606.0	688.6	787.0	935.3	1,049	1,187	14.4%
Real GDP growth rate (%)	13.2%	11.1%	12.0%	12.3%	9.0%	10.1%	N/A
Per capita GDP (RMB)	41,099	45,444	50,467	58,204	63,029	68,788	10.9%
Per capita disposable income for urban households (RMB)	15,638	17,653	19,978	21,989	24,725	26,738	11.3%

Source: 2004–2009 Beijing City National Economic and Social Development Report and Beijing Statistical Year Book 2004–2009

According to CEIC Data Company Limited, in 2009, a total GFA of approximately 18.8 million sq.m. of residential properties was sold in Beijing at an average selling price of RMB13,224 per sq.m. Over the period 2004–2009, residential GFA sold has decreased by a CAGR of 3.9% whilst average selling price has increased by a CAGR of 21.6%.

The table below sets out the total investment in property development, GFA of commodity properties completed, GFA of residential properties sold, and average selling price of residential properties in Beijing for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Total investment in property development (RMB in billions)	147.3	152.5	172.0	199.6	190.9	233.8	9.7%
Total GFA completed (sq.m. in millions)	34.3	37.7	31.9	28.9	25.6	26.8	(4.8%)
Total Residential GFA sold (sq.m. in millions)	22.9	25.7	22.1	17.3	10.3	18.8	(3.9%)
Residential ASP (RMB)	4,972	6,162	7,375	10,661	11,648	13,224	21.6%

Source: CEIC Data Company Limited

The Property Market in Hainan Province

Hainan is an island located off the southern coast of China, one of the special economic zones laid out by Deng Xiao Ping. According to Statistical Report on Hainan Domestic Economy and Social Development 2009, as of the end of 2009, Hainan had a population of approximately 8.6 million. The province experienced a high GDP growth rate for the five years from 2004 to 2009. In 2009, Hainan's GDP reached approximately RMB164.7 billion, representing a per capita GDP of approximately RMB19,166. The table below sets out selected economic statistics of Hainan for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Population (millions)	8.2	8.3	8.4	8.5	8.5	8.6	1.0%
Nominal GDP (RMB in billions)	79.9	89.5	105.3	122.3	145.9	164.7	15.6%
Real GDP growth rate (%)	10.4%	10.1%	12.5%	14.5%	9.8%	11.7%	N/A
Per capita GDP (RMB)	9,812	10,871	12,654	14,555	17,175	19,166	14.3%
Per capita disposable income for urban households (RMB)	7,736	8,124	9,395	10,997	12,608	13,751	12.2%

Source: 2004–2009 Hainan Province National Economic and Social Development Report

According to CEIC Data Company Limited, in 2009, a total GFA of approximately 5.4 million sq.m. of residential properties was sold in Hainan Province at an average selling price of RMB6,295 per sq.m. Over the period 2004–2009, residential GFA sold and average selling price have increased by a CAGR of 33.0% and 23.9% respectively.

The table below sets out the total investment in property development, GFA of commodity properties completed, GFA of residential properties sold, and average selling price of residential properties in Hainan Province for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
Total investment in property development (RMB in billions)	5.6	7.1	8.9	12.7	18.9	28.8	38.8%
Total GFA completed (sq.m. in millions)	1.0	1.7	1.1	2.4	2.3	3.7	29.9%
Total Residential GFA sold (sq.m. in millions)	1.3	2.3	1.9	3.0	3.2	5.4	33.0%
Residential ASP (RMB)	2,154	2,855	3,735	4,095	5,441	6,295	23.9%

Source: CEIC Data Company Limited

The Hotel Industry in the PRC

China's tourism industry has benefited from the strong economic growth in China which has resulted in higher disposable income for urban households, reflecting a more affluent domestic customer base. In addition, the increased number of international travelers to China also contributed to the growth of China's tourism sector. The total number of overseas visitor arrivals reached 126.5 million visitors in 2009, representing a CAGR of 3.0% from 2004 to 2009. The majority of these visitor arrivals were compatriots from Hong Kong, Macau and Taiwan, who accounted for approximately 82.7% of all overseas visitors to the PRC in 2009. The table below sets out the number of overseas visitors arriving in the PRC for the periods indicated.

	2004	2005	2006	2007	2008	2009	2004–2009 CAGR
From Hong Kong/Macau (millions)	88.4	95.9	98.3	101.1	101.3	100.1	2.5%
From Taiwan (millions)	3.7	4.1	4.4	4.6	4.4	4.5	4.0%
Foreigners (millions)	16.9	20.3	22.2	26.1	24.3	21.9	5.3%
Total (millions)	109.0	120.3	124.9	131.8	130.0	126.5	3.0%

Source: CEIC Data Company Limited

To accommodate the growing number of visitor arrivals, the number of star-rated hotels in China increased from 10,888 in 2004 to 14,099 in 2008, representing a CAGR of 6.7%. The growth rate of high-end 4 or 5-star hotels has been even higher at a CAGR of 16.7% for the same period.

The supply of hotels in Guangzhou has grown at a much lesser pace however, increasing from 1,067 in 2004 to 1,126 in 2008, representing a CAGR of 1.4%; this serves to somewhat limit the supply of hotel rooms in Guangzhou.

The table below sets out the number of hotels in China and Guangzhou for the periods indicated.

	2004	2005	2006	2007	2008	2004–2008 CAGR
Star-rated hotels in China (number) . .	10,888	11,828	12,751	13,583	14,099	6.7%
4 or 5 Star hotels in China (number) .	1,213	1,427	1,671	1,964	2,253	16.7%
Star-rated hotels in Guangzhou (number)	1,067	1,083	1,146	1,169	1,126	1.4%

Source: CEIC Data Company Limited

Office Property Market in the PRC

Foreign direct investment in China increased from US$60.6 billion in 2004 to US$90.0 billion in 2009. Many multi-national corporations have set up their regional headquarters in China to enhance access to, and establish a foothold in, local markets.

Economic growth has been accompanied by a general shift of the economic base within major urban areas away from production-based industrial activities to more service-based activities, such as research and development, product design, market research, branding and consulting. The Tertiary industry is becoming a more important component of the overall economy, growing from RMB6,456 billion in 2004 to RMB14,292 billion in 2009.

The employed population in the tertiary sector in China increased from 124 million in 1991 to 266 million in 2009 and its share of the entire workforce rose from 18.9% to 34.1%, respectively. The growth in the tertiary sector will generate more demand for office properties to house the increasing workforce in this sector.

Retail Property Market in the PRC

Retail sales in China have experienced strong growth. Retail sales in China grew by 15.5% in 2009. Growth in retail sales largely reflect the urbanization of households in China, as the propensity to consume of urban households is higher than that of rural households.

Disposable income in China has continued to grow steadily and this has benefited the development of the retail sector in the country. As China's population becomes more affluent, the composition of its population's retail spending is shifting away from a heavy weighting on food towards a more balanced consumption model similar to that of a more developed country. The shift in consumption pattern towards more discretionary spending is expected to continue as income increases.

Demand for prime retail spaces is expected to remain firm on the back of China's rapid urbanization and rising income levels of the middle and upper class.

Competition and Strengths

For more information on competition, see "Business — Competition" in this offering memorandum. We believe that we have certain competitive strengths notwithstanding the competition with the other PRC real estate property developers. For more information on our competitive strengths, see "Business — Competitive Strengths" in this offering memorandum.

Overview

We are a large scale property developer with a leadership position in Guangzhou and an established presence in Suzhou, Chengdu, Beijing and Hainan. We focus on medium-to high-end residential property developments with distinctive characteristics. To diversify our earnings mix, we also develop commercial properties in prime locations as long-term investments, including office buildings, shopping malls, serviced apartments and hotels. We commenced operation of our first office property, International Finance Place, in August 2007. In September 2009, we opened our first hotel, Four Points by Sheraton in Guangzhou, and are currently developing two additional high-end hotels in Guangzhou, including mainland China's first W Hotel and Huadu Sheraton Resort as well as W Serviced Apartment. In addition, we are planning to develop six further high-end hotels and five high-end shopping malls in various cities including Guangzhou, Suzhou and Chengdu as well as Hainan Province. Our hotels will be operated by internationally renowned hotel operators including affiliates of Starwood Hotels & Resorts Worldwide, Inc. (the "Starwood Hotels Group"). We believe our investment properties and hotels will help further strengthen our brand name. We also engage in property-related businesses such as property management for residential and commercial properties.

Historically, we have focused our property developments in Guangzhou, the capital of Guangdong Province and one of China's largest cities, capturing the opportunities presented by its rapidly growing economy. In particular, we have focused on developments in prime locations, such as the Pearl River New Town, which in recent years has been promoted by the Guangzhou government as the "Central Business District" or "CBD." The Guangzhou government has devoted significant resources and adopted certain favorable policies to develop the Pearl River New Town into Guangzhou's new financial and commercial centre. For example, the Guangzhou City Library, the Guangdong Province Museum and the Guangzhou Opera House are all distinctive buildings in the Pearl River New Town which were completed in 2010, the year Guangzhou hosts the Asian Games. As of April 30, 2010, we held three completed projects and eight projects under development and held for future development in Guangzhou. We intend to maintain our leadership position in Guangzhou's property market while further enhancing our presence in Suzhou, Chengdu, Beijing and Hainan, where we have established operations. We also intend to expand in a prudent manner into other selected cities with high growth potential by leveraging our expertise in the regions where we operate, namely the Pearl River Delta (with a focus on Guangzhou), Yangtze River Delta (with a focus on Suzhou and Shanghai), Western Region (with a focus on Chengdu), and Bohai Rim (with a focus on Beijing and Tianjin). As of April 30, 2010, we had four projects in Suzhou, three projects in Chengdu, one project in Beijing and one project in Hainan Province, at various stages of development.

We believe that we have been able to consistently achieve a premium price for our products in all the geographic locations where we operate. Our success is attributable to our premium quality products, distinctive designs and superior property management service, all of which have successfully distinguished us in the highly competitive property markets in Guangzhou and the other geographic locations where we operate. We have also been able to enhance customer confidence in our products and retain customer loyalty as indicated by high percentages of repeat customers and client referrals of our projects. We have received various awards in recognition of our premium quality products and our achievements as a property development company. For example:

- Our company was recognized as one of the "Top 20 Guangzhou Real Estate Development Enterprises by Sales Amount" by China Real Estate Evaluation Centre in 2009.

- *The Guangzhou Daily* recognized our company as one of the "Top 10 Property Developers Contributing to Residential Living in China on the 60th Anniversary of the Establishment of the PRC" in 2009.

- The Apex in Guangzhou was recognized as "Best Quality Luxury Residence in Guangzhou 2009" by *SouFun.com*. Our Sky Ville project was selected as one of the "Top 10 Villas in Annual Real Estate Review 2009" by the *Yangcheng Evening News*.

- Chengdu Cosmos received "2009 — Golden Award of Property Development of the Year" by the Sichuan Daily Newspaper Group and Cheungdu Real Estate Management Bureau.

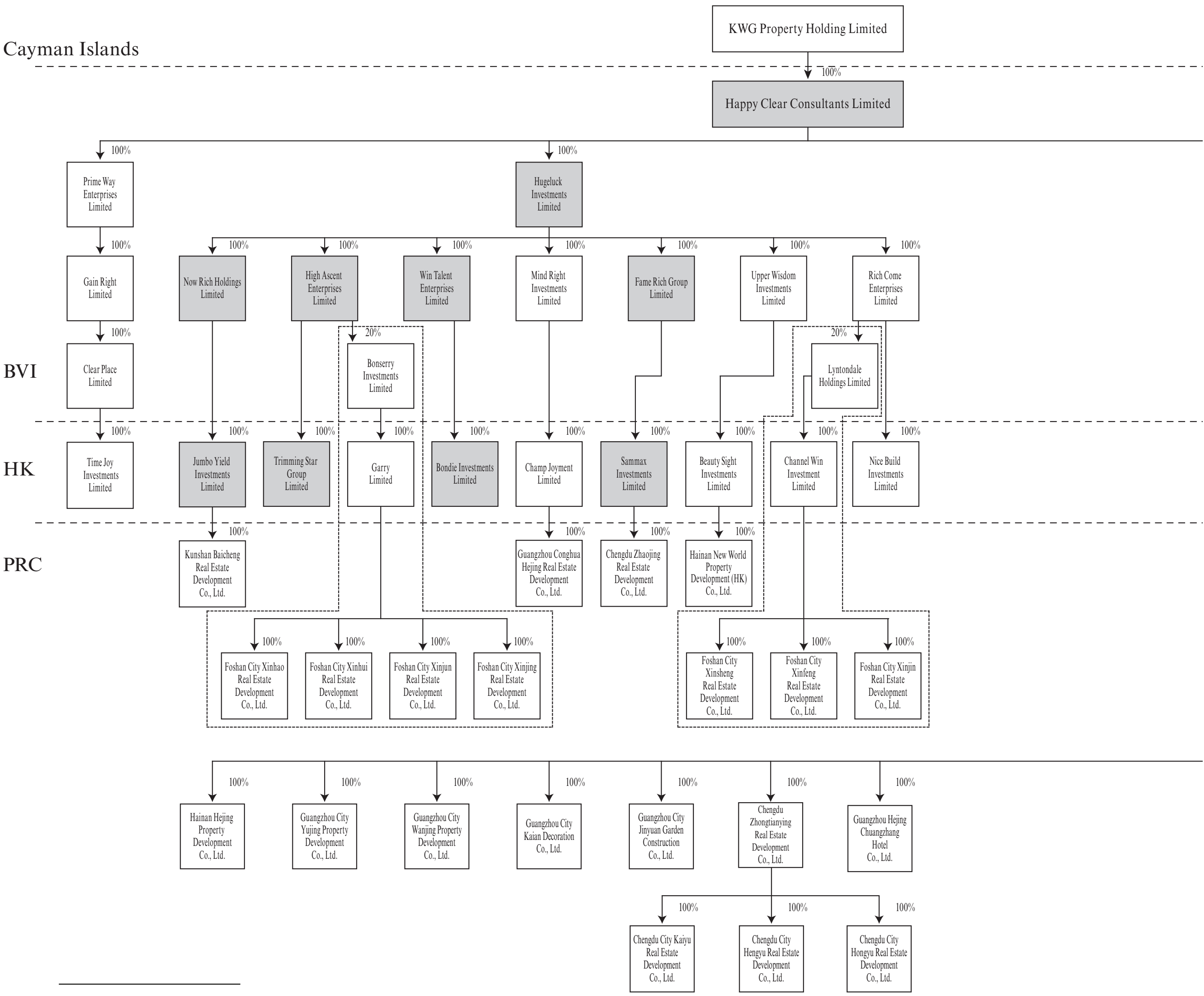
- Fragrant Seasons in Beijing was selected for the "Golden Award List of Top 10 Best-selling Property Developments of Beijing 2009" by *the Beijing Youth Daily*.

We commenced our property development business in 1995. As of April 30, 2010, we held four completed projects with a total site area of approximately 255,348 sq.m. and a total saleable GFA attributable to our Group of approximately 231,000 sq.m., and investment properties from residual projects with a total saleable GFA attributable to our Group of approximately 27,329 sq.m. (see "Business — Residual Properties"). As of April 30, 2010, we had 15 projects under development, including four projects being developed in the Pearl River New Town in Guangzhou, with a total site area of approximately 4,756,660 sq.m. and a total saleable GFA attributable to our Group of approximately 6,545,494 sq.m. As of April 30, 2010, we had one project held for future development with a total site area of approximately 748,877 sq.m. and a total saleable GFA attributable to our Group of approximately 560,000 sq.m.

In 2007, 2008 and 2009, we sold and delivered a total GFA of approximately 332,329 sq.m., 133,531 sq.m., and 509,834 sq.m., generating revenue from sale of properties of approximately RMB3,846.8 million, RMB1,471.2 million and RMB4,110.0 million, respectively. During the same period, our profit for the year was approximately RMB2,682.8 million, RMB366.2 million and RMB721.5 million, respectively.

Corporate Structure

The following chart sets forth our corporate structure as of April 30, 2010*.



Subsidiary Guarantors

Associate

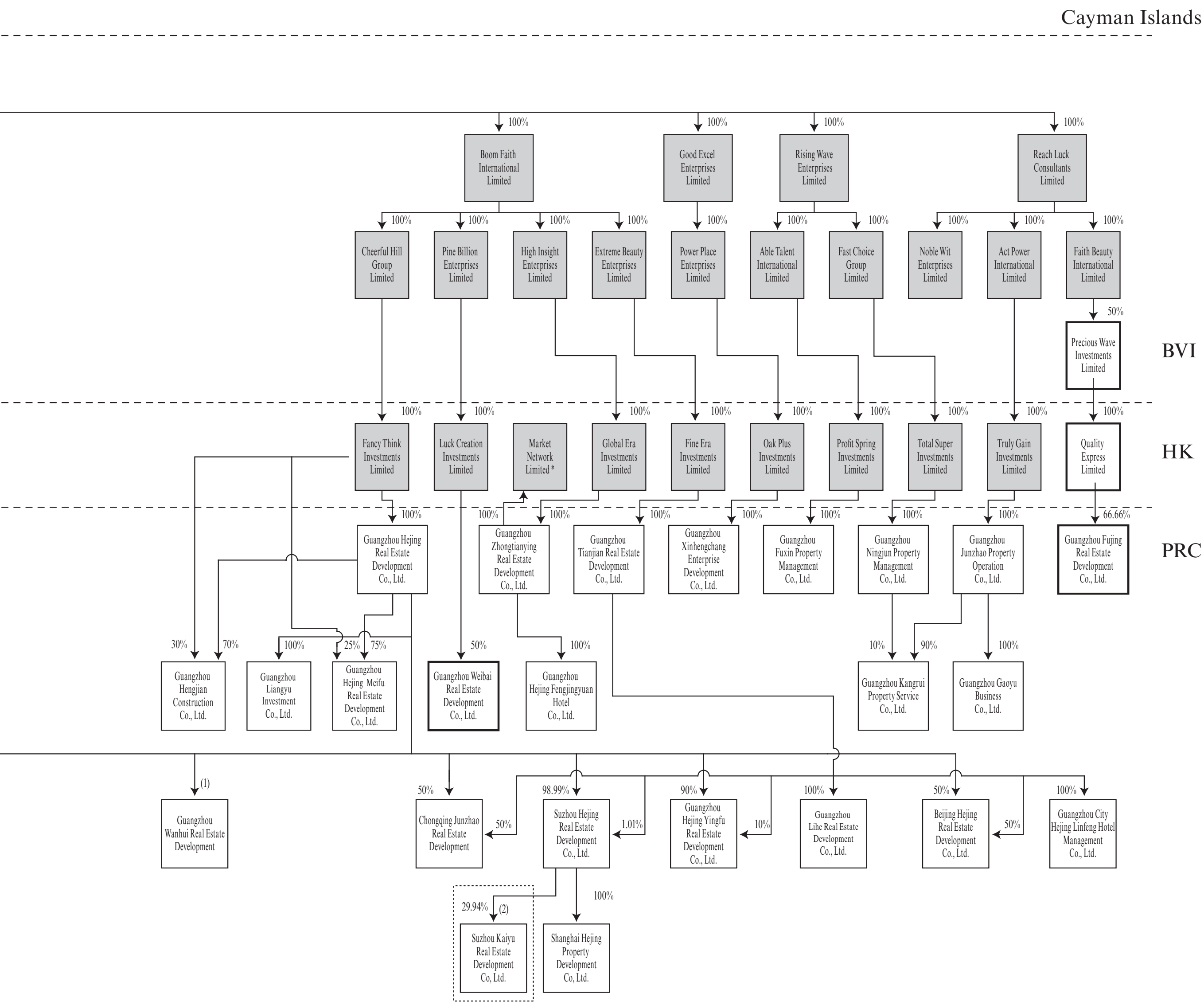
Jointly-controlled Entity

Note:

* Subsequent to April 30, 2010, we have not incorporated any subsidiaries outside the PRC other than Market Network Limited (incorporated in Hong Kong on May 19, 2010) although we have incorporated certain subsidiaries in the PRC that do not own any significant assets as of the date of this offering memorandum.

(1) Trust financing arrangement in place. The Group currently does not hold any equity interest in this entity. See "Description of Material Indebtedness and Other Obligations — Trust Financing Arrangement — Guangzhou Trust Financing"

(2) Trust financing arrangement in place. See "Description of Material Indebtedness and Other Obligations — Trust Financing Arrangement — Suzhou Trust Financing"


Cayman Islands
BVI
HK
PRC
100%
Boom Faith International Limited
Good Excel Enterprises Limited
Rising Wave Enterprises Limited
Reach Luck Consultants Limited
Cheerful Hill Group Limited
Pine Billion Enterprises Limited
High Insight Enterprises Limited
Extreme Beauty Enterprises Limited
Power Place Enterprises Limited
Able Talent International Limited
Fast Choice Group Limited
Noble Wit Enterprises Limited
Act Power International Limited
Faith Beauty International Limited
50%
Precious Wave Investments Limited
Fancy Think Investments Limited
Luck Creation Investments Limited
Market Network Limited *
Global Era Investments Limited
Fine Era Investments Limited
Oak Plus Investments Limited
Profit Spring Investments Limited
Total Super Investments Limited
Truly Gain Investments Limited
Quality Express Limited
66.66%
Guangzhou Hejing Real Estate Development Co., Ltd.
Guangzhou Zhongtianying Real Estate Development Co., Ltd.
Guangzhou Tianjian Real Estate Development Co., Ltd.
Guangzhou Xinhengchang Enterprise Development Co., Ltd.
Guangzhou Fuxin Property Management Co., Ltd.
Guangzhou Ningjun Property Management Co., Ltd.
Guangzhou Junzhao Property Operation Co., Ltd.
Guangzhou Fujing Real Estate Development Co., Ltd.
30%
70%
25%
75%
10%
90%
Guangzhou Hengjian Construction Co., Ltd.
Guangzhou Liangyu Investment Co., Ltd.
Guangzhou Hejing Meifu Real Estate Development Co., Ltd.
Guangzhou Weibai Real Estate Development Co., Ltd.
Guangzhou Hejing Fengjingyuan Hotel Co., Ltd.
Guangzhou Kangrui Property Service Co., Ltd.
Guangzhou Gaoyu Business Co., Ltd.
(1)
98.99%
1.01%
29.94%
(2)
Guangzhou Wanhui Real Estate Development
Chongqing Junzhao Real Estate Development
Suzhou Hejing Real Estate Development Co., Ltd.
Guangzhou Hejing Yingfu Real Estate Development Co., Ltd.
Guangzhou Lihe Real Estate Development Co., Ltd.
Beijing Hejing Real Estate Development Co., Ltd.
Guangzhou City Hejing Linfeng Hotel Management Co., Ltd.
Suzhou Kaiyu Real Estate Development Co, Ltd.
Shanghai Hejing Property Development Co, Ltd.

Competitive Strengths

Premium product quality

We believe our high-quality products, continuous product upgrade, distinctive designs, and superior property management services have successfully distinguished us in the highly competitive property markets in Guangzhou and the other geographic locations where we operate. We believe that we have been able to consistently achieve a premium price for our products. We have also been able to enhance customer confidence in our products and retain customer loyalty as demonstrated by high percentages of repeat customers and client referrals of our projects. For example, we estimate that for The Apex project, the percentages of repeat customers and client referrals are 30% and 40%, respectively. For our Sky Ville project, we estimate that the percentages of repeat customers and client referrals are 25% and 30%, respectively.

- *High-Quality First-of-its-Kind Products.* We believe that through our experience over the past 15 years, we have developed a good understanding and insight into the preferences and trends in the property markets where we operate, and are able to competitively position our products to maximize the attractiveness and unique characteristics of each parcel of land. Over the past 15 years, we have been able to continuously and consistently provide our customers with high-quality products, some of which are first-of-their-kind. For example, The Apex project in Guangzhou will include the first W Hotel in mainland China. Our Chengdu Cosmos project is the first high rise apartment building project with private swimming pool in each unit in China. The Zengcheng Summit project in Guangzhou is the first large scale comprehensive mixed-use luxury project in Zengcheng District, Guangzhou, and includes an international five-star Sheraton Hotel.

- *Continuous Product Upgrade and Distinctive Designs.* We strive to combine attractive living environments (such as park, river and lake views) with distinctive interior designs, as well as incorporating modern and creative comforts, such as intelligent security systems and hotel-style concierge services for certain projects. We make continuous efforts in product upgrade and innovation. For example, our Chengdu Cosmos, The Apex and Sky Ville projects have received various awards for innovative designs. We have collaborated with leading domestic and international design firms to work on critical aspects of property development such as architectural design, landscape & environmental design and interior design.

- *Superior Property Management Services.* We have established two lines of property management teams to provide after-sale property management services to our purchasers of high-end and mid-end projects respectively. To improve our management skills, we had retained leading property management consulting firms to provide property management advice on property management of high-end residential projects and office buildings. From time to time, we also organize community events for our residents to improve customer relationships. We believe our superior property management services help us to promote our brand name recognition and enhance customer confidence in our projects.

We have received various awards in recognition of our projects and our achievements as a property development company. See "— Overview."

Strong execution capability

We believe we are equipped with strong execution capability, as evidenced by our leadership position in Guangzhou's high-end residential market and our ability to replicate our success outside of Guangzhou.

- We are a market leader in Guangzhou's high-end residential market. In our experience of 15 years as a property developer, we have been able to achieve a premium price for our products consistently in all the geographic locations where we operate. For example, our The Cosmos, The Apex and King Peak Garden projects are among the top 10 historically highest priced residential apartments in Guangzhou. In 2009, we were ranked fourth by number of units sold in Guangzhou.

- We had successfully expanded our property development into Suzhou, Chengdu, Beijing and Hainan Province. Some of our projects in these locations achieved record selling price and take up on multiple launches. For example, The Sapphire, our luxury residential project in Suzhou, was the highest priced project in Xiangcheng District, Suzhou in June 2009. Our luxury high-rise apartment project, Chengdu Cosmos, achieved highest selling price in Chengdu in 2009. In 2009, we were ranked third by number of units sold in Suzhou.

Our strong execution capability is further demonstrated by our ability to adjust our strategies to maintain a balance between stable development and prudent expansion during China's property market downturn in 2008 and the global financial crisis in 2009, preventing us from diluting our brand name and allowing us to preserve our capability for future land acquisitions. After the announcement of the 11 property tightening measures on April 15, 2010, we continued with our scheduled project launches and achieved satisfactory take up. We believe that this is due to our superior brand name, premium product quality and innovative product designs, as well as strong execution capability in difficult market conditions.

Prudent and disciplined land acquisition and expansion

We maintain a disciplined and prudent land acquisition and expansion strategy. Prior to acquiring land for a project, we perform a comprehensive feasibility study covering targeted selling price, total investment, gross profit margin and project return. If the land acquisition costs exceed our pre-set ratio of land acquisition costs to estimated revenue, we will typically not proceed with the land acquisition.

To date, we have expanded outside Guangzhou into four cities at a moderate pace. For each city we have expanded into, we have taken time to establish and strengthen our brand name, gradually increased our market share, focused our management and resources on operations to achieve economies of scale, built up our relationship with local government and sought opportunities to acquire more land at lower costs. We believe such an approach enables us to acquire land prudently and manage our cash flow requirements effectively. In the cities we have expanded into, our land reserves are well-located to cater for wide product range in order to capture different market segments. To date, most of our land reserves are located in China's first and second tier cities such as Guangzhou, Suzhou and Chengdu, which we believe to be more resilient during the periods of property market downturns due to the large organic demand present in those cities. In particular, during 2007, 2008 and 2009, Guangzhou, Suzhou and Chengdu experienced relatively lower property price appreciation than many other first and second tier cities. We anticipate that these three cities will suffer less price correction in potential property downturn. We believe our low risk business model will allow us to continue to achieve sustainable and stable growth.

Steady roll-out of high-quality investment properties and hotels

To date, we have been able to roll out high-quality investment property projects and hotels, including International Finance Place and Four Points by Sheraton Guangzhou, Dongpu. Such investment property projects and hotels enhance our brand recognition as well as development capability, which in turn provide us with an advantage in our land acquisitions. Our investment properties and hotels help reduce our exposures to fluctuations in property sales prices, provide us with a stable and recurring cash flow and diversify our revenue from sale of properties. In addition, our investment properties and hotels provide us with additional financing flexibility because we have been able to mortgage certain investment properties to secure some of our general banking facilities at both onshore and offshore level. We intend to continue to roll out high quality investment properties and premium hotels in the future. We expect that our portfolio of hotels, retail shop units, shopping malls and offices held on a long-term basis to account for approximately 20% of our asset base.

Strong cash flow and multiple financing channels

We have been able to maintain a strong cash flow and obtain multiple channels of financing which provide us with additional financial flexibility. As of April 30, 2010, our cash and cash equivalents amounted to RMB3,846.5 million. In June 2009, we successfully raised HK$1,530 million from a share placement. We also obtained bank loans in the aggregate amount of HK$1,414.5 million from Industrial and Commercial Bank of China (Asia) Limited in 2006, 2008 and 2010, and a bank loan in the amount of HK$300 million from Standard Chartered Bank in 2009. Further, we have established cooperative relationships with, and received bank loans from, various PRC banks including China Construction Bank, Agricultural Bank of China and Industrial and Commercial Bank of China. We believe our strong cash flow and multiple financing channels will enable us to expand steadily into our target markets and sustain long-term growth.

Proven experience in joint venture projects and strong relationship with renowned domestic and international partners

Due to our premium product quality, recognized brand name and strong execution capability, many reputable property developers are willing to cultivate working relationships with us by setting up mutually beneficial joint ventures for project developments. Such joint venture operations enable us to obtain access to prime location land at reasonable costs, participate in and jointly develop very large scale and profitable projects with leading developers, leverage each other's strong brand names, and enter into new locations with developers with more experience in such markets, thus lowering our execution risks and costs. For example, in 2007, we jointly bid for Lie De project together with Guangzhou R&F Properties Co., Limited and Sun Hung Kai Properties Limited. In March 2010, we acquired minority interests in the Foshan Project with Sun Hung Kai Properties Limited, with whom we have further deepened our relationship in the joint development of such projects. In addition, we have established strong relationships with leading architects and design firms, premier hotel operators, reputable office and retail tenants, and world-renowned financial institutions.

Seasoned management team and efficient risk control system

We believe our success and future prospects depend on the quality of our people. Our management team has extensive experience in the property development industry. Certain of our key executives, including our founder and Chairman, Kong Jian Min, have led the growth of our business since its inception in 1995. A number of our senior management members have been in the property development industry for more than ten years. In recent years, while maintaining the stability of our core management team, we have recruited senior and mid-level executives with expertise in various fields through a selective recruitment process from mainland China, Hong Kong and overseas. We believe our recruitment effort has attracted significant new management talent. To retain and motivate our workforce, we offer our employees career advancement prospects and professional skills development, which in turn sets the foundation for our continuous growth and long-term success. Since our inception, we have sought to create and maintain a corporate culture that encourages creativity and commitment. We also motivate our employees with performance-based bonuses and other incentives and career development opportunities.

In addition, we have invested significantly in our Enterprise Resources Planning ("ERP") system which provides us with real time and efficient risk control over the entire property development value chain including land acquisition, construction and cost management, sale and cash management and after-sale customer service and property management.

Business Strategies

Maintain leadership position in Guangzhou, enhance presence in other cities where we operate and conduct measured expansion in key regions

Our strategy is to maintain our leadership position in Guangzhou's property market, while further enhancing our presence in Suzhou, Chengdu, Beijing and Hainan where we have established operations. We also intend to expand in a prudent manner into other selected cities with high growth potential leveraging our existing expertise in the regions where we operate, namely the Pearl River Delta, Yangtze River Delta, Western Region, and Bohai Rim.

Continue our focus on developing premium quality products

We intend to continue to focus on innovative product design and premium quality by developing property projects to cater to the needs of our target customers. We will continue to supplement our residential property developments with the roll-out of more attractive investment property projects and premium hotels to reinforce the association between our brand name with prestige and quality. By cultivating our ability to develop integrated properties, we intend to seek opportunities to work with local governments in city-centre development projects in order to further enhance the recognition of our brand name.

Continue to seek mutually beneficial joint venture partnerships in project development

We intend to leverage our current joint venture partners' financial resources and expertise in developing large-scale integrated projects. In order to lower the execution risks and costs associated with existing operations and future expansion, we will continue to leverage our current experience in joint venture operations and seek mutually beneficial joint venture partnerships in project development.

Continue to adopt prudent financial policy and proactive approach to capital structure

We will continue to leverage our advanced ERP system to carefully manage costs and risk control. We will also continue to closely monitor our capital structure, cash flow and liquidity positions and carefully manage key financial measures such as our gearing ratios, interest coverage and working capital positions.

Description of Our Property Developments

Overview

As of April 30, 2010, we had 20 projects at various stages of development (as listed below), which were located in Guangzhou, Suzhou, Chengdu, Beijing and Hainan. We divide our property developments, for which we have received the relevant land use rights certificates, into three categories:

- completed projects;
- projects under development; and
- projects held for future development.

A project is considered completed when we have received the Completed Construction Works Certified Report from the relevant government construction authorities. A project is considered to be under development immediately following the issuance of the required construction works commencement permits with respect to part or all of the project and before completion of the entire project, or immediately following the commencement of development of part or all of the project. A project is considered to be held for future development when we have signed the relevant land grant contracts or the land grant confirmation letter or received the relevant land use rights certificates but have not yet received the required construction works commencement permits.

As some of our projects comprise multiple-phase developments on a rolling basis, one project may include different phases at various stages of completion, under development or held for future development. A project comprising multiple phases is also considered to be a project under development if we have received the required construction works commencement permits with respect to at least one phase of the development.

As of April 30, 2010, we had 20 projects with a total site area of approximately 5,760,885 sq.m. and a total GFA of approximately 12,379,480 sq.m. The site area information for a project is based on the relevant land use rights certificates. The total GFA of a project is calculated by multiplying its site area by the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project. The total GFA of a project comprises saleable GFA and non-saleable GFA. Saleable GFA refers to total GFA less non-saleable GFA, which refers to certain communal facilities, including, among others, club houses, schools and ancillary facilities. Saleable GFA may be held for sale or held for investments, depending on our development plans.

Saleable GFA refers to saleable GFA held for sale or held for investment. Saleable GFA held for sale refers to residential units and other properties that have been identified for sale. Saleable GFA held for investment refers to, among others, retail shop units, shopping malls, office buildings, hotels and serviced apartments, unless specifically identified for sale.

Property sales revenue is recognized after we have executed the purchase contract with a customer and have delivered the completed property to the customer. Property is pre-sold at the time when we have collected a deposit from customer and entered into a purchase subscription contract with them prior to the completion of the property but have not yet delivered the property to the customer. The property is delivered to the customer upon, inter alia, (i) full payment by the customer, and (ii) the property being completed, inspected and accepted as qualified. For further details, see "Regulations — The Land System of the PRC — Pre-Sale and Sale" of this offering memorandum.

Information regarding payment for land premium and development costs in this offering memorandum is based solely on our internal records or estimates.

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

The table below sets forth the GFA in sq.m. and other information of our 20 projects as of April 30, 2010.

No.	Project[1]	Location	Site Area	Total GFA Completed[2]	Total GFA Under Development[2]	Total GFA for Future Development[3]	Total GFA	Property Interest Attributable to the Group	Total GFA Attributable to the Group[4][8]	Total Saleable GFA Attributable to the Group[5][8] — Total	Total Saleable GFA Attributable to the Group[5][8] — Held for Sale	Total Saleable GFA Attributable to the Group[5][8] — Held for Investment[6]	Completion Date or Expected Completion Date of the Project
Completed Projects													
1.	Waterfront Mansion	Guangzhou	228,229	289,475	—	—	289,475	100%	289,475	108,000	108,000	—	2010
2.	International Finance Place	Guangzhou	7,262	101,378	—	—	101,378	100%	101,378	61,000	—	61,000	2007
3.	Four Points by Sheraton	Guangzhou	6,000	35,000	—	—	35,000	100%	35,000	35,000	—	35,000	2009
4.	The Emerald	Chengdu	13,857	63,054	—	—	63,054	100%	63,054	27,000	27,000	—	2010
	Residual Properties[7]	Guangzhou	—	—	—	—	—	100%	27,329	27,329	—	27,329	—
Projects Under Development													
5.	Sky Ville	Guangzhou	485,296	411,850	61,450	—	473,300	100%	473,300	138,000	122,000	16,000	2010
6.	The Apex.	Guangzhou	22,626	198,131	70,012	—	268,143	100%	268,143	86,000	6,000	80,000	2011
7.	International Creative Valley	Guangzhou	150,082	197,428	196,385	—	393,813	100%	393,813	302,000	302,000	—	2011
8.	Zengcheng Summit	Guangzhou	1,971,126	—	269,607	2,442,739	2,712,346	100%	2,712,346	2,450,000	1,984,000	466,000[11]	2011–2019
9.	D3–4.	Guangzhou	5,162	—	40,848	—	40,848	100%[9]	40,848	34,000	34,000	—	2012
10.	J2–2	Guangzhou	8,066	—	171,288	—	171,288	50%	85,644	84,000	63,000	21,000	2014
11.	Lie De[12].	Guangzhou	114,176	—	155,000	310,000	465,000	33%	155,000	155,000	142,000	13,000	2012–2014
12.	The City Island	Suzhou	196,064	282,058	3,681	—	285,739	100%	285,739	127,000	127,000	—	2010
13.	The Up Blue Town.	Suzhou	73,581	55,980	133,823	—	189,803	100%	189,803	141,000	141,000	—	2011
14.	The Sapphire[13]	Suzhou	348,449	—	474,543	460,277	934,820	100%	934,820	708,000	628,000	80,000	2010–2014
15.	Suzhou Apex	Suzhou	170,323	—	100,000	326,400	426,400	29.9%[10]	127,494	127,494	87,697	39,797	2011–2013
16.	The Vision of the World	Chengdu	117,518	—	374,372	263,483	637,855	100%	637,855	502,000	502,000	—	2011–2013
17.	Chengdu Cosmos	Chengdu	186,705	—	300,153	824,975	1,125,128	100%	1,125,128	871,000	741,000	130,000	2011–2015
18.	Fragrant Seasons (a.k.a. Sound of the Soul).	Beijing	376,150	—	349,766	245,248	595,014	100%	595,014	514,000	514,000	—	2010–2014
19.	Lingshui Project	Hainan	531,336	—	179,210	209,702	388,912	100%	388,912	306,000	276,000	30,000	2013
Projects Held for Future Development													
20.	Foshan Project[14].	Guangzhou	748,877	—	—	2,782,164	2,782,164	20%	560,000	560,000	560,000	—	2013–2015
	Total		**5,760,885**	**1,634,354**	**2,880,138**	**7,864,988**	**12,379,480**		**9,490,094**	**7,363,823**	**6,364,697**	**999,126**	

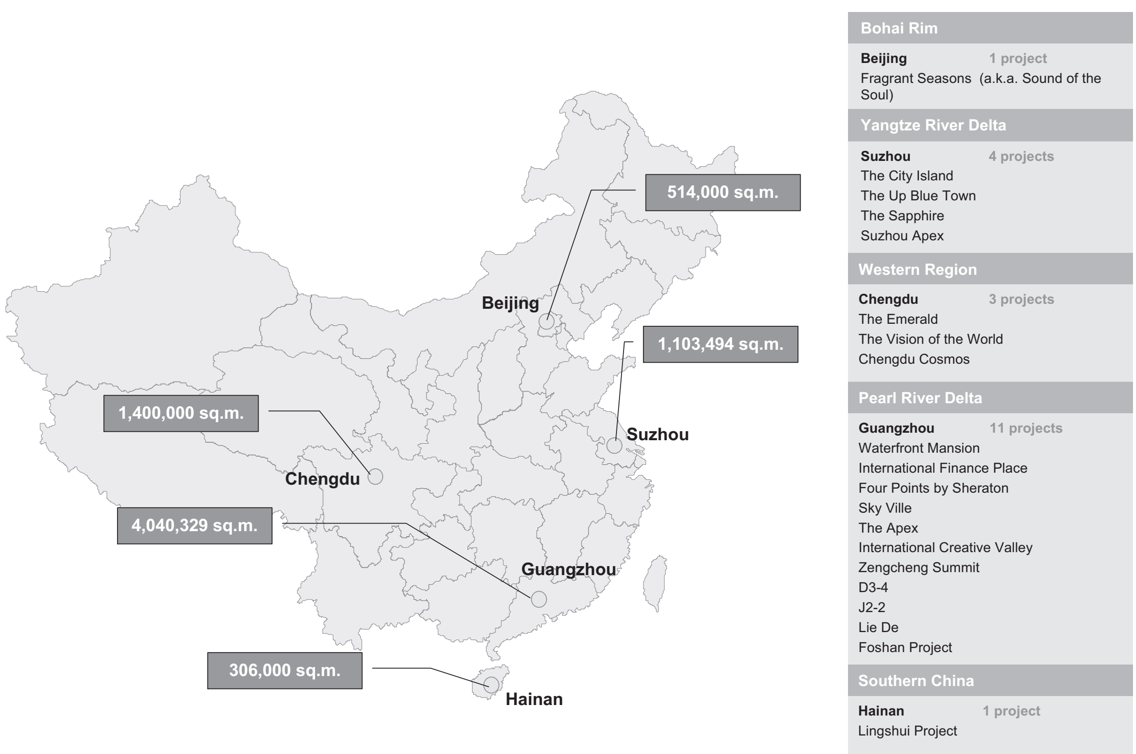
(1) See "— Description of Our Property Developments."
(2) "Total GFA Completed" and "Total GFA Under Development" for completed projects and projects under development, respectively, are derived from our internal records.
(3) "Total GFA for Future Development" is derived from our internal records and estimates.
(4) "Total GFA Attributable to the Group" is the total GFA that we are entitled to after apportionment of GFA in accordance with "Property Interest Attributable to the Group."
(5) "Total Saleable GFA Attributable to the Group" for completed projects, projects under development and projects held for future development represents our attributable saleable GFA for the projects as of April 30, 2010.
(6) For lease and hotel purposes, including, among others, office, hotel, serviced apartments, convention center and shopping mall.
(7) Includes investment properties of Yuhui Garden, Yuhua Garden, La Bali, Color of United, City of Perfection, The Cosmos, King Peak Garden, Ma'an Mountain No.1, Jinghu Garden and Yucui Garden, see "— Residual Properties."
(8) Includes residual properties, see "— Residual Properties."
(9) We entered into a trust financing arrangement to finance this project under which Citic Trust Limited Company holds 100% equity interest in the project company. See "Description of Material Indebtedness and Other Obligations — Trust Financing Arrangement — Guangzhou Trust Financing." We assume 100% property interest attributable to the Group.
(10) We entered into a trust financing arrangement to finance this project under which Jiangxi International Trust Limited Company holds approximately 60.1% equity interest in the project company. See "Description of Material Indebtedness and Other Obligations — Trust Financing Arrangement — Suzhou Trust Financing."
(11) A total of approximately 136,000 sq.m. of GFA is to be delivered to Dongling Holding Co. Ltd. upon completion as part of the consideration for the acquisition of this project.
(12) We entered into a land grant contract for the land related to this project, but have not obtained the land use right certificate.
(13) We have not obtained the land use right certificate for certain parcels of land with a site area of approximately 86,777 sq.m.
(14) We obtained the land grant confirmation letter but have not entered into a land grant contract or obtained the land use right certificate.

As of April 30, 2010, there were also several parcels of land related to The Sapphire, Foshan Project and Lie De project, for which we have obtained land grant confirmation letter but have not entered into land grant contracts, or have entered into land grant contracts but have not obtained the land use rights certificates.

We cannot assure you that we will be able to obtain the land use rights certificates with respect to these parcels of land in a timely manner or at all, and we have not commenced any construction or preparation of construction relating to these parcels of land. Under the Law of the Administration of Urban Property of the PRC and relevant pre-sale regulations, we are not allowed to engage in any pre-sale activities prior to, among other things, obtaining land use rights certificates.

The following are detailed descriptions of our 20 projects as of April 30, 2010. The commencement date relating to each project or each phase of a project refers to the date on which construction commenced on the first building of the project or phase. The completion date set out in the descriptions of our completed property developments refers to the date on which the Completed Construction Works Certified Report was obtained for each project (or each phase of a multi-phase project). For projects or phases under development or held for future development, the completion date of a project or phase reflects our best estimate based on our current development plans.

The following map illustrates the locations of our 20 projects and the total saleable GFA attributable to the Group of these locations as of April 30, 2010.



Residual Properties

Historically, we have completed a number of residential projects in Guangzhou. These projects include Yuhui Garden, Yuhua Garden, La Bali, Color of United, City of Perfection, The Cosmos, King Peak Garden, Ma'an Mountain No. 1, Jinghu Garden and Yucui Garden. These projects included a small portion of commercial and retail properties which we held for long-term investment purposes. As of April 30, 2010, saleable units of these projects had been substantially sold out, and an aggregate total saleable GFA attributable to the Group of approximately 27,329 sq.m. from these projects was held for investment purposes.

Completed Projects

Waterfront Mansion (上城灣畔), Guangzhou

Waterfront Mansion is a mid to high-end residential development located in Conghua District in Guangzhou. The project enjoys river view and is surrounded by a wide range of ancillary facilities and a well-developed transportation network. It is close to the city bus terminal and the light rail system, enabling convenient access to other parts of Guangzhou. The project features a large residential community, including high-rise residential buildings and townhouses totaling approximately 2,200 housing units. The project occupies a total site area of approximately 228,229 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 108,000 sq.m., all of which was held for sale. We have 100% ownership in this project.

International Finance Place (國際金融廣場), Guangzhou

International Finance Place is a Grade A office building development located in the heart of Pearl River New Town in Tianhe District, Guangzhou. The project overlooks the Pearl River and the Haixinsha Plaza adjacent to the Pearl River. It is also conveniently located near the subway station on both Line No. 3 and Line No. 5 of Guangzhou. The project features premium office space which we lease to domestic and foreign banks, multi-national corporations, diplomatic institutions, and retail properties. The project occupies a total site area of approximately 7,262 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 61,000 sq.m., all of which was held for investment purposes (office). As of the same date, we retained approximately 5,600 sq.m. for self-use. We have 100% ownership in this project.

Four Points by Sheraton Guangzhou, Dongpu (東圃福朋喜來登酒店), Guangzhou

Four Points by Sheraton Guangzhou, Dongpu is a four-star hotel located to the south of Linkreit International Business Development Center in Tianhe Dongpu, Guangzhou. We engaged the Starwood Hotels Group for the management of this hotel to ensure quality of our hotel services. The hotel features approximately 300 guest rooms. The hotel occupies a total site area of approximately 6,000 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 35,000 sq.m., all of which was held for investment purposes (hotel). We have 100% ownership in this project.

The Emerald (疊翠峰), Chengdu

The Emerald is a high-end residential development located on Zhanhua Road, adjacent South Station Park and is close to the Bauhinia, Yulin Garden and Tongxin Garden area, in Chengdu. It is also close to the central business district of Tian Fu New Town and enjoys a well-developed transportation network with convenient access to surrounding commercial and retail districts. The project features high-rise residential buildings with luxurious hotel styled apartments designed by renowned international designers. The project occupies a total site area of approximately 13,857 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 27,000 sq.m., all of which was held for sale. We have 100% ownership in this project.

Projects Under Development

Sky Ville (天湖峰境), Guangzhou

Sky Ville is a large-scale residential development located in Beixing Town, Huadu District in Guangzhou. The project is located in close proximity to the Nine Dragon Lake with convenient access to both the city center and Baiyun International Airport. The project is expected to feature residential units, including villas, townhouses and high-rise apartments, and a wide range of communal facilities for recreational, educational and commercial purposes. The project will also include the five-star Huadu Sheraton Resort to be managed by the Starwood Hotels Group with approximately 102 villa-styled guest rooms. The project occupies a total site area of approximately 485,296 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 138,000 sq.m., of which approximately 122,000 sq.m. was held for sale and 16,000 sq.m. was held for investment purposes (hotel). We have 100% ownership in this project.

The Apex (廣州領峰), Guangzhou

The Apex is a high-end integrated development located at the junction of Jinhui Road and Xingsheng Road, in Pearl River New Town in Tianhe District, Guangzhou. The project is expected to feature luxurious high-rise residential buildings, serviced apartments and garden landscapes designed by renowned international designers. The project will also include the five-star Guangzhou W Hotel with approximately 302 guest rooms and the Residences at the W Guangzhou with approximately 144 serviced apartment suites. The Guangzhou W Hotel and the Residences at the W Guangzhou will be managed by the Starwood Hotels Group. The project occupies a total site area of approximately 22,626 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 86,000 sq.m., of which approximately 6,000 sq.m. was held for sale and 80,000 sq.m. was held for investment purposes (hotel and serviced apartments). We have 100% ownership in this project.

International Creative Valley (科匯金谷), Guangzhou

International Creative Valley is an office building development located on Science Avenue, at the heart of the Science Town area in Luogang Development Zone, Guangzhou. It enjoys a well-developed transportation network, providing convenient access to Pearl River New Town. The project is expected to feature a multi-functional office complex designed with an environmental-friendly focus and state-of-the-art information system infrastructure, as well as serviced apartments. The project occupies a total site area of approximately 150,082 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 302,000 sq.m., the majority of which was held for sale. We have 100% ownership in this project.

Zengcheng Summit (譽山國際), Guangzhou

Zengcheng Summit is a large-scale integrated development located in Xin Tang Town, Zengcheng District in Guangzhou. The project employs designs by renowned international designers and is expected to feature a combination of high-rise residential buildings, villas and office buildings, together with a wide range of communal facilities for recreational, educational and commercial purposes. The project will also include a five-star Zengcheng Sheraton Hotel. The project occupies a total site area of approximately 1,971,126 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 2,450,000 sq.m., of which approximately 1,984,000 sq.m. was held for sale and 466,000 sq.m. was held for investment purposes (office, convention center, shopping mall and hotel). We have 100% ownership in this project. A total of approximately 136,000 sq.m. of GFA is to be payable to Dongling Holding Co., Ltd. upon completion as part of the consideration for the acquisition of this project.

D3–4 (D3–4項目), Guangzhou

D3–4 is a high-end serviced apartment development located in the northern end of Pearl River New Town in Tianhe District, Guangzhou. The project is surrounded by residential and commercial establishments and enjoys a well-developed transportation network. The project is expected to feature a high-rise serviced apartment building with integrated commercial floors. The project occupies a total site area of approximately 5,162 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 34,000 sq.m., all of which was held for sale. We have commenced development activities but have not commenced construction for this project. Ownership of this project is held under a trust arrangement, see "Description Of Material Indebtedness and Other Obligations — Trust Financing Arrangement — Guangzhou Trust Financing."

J2–2 (J2–2項目), Guangzhou

J2–2 is a high-end integrated development located in the heart of the central business district of Pearl River New Town in Tianhe District, Guangzhou. The project is expected to feature serviced apartments, and a five-star hotel. The project occupies a total site area of approximately 8,066 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 84,000 sq.m., of which approximately 63,000 sq.m. was held for sale and 21,000 sq.m. was held for investment purposes (hotel). We have commenced development activities but have not commenced construction for this project. We have 50% ownership in this project. See "—Property Development — Joint Venture Operations."

Lie De (獵德項目), Guangzhou

Lie De is a high-end integrated development located in the central of Pearl River New Town, in the original Lie De Village site, in Guangzhou. The Project is expected to feature premium office buildings, shopping malls, serviced apartments and a five-star hotel. The project occupies a total site area of approximately 114,176 sq.m. We entered into a land grant contract but have not obtained the land use right certificate for the land related to this project. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 155,000 sq.m., of which approximately 142,000 sq.m. was held for sale and 13,000 sq.m. was held for investment purposes (shopping mall and hotel). We have 33% ownership in this project. See "—Property Development — Joint Venture Operations."

The City Island (朗悅灣), Suzhou

The City Island is a mid to high-end residential development located in Xiangcheng District, Suzhou. Designed by renowned international designers, the project situates on two islands within Pearl Lake and is surrounded by natural garden and water views. The project is expected to feature mid to high-end residential buildings as well as waterfront townhouses and villas. The project occupies a total site area of approximately 196,064 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 127,000 sq.m., all of which was held for sale. We have 100% ownership in this project.

The Up Blue Town (晶藍上城), Suzhou

The Up Blue Town is a mid to high-end residential development located in Kunshan, Suzhou. It is 31 kilometers from Shanghai city center. The project is expected to feature high-rise residential buildings. The project occupies a total site area of approximately 73,581 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 141,000 sq.m., all of which was held for sale. We have 100% ownership in this project.

The Sapphire (峰匯國際), Suzhou

The Sapphire is a high-end integrated development located on Renmin Road, in Pingjiang New City, adjacent Huoli Island in Suzhou. The project is surrounded by a well-developed transportation network. It is expected to feature high-rise residential buildings, premium office buildings, retail shops and a shopping mall. The project occupies a total site area of approximately 348,449 sq.m. We have not obtained the land use right certificate for the land related to this project with a site area of approximately 86,777 sq.m.. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 708,000 sq.m., of which approximately 628,000 sq.m. was held for sale and approximately 80,000 sq.m. was held for investment purposes (shopping mall) We have 100% ownership in this project.

Suzhou Apex (蘇州領峰), Suzhou

Suzhou Apex is a high-end integrated project located in Mudu Town, Suzhou. The project enjoys direct access to Jinfeng Road station of the Suzhou Light Rail Line No. 1. The project is expected to feature residential, commercial and retail properties and will include a star-rated hotel. The project occupies a total site area of approximately 170,323 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 127,494 sq.m., of which approximately 87,697 sq.m. was held for sale and 39,797 sq.m. was held for investment purposes (shopping mall and hotel). We have 29.94% ownership in this project. Ownership of this project is also held under a trust arrangement, see "Description Of Material Indebtedness and Other Obligations — Trust Financing Arrangement — Suzhou Trust Financing."

The Vision of the World (萬景峰), Chengdu

The Vision of the World is a mid to high-end residential development located in the Gao Xin West District in Chengdu. The project benefits from a well-developed transportation network, providing convenient access to the city center, and the abundance of surrounding communal facilities such as schools, universities and hospitals. The project is expected to feature mid to high-end residential buildings. The project occupies a total site area of approximately 117,518 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 502,000 sq.m., all of which was held for sale. We have 100% ownership in this project.

Chengdu Cosmos (成都譽峰), Chengdu

Chengdu Cosmos is a high-end integrated development located in the central business district of Tian Fu New Town in southern Chengdu. The project is expected to feature luxurious high-rise residential buildings, premium office buildings, a five-star hotel and retail properties. The project occupies a total site area of approximately 186,705 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 871,000 sq.m., of which approximately 741,000 sq.m. was held for sale and 130,000 sq.m. was held for investment purposes (shopping mall and hotel). We have 100% ownership in this project.

Fragrant Seasons (a.k.a. Sound of the Soul) (香悦四季), Beijing

Fragrant Seasons is a mid to high-end residential development located in the Shunyi District, one of the four satellite towns of Beijing. The project lies on the north of Olympic Road and is adjacent to the Olympic Water Park, and is surrounded by the Beijing Country Golf Club and a wide range of recreational facilities and five-star hotels. The project also enjoys a well-developed transportation network and is designed by renowned international designers. The project is expected to feature a low density residential community comprising low-rise apartments and villas. The project occupies a total site area of approximately 376,150 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 514,000 sq.m., all of which was held for sale. We have 100% ownership in this project.

Lingshui Project (海南陵水項目), Hainan

Lingshui Project is an integrated development located in Lingshui, Hainan. The project is expected to feature residential apartments, villas and hotels. The project occupies a total site area of approximately 531,336 sq.m. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 306,000 sq.m., of which approximately 276,000 sq.m. was held for sale and 30,000 sq.m. was held for investment purposes (hotel). We have commenced development activities but have not commenced construction for this project. We have 100% ownership in this project.

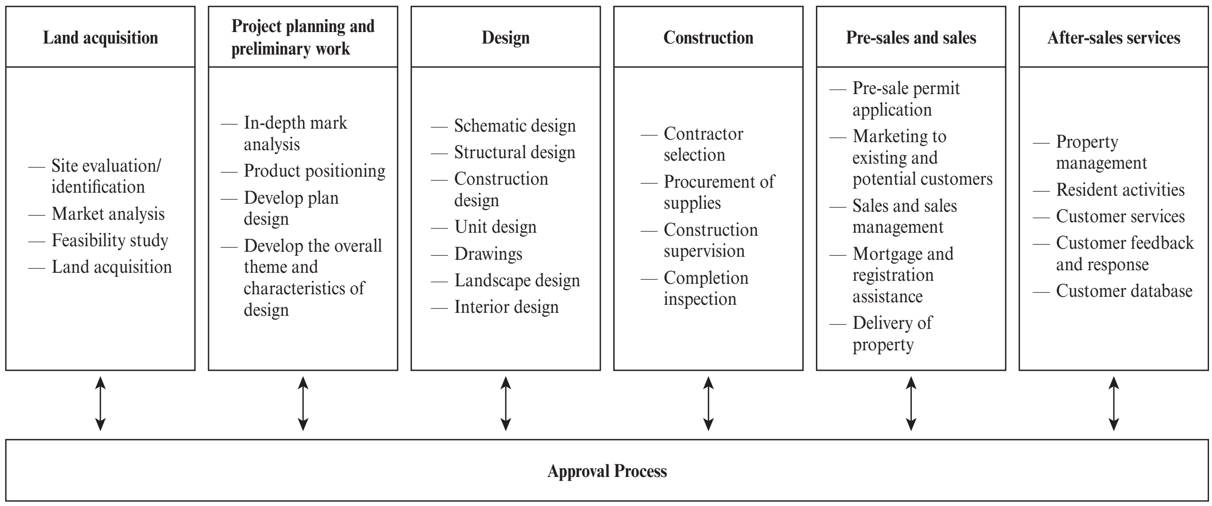
Projects held for Future Development

Foshan Project (佛山地塊項目), Guangzhou

Foshan Project is expected to be a high-end residential and commercial development located in Chancheng District in Foshan, Guangzhou. The project lies above the subway station and is 40 minutes away from Guangzhou city center by car. The project is expected to feature high-end residential buildings, office buildings and shopping malls. The project occupies a total site area of approximately 748,877 sq.m. We obtained the land grant confirmation letter but have not entered into a land grant contract or obtained the land use right certificate. As of April 30, 2010, total saleable GFA attributable to the Group was approximately 560,000 sq.m., the majority of which was held for sale. We have 20% ownership in this project. See "— Property Development — Joint Venture Operations."

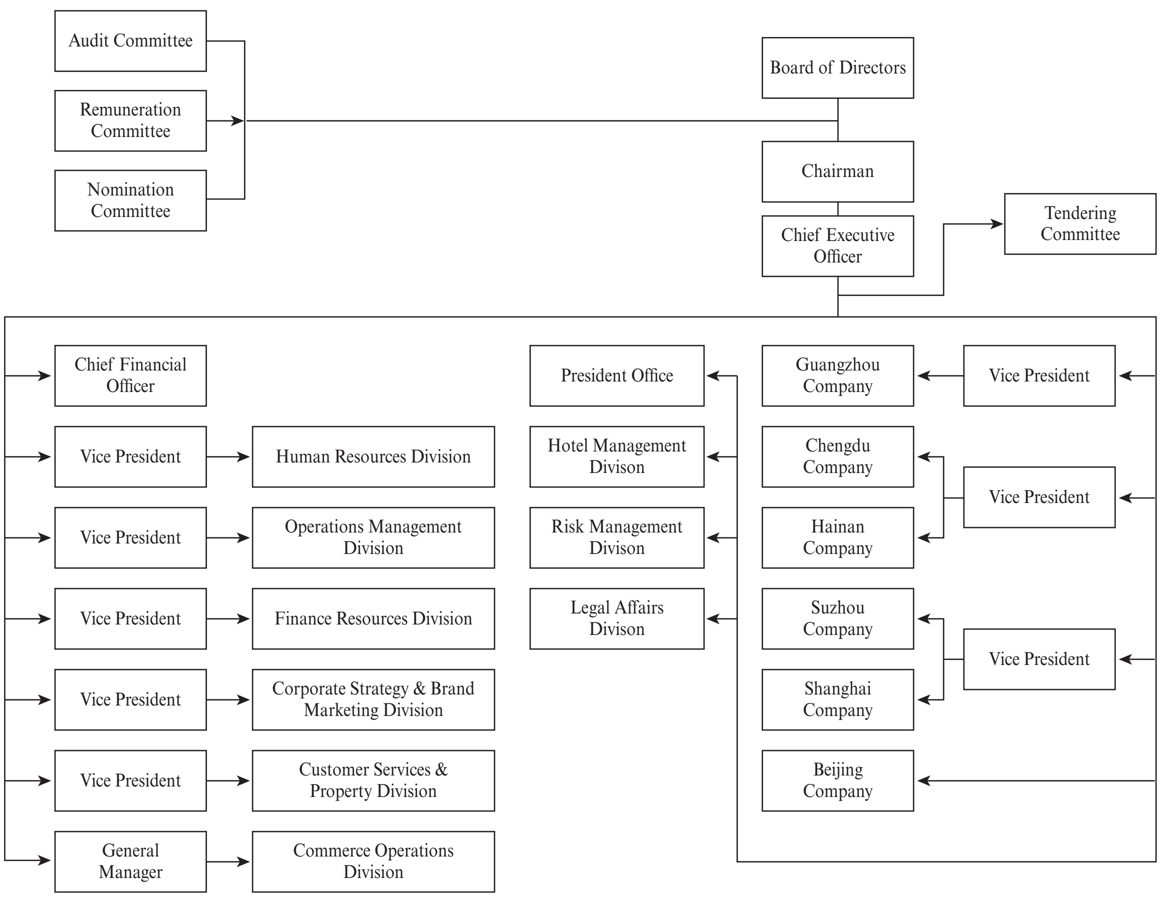
Property Development

We primarily engage in the development and sale of quality residential properties in Guangzhou, Suzhou, Chengdu, Beijing and Hainan Province. Although each project development is unique and is designed to cater to the preferences of specific target markets, the diagram below summarizes the major stages typically involved in the development of a property.



Project Management

We have established specialized divisions to supervise and manage the major stages of all our property developments. Our Chairman, Kong Jian Min, and our senior management team work closely with the head of each of our divisions to provide management guidance. The divisions at the Group level are human resources division, operations management division, finance resources division, corporate strategy & brand marketing division, customer services & property division, commerce operations division, hotel management division, risk management division and legal affairs division. The primary divisions of each of our regional companies include finance division, sales and marketing division, design division, construction division, operations management division, customer service division, and human resources and administration division. We seek to enhance our operating efficiency, optimise our capacities and resources, enhance our negotiating power with suppliers and contractors and facilitate the sharing of resources and expertise among various projects in such areas as design, construction, marketing and sales through this management system. The chart below sets forth the structure of our management.



Our operations management division plays a key role in managing and coordinating each stage of a development. It participates in all major steps of our project development, and is primarily responsible for timing, budget and cost control. The involvement of our operations management division in the entire process of a project development enables us to achieve management efficiency and establish development strategies that follow market preferences and trends closely. We also set up project companies to jointly manage project development with our joint venture partners.

Joint Venture Operations

We have developed and are developing projects jointly with other entities through cooperation agreements. See "Business — Projects Under Development — J2–2," "Business — Projects Under Development — Lie De" and "Business — Projects Under Development — Foshan Project." These cooperation arrangements, which involve the use of the assets and other reserves of the Group and our development partners, without the establishment of a separate entity, are referred to as jointly-controlled operations. Under such arrangements, assets remain under the separate ownership and control of each party. Certain of the construction costs and/or payment for land premium of the jointly-controlled operations are contributed by our development partners. Depending on the terms of the relevant agreements with our development partners, if it is specified that the land is contributed by the development partner and we are responsible for all construction costs of the relevant project, then we record on our financial statements all the construction costs incurred by us on that jointly-controlled operation. Should the agreements require the construction costs to be shared among us and our development partners in an agreed proportion, the construction costs related to the development projects are recorded in our books in the proportion established in the relevant cooperation agreement. Revenue and expenses incurred in common are shared by the parties according to the contractual arrangement. We recorded our payment for land premium and construction costs for our jointly-developed projects, J2–2, Lie De and Foshan Project, based on the proportions attributable to us in the relevant cooperation agreements. The following sets forth certain principal terms of our existing cooperation agreements for our jointly-developed projects, namely, J2–2, Lie De and Foshan Project.

Foshan Project I Agreement

On March 17, 2010, we and Lyntondale Holdings Limited, a BVI company of which we own 20%, and Rich Come Enterprises Limited, our wholly owned subsidiary, entered into a joint-venture agreement (the "Foshan Project I Agreement") with Sun Hung Kai Development (China) Limited for the acquisition of three parcels of land located in Foshan, Guangzhou with a total site area of approximately 459,281 sq.m. The total GFA for these three parcels of land was expected to be approximately 1,227,952 sq.m. The three parcels of land had been acquired through public listing-for-sale by Channel Win Investment Limited ("Channel"), a wholly owned subsidiary of Lyntondale Holdings Limited. Three project companies were set up to develop these land parcels.

The total land premium for the three parcels of land amounted to RMB3.46 billion, of which RMB2.71 billion was still outstanding as of the date of the Foshan Project I Agreement. 80% of the outstanding amount was to be financed by interest-free shareholder's loan from Sun Hung Kai Development (China) Limited, and 20% of the outstanding amount was to be financed by interest-free shareholder's loan from Rich Come Enterprises Limited. Pursuant to the Foshan Project I Agreement, if by 2012 and 2013, the land premium can be settled in whole or in part with proceeds from pre-sales and sales, respectively, the financing obligations of Sun Hung Kai Development (China) Limited and Rich Come Enterprises Limited in connection with shareholder's loan will be mitigated or released proportionately.

Pursuant to the Foshan Project I Agreement, the project companies shall obtain bank financing to meet their respective financial needs during the construction of the projects. When a guarantee is required, Sun Hung Kai Development (China) Limited and Rich Come Enterprises Limited shall only provide the same in proportion to their shareholding in Lyntondale Holdings Limited severally. If for any reason such bank financing is not available, Sun Hung Kai Development (China) Limited and Rich Come Enterprises Limited shall provide the financing in the form of shareholder's loan in proportion to their shareholding in Lyntondale Holdings Limited or through capital injection.

According to the Foshan Project I Agreement, Sun Hung Kai Development (China) Limited shall have the right and power to manage the daily and general business operations of the project companies. In addition, Sun Hung Kai Development (China) Limited will provide sales consultancy services to the project companies.

Foshan Project II Agreement

On March 17, 2010, we and High Ascent Enterprises Limited, a wholly owned subsidiary of KWG and Bonserry Investments Limited, a BVI company of which we own 20%, entered into a joint-venture agreement (the "Foshan Project II Agreement") with Sun Hung Kai Development (China) Limited for the acquisition of four parcels of land located in Foshan, Guangzhou with a total site area of approximately 523,729 sq.m. The total GFA for these four parcels of land was expected to be approximately 1,554,212 sq.m. The four parcels of land had been acquired through public listing-for-sale by Garry Limited ("Garry"), a wholly owned subsidiary of Bonserry Investments Limited. Four project companies were set up to develop these land parcels.

The total land premium for the four parcels of land amounted to RMB4.705 billion, of which RMB3.755 billion was still outstanding as of the date of the Foshan Project II Agreement. 80% of the outstanding amount was to be financed by interest-free shareholder's loan from Sun Hung Kai Development (China) Limited, and the remaining 20% of the outstanding amount was to be financed by interest-free shareholder's loan from High Ascent Enterprises Limited. Pursuant to the Foshan Project II Agreement, if by 2014 and 2017, the land premium can be settled in whole or in part with proceeds from pre-sales and sales, respectively, the financing obligations of Sun Hung Kai Development (China) Limited and High Ascent Enterprises Limited in connection with shareholder's loan will be mitigated or released proportionately.

Pursuant to the Foshan Project II Agreement, the project companies shall obtain bank financing to meet their respective financial needs during the construction of the projects. When a guarantee is required, Sun Hung Kai Development (China) Limited and High Ascent Enterprises Limited shall only provide the same in proportion to their shareholding in Bonserry Investments Limited severally. If for any reason such bank financing is not available, Sun Hung Kai Development (China) Limited and High Ascent Enterprises Limited shall provide the financing in the form of shareholder's loan in proportion to their shareholding in Bonserry Investments Limited or through capital injection.

According to the Foshan Project II Agreement, Sun Hung Kai Development (China) Limited shall have the right and power to manage the daily and general business operations of the project companies. In addition, Sun Hung Kai Development (China) Limited will provide sales consultancy services to the project companies.

Lie De Agreement

On October 8, 2007, we and Precious Wave Investments Limited, a BVI company of which we own 50%, and Quality Express Limited, a Hong Kong company wholly owned by Precious Wave, entered into a joint-venture agreement (the "Lie De Agreement") with Guangzhou R&F Properties Co., Ltd. and Sun Hung Kai Properties Limited for the acquisition of a parcel of land located in Pearl River New Town, Guangzhou with a total site area of approximately 114,176 sq.m. The total GFA for this parcel of land was approximately 568,230 sq.m. The parcel of land had been acquired by Guangzhou R&F Properties Co., Ltd. and Guangzhou Hejing Real Estate Development Limited. It is being developed by Guangzhou Fujing Real Estate Development Limited.

Pursuant to the Lie De Agreement, prior to the establishment of Guangzhou Hejing Real Estate Development Limited (the "JV Co") as the developer of the land and prior to its conversion into a Sino-foreign equity joint venture, the total land premium for the parcel of land of RMB4.6 billion was to be paid in installments by each of Guangzhou R&F Properties Co., Ltd., Sun Hung Kai Properties Limited and us in the proportion of 33.34%, 33.33% and 33.33%, respectively.

Pursuant to the Lie De Agreement, after the establishment of JV Co, the outstanding land premium was to be paid by the funds held by the JV Co in the form of registered capital. To the extent that such funds are not sufficient, the outstanding land premium was to be paid by advances in RMB by each of Guangzhou R&F Properties Co., Ltd., Sun Hung Kai Properties Limited and us in the proportion of 33.34%, 33.33% and 33.33%, respectively, to the JV Co.

Pursuant to the Lie De Agreement, Sun Hung Kai Properties Limited, Guangzhou R&F Properties Co., Ltd. and us shall, through Precious Wave Investments Limited, Quality Express Limited and JV Co, jointly develop the land.

J2–2 Agreement

On May 15, 2007, Guangzhou Minghe Enterprise Co., Ltd., Daygain International Limited (together, as "Party A") and our subsidiary Guangzhou Tianjian Real Estate Development Limited (as "Party B") entered into a joint-venture agreement (the "J2–2 Agreement") for the acquisition of a parcel of land located in Pearl River New Town, Guangzhou with a total site area of approximately 8,066 sq.m. The total GFA for this parcel of land was expected to be 145,188 sq.m. The parcel of land had been acquired by Party A and Party B.

Pursuant to the J2–2 Agreement, the land premium for the parcel of land was to be paid for by Party A and Party B in equal shares. In addition, Party A was to be responsible for the demolition and rental compensation fee of up to RMB283.2 million and Party B was responsible for providing approximately 43,556 sq.m. of GFA for resettlement purposes. No joint-venture company was set up and each of Party A and Party B was to develop their respective parcels of land separately.

Site Selection and Product Positioning

Site selection is fundamental to the success of a property development. Therefore, we devote significant management resources to site selection. Prior to purchasing a parcel of land, our senior management will conduct market research on the potential demand for a property development on such site, determine the overall market positioning, establish a blueprint of the project design, and calculate a target average selling price and gross profit margin for the project. We believe that all these pre-purchase measures help us acquire land prudently and develop our projects with clear market positioning from the beginning.

Historically, our focus was on developments in Guangzhou. We typically select sites in districts or neighborhoods that have a well-established infrastructure or that present significant opportunities for growth. We have also expanded to Suzhou, Chengdu, Beijing and Hainan Province, all of which are PRC property markets which we consider to have high-growth potential. The key factors we consider in site selection include:

- government development plans for the relevant site;
- access to the site and availability of infrastructural support;
- purchaser demand for properties in the relevant area;
- existing and potential property developments in the area;
- the convenience of the site, such as proximity to the city centre, airport, subway and commercial facilities;
- the surrounding environment, such as natural parks, greenery, lakes and rivers;
- the status of the land use rights with respect to the property that we may have interest to acquire in the secondary market;
- the terms of potential leases, including the potential for rent increases; and
- cost, investment and financial return, including cash flow and capital appreciation, of the potential developments.

We intend to continue to seek suitable opportunities in property development as they arise, we are subject to PRC laws and regulations which, among other things, restrict the land that will be made available in the future for luxury residential property developments. See "Regulations — The Land System of the PRC — Real Estate Loans."

Land Acquisition

Prior to the implementation by the PRC government on July 1, 2002 of regulations requiring that land use rights for property developments be granted by tender, auction or listing-for-sale, we obtained most of our land use rights through transfer arrangements or cooperative arrangements with local governments or original grantees of land use rights. We also obtained our land use rights by way of tender, auction or listing-for-sale.

The PRC Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定) issued by the PRC Ministry of Land and Resources provide that, from July 1, 2002, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction or listing-for-sale. When land use rights are granted by way of a tender, an evaluation committee consisting of an odd number, being at least five, of members (including a representative of the grantor and other experts), evaluates and selects the tenders that have been submitted. When deciding whom to grant land use rights, the relevant authorities consider not only the tender price, but also the credit history and qualifications of the tenderer and its tender proposal. Where land use rights are granted by way of an auction, a public auction is held by the relevant local land bureau and the land use rights are granted to the highest bidder. When land use rights are granted by way of listing-for-sale, the relevant local land bureau will announce the conditions for granting the land use rights at designated land transaction centers and the bids submitted by the bidders. The land use rights are granted to the bidder submitting the highest bid by the end of the listing-for-sale period. If two or more parties request a competitive bidding, an on-site competitive bidding shall take place and the land use rights are granted to the highest bidder.

Starting November 1, 2007, a regulation issued by the Ministry of Land and Resources requires property developers to pay the land premium in full for the entire parcel under the land grant contract before they can receive a land use rights certificate. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. In March 2010, the Ministry of Land and Resources issued a circular imposing more stringent requirements on the payment of land premium by property developers. The circular stipulates that the minimum down-payment of land premium to 50% should be paid within one month after the signing of a land grant contract and the rest of the land premium should be fully paid within one year after the signing of a land grant contract. The implementation of the regulation will require property developers to maintain a higher level of working capital. Under this regulation, larger property developers generally are in a better position to compete for large pieces of land due to their stronger financial condition.

Under current regulations, original grantees of land use rights are typically allowed to sell, assign or transfer the land use rights granted to them in secondary markets, provided that (i) the assignment price has been fully paid in accordance with the assignment contract and a land use rights certificate has been obtained; and (ii) development has been carried out according to the assignment contract. If the land use rights are obtained by way of allocation, such land may be transferred through public tender, auction or listing-for-sale. In addition to acquiring land through government-organized tender, auction or listing-for-sale, we may also obtain land use rights through transfers from third parties or through cooperative arrangements with third parties in the secondary markets.

In both government bids and purchases in the secondary market, the purchase price typically includes all expenses required to deliver land use rights, such as resettlement expenses.

See "Regulations" in this offering memorandum for further information on rules and regulations relating to land acquisitions.

During 2007, 2008 and 2009 and the four months ended April 30, 2010, we primarily used three methods of land acquisition: (1) acquiring land use rights through government-organized tender, auction and listing-for-sale; (2) signing land use rights transfer agreements with third parties; and (3) acquiring target companies which have acquired land-use rights themselves.

As of April 30, 2010, we had a land bank of approximately 7.4 million sq.m. of attributable saleable GFA. We expect that our land bank will support our property development in the next several years.

Financing of Property Developments

The main sources of funding for our property developments include: internal funds, borrowings from banks (including PRC banks and overseas banks), trust financing, capital contributions from shareholders, share issuances and proceeds from sales and pre-sales. Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Since June 2003, commercial banks in China have been prohibited under PBOC guidelines from granting loans to fund the payment of land premiums and for the development of luxury residential properties which are residential properties with floor area ratio less than 1.0. In addition, the Bureau of Land Resources and Housing Management of Guangzhou Municipality indicated in 2001 that it intended to abolish the installment payment method in connection with the transfer of state-owned land use rights after December 31, 2003. As a result, property developers may only use their own internal funds and not any borrowings from PRC banks specifically to pay for land premiums and property developers in Guangzhou may be required to make a lump sum payment for the land premiums within the period stipulated in the land grant contracts. Property developers are also prohibited from using project loans obtained from any local banks to fund property developments outside that local region.

Prior to June 2003, we financed our payments of land premiums through a combination of borrowings from banks and proceeds from the sales and pre-sales of properties. Since June 2003, all of our payments of land premiums have been funded by proceeds from the sales and pre-sales of properties and sources other than project loans from banks.

In addition to restrictions on land premium financing, the PRC government also encourages property developers to use internal funds to develop their property projects. According to the Guidelines for Risk Management on Property Loans of Commercial Banks promulgated by the China Banking Regulatory Commission on August 30, 2004, the internal capital ratio, calculated by dividing the internal funds available by the total project capital required for a project, of a property developer who intends to borrow from commercial banks shall be no less than 35%, an increase of five percentage points from 30%, as previously required. Under guidelines jointly issued by the PRC Ministry of Construction and other PRC government authorities in May 2006, commercial banks in China may not lend funds to property developers with an internal capital ratio of less than 35%. Such increase in internal capital ratio will increase the internally sourced capital requirement for property developers, including us.

Project Design Work

With a view to achieving distinctive designs and operating efficiency, we typically outsource our design work to outside design experts. Our regional design division is responsible for selecting third-party design firms, taking into consideration their reputation, proposed designs and their past relationship with us. Our regional design division consists of engineers who supervise our architectural design, landscape design, mechanical engineering, and structural engineering. It coordinates and works closely with the selected design firms in major aspects of the design process, from master planning, design specifications and adjustments, to raw material selection. Our regional design division also monitors the work progress of the selected design firms to ensure that the project designs meet our design specifications and are completed on time. In recent years, we have collaborated with leading domestic and international design firms to work on critical aspects of property development such as architectural design, landscape & environmental design and interior design.

We seek to distinguish our property developments by offering distinctive design features, and adding additional functions to our property developments. For example, in our Cosmos project, a constant temperature indoor swimming pool with underwater music system is expected to provide residents with enhanced enjoyment. Our Chengdu Cosmos project is the first residential project with private swimming pool in China.

Construction Work

We outsource our project construction work entirely to independent third parties. A tender process is usually required to select contractors for construction projects pursuant to national and local regulations, such as the Measures of the Implementation of the Tender Law of the PRC by Guangdong Province. Certain local governments in Guangdong Province may require that all construction projects go through a tender process. Without any long-term construction outsourcing contracts in place, our operations management division organizes a tender process to work with a number of qualified contractors to create a competitive environment. We consider their track record performance, work quality, proposed delivery schedules and costs in our selection process and seek to maintain our construction costs at a reasonable level without sacrificing quality.

The construction contracts we enter into with construction companies typically contain warranties with respect to quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. Our operations management division monitors quality and cost control and construction progress closely during construction. In the event of a delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies. Our construction contracts typically provide for payments based on construction progress until a specified maximum percentage of the total contract sum is paid. Except for approximately 5% of the contract sum which we generally withhold for two years from completion to cover any potential expenses incurred as a result of any construction defects, the remaining balance is payable upon the issue of a certificate approving construction quality. Payments to contractors are determined primarily on the labor and material costs, fitting requirements and construction progress, and are adjustable under the construction contract.

Quality Control and Construction Supervision

We place a strong emphasis on quality control to ensure that our properties comply with relevant regulations and are of high quality. As part of our quality control procedures, we typically engage reputable design and construction companies to undertake our projects.

To ensure quality, we typically purchase certain fixture materials, such as bathroom taps, fittings, electrical appliances and stone fittings directly, while the general contractors procure the basic building materials, such as cement and steel. The general contractors procure most of the equipment necessary for each project in accordance with our specifications. Generally, we do not own any construction equipment and do not maintain any inventory of building materials. However, under certain circumstances, we may instruct the contractor to purchase raw materials from specific suppliers to ensure that the materials meet our particular requirements. When we procure supplies, including equipment and materials, to be used for our projects directly, we generally solicit price quotes from at least two prospective suppliers, negotiate the price and other terms with them and finalize the purchase arrangements with the winning supplier by signing price confirmations for regular supplies and executing purchase agreement for major equipment and construction. We initiate each transaction by a purchase order and require the suppliers to deliver the supplies to locations specified by the relevant project companies. We believe that our centralized procurement system gives us more bargaining power and better cost control, enabling us to benefit from economies of scale.

To maintain quality control, we employ strict procedures for selection, inspection and testing of equipment and materials. Our project management teams inspect equipment and materials to ensure compliance with the contractual specifications before accepting the materials on site and approving payment. We reject materials which are below our standards or that do not comply with our specifications and return them to the suppliers.

To ensure quality and monitor the progress and workmanship of construction, each of our projects has its own on-site project management team, which comprises qualified engineers led by our project manager. Our project management teams provide on-site supervision of the project. The contractors are also subject to our quality control procedures, including appointment of internal on-site quality control engineers, examination of materials and supplies and on-site inspection. In addition, we have a quality control team which consists of qualified engineers and inspects the quality of the construction work on a selective basis. We also engage independent quality supervisory companies to conduct quality and safety control checks on all building materials and workmanship on site.

Our quality inspection team under the operations management division is responsible for the supervision of the construction of our properties and ensuring that our properties meet specified standards upon completion. In addition, prior to handing over a property to a purchaser, our sales and customer service personnel, together with our engineers and the relevant property management company inspect the property to ensure the quality of the completed property.

Pre-Sale

We typically conduct pre-sales of our property units prior to the completion of a project or a project phase, subject to satisfaction of certain requirements set forth in laws and regulations governing pre-sales of properties. Under the Law of the Administration of Urban Property 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-sale of Urban Property (城市商品房預售管理辦法), as amended in 2001 and 2004, we must meet the following conditions prior to commencing any pre-sale of a particular property development:

- the land premium has been fully paid and the relevant land use rights certificates have been obtained;
- the required construction works planning permits and the construction project building permit have been obtained;
- the funds contributed to the property developments where property units are pre-sold may not be less than 25% of the total amount invested in a project and the progress and the expected completion date and delivery date of the construction work have been confirmed; and
- pre-sale permits have been obtained from the construction bureaus at local levels.

According to the Administration of Pre-sale of Commodity Premises Regulations of Guangdong Province (廣東省商品房預售管理條例) and a notice issued by the Guangdong Provincial Construction Bureau on January 2, 2001, we must meet the following conditions, in addition to the four conditions mentioned above, before obtaining a pre-sale permit for our projects in Guangdong Province:

- a business license and a real property development qualification certificate have been obtained;

- the construction quality and safety monitoring procedures have been performed;
- the main structural construction has been completed with respect to properties of not more than seven stories, and at least two-thirds of the main structural construction has been completed with respect to properties of more than seven stories;
- a special property pre-sale account has been set up at a commercial bank in the place where the project is located; and
- the land use rights with respect to the properties in the project and the project are free from third-party claims.

Other cities and regions in which we have property developments or to which we are expanding (such as Jiangsu Province, Sichuan Province, Beijing and Hainan Province) have imposed similar conditions to pre-sales of properties, which require the possession of certain certificates or government approvals, completion of certain structure or facilities, proof of required investment and the setup of a special presale proceeds accounts.

Sales and Marketing

Our corporate strategy and brand marketing division is responsible for marketing of our brand name at the Group level. Our regional sales and marketing division is responsible for managing sales and marketing for specific projects. As of April 30, 2010, our sales and marketing team (including personnel at the regional level) comprised 66 employees. We conduct training sessions for our staff from time to time and also conduct specific training on a particular project prior to the commencement of pre-sales of such project. We offer our sales and marketing staff performance-based remuneration packages and opportunities to visit renowned projects in other cities in the PRC and overseas to broaden their horizons and enrich their professional experience. Our sales managers and our marketing managers cooperate to conduct feasibility studies based on market analysis, design sales and pricing strategies, and determine appropriate advertising and sales plans for a particular property development and for a particular phase of the sales cycle. They also work with other divisions of the company to plan and organize efficient and orderly on-site sales processes, arrange promotional activities and collect purchaser data and comments.

We adopt various measures to reach potential purchasers, including advertising through television, radio, newspapers, internet, billboards, magazines and instant text messages. We also organize seminars and performances on our projects to attract purchasers.

Payment Arrangements

Purchasers of our residential properties, including those purchasing pre-sale properties, may arrange for mortgage loans with banks. We typically require our purchasers to pay a non-refundable deposit (typically ranging from RMB5,000 to RMB500,000) before entering into formal purchase contracts. If the purchasers later decide not to enter into a purchase contract, they will forfeit such deposits. Upon executing the purchase contracts, the purchasers are typically required to pay not less than 30% of the total purchase price of the property. If purchasers choose to make a lump-sum payment, the remaining purchase price balance is typically required to be paid no later than six months after the execution of the purchase contracts. If the purchasers choose to fund their purchases by mortgage loans provided by banks, under current PRC laws and regulations, they may obtain mortgage loans of up to a maximum of 80%, or 70% for units larger than 90 sq.m., of the purchase price with a repayment period of up to 30 years. These purchasers are typically required to pay the remaining balance of that portion of the purchase price that is not covered by the mortgage loans prior to the disbursement of the mortgage loans from mortgagee banks. The payment terms of sales and pre-sales of properties are substantially identical.

In accordance with industry practice, we provide guarantees to banks with respect to the mortgage loans offered to our purchasers. These guarantees are released upon the earlier of (i) the relevant property certificates being delivered to the purchasers, and (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers of our projects. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2007, 2008 and 2009, our outstanding guarantees on the mortgage loans of our purchasers amounted to RMB1,558.1 million, RMB1,624.9 million and RMB4,067.1 million, respectively. See "Risk Factors — Risks Relating to Our Business — We guarantee mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments."

Property Management

We engage our own or third-party property management companies on behalf of our purchasers to manage the residential properties we developed. We have established two lines of property management team to provide after-sale property management services to our purchasers of high-end and mid-end projects respectively. Most of our projects are currently managed by Guangzhou Ningjun Property Management Co., Ltd. (廣州市寧駿物業管理有限公司) and Guangzhou Fuxin Property Management Co., Ltd. (廣州市富馨物業管理有限公司), which are our wholly-owned subsidiaries. Some of our projects are managed by a third-party management company. Historically, we also engaged Savills Guangzhou and Jones Lang LaSalle as property consultants to provide professional advice on property management. To date, our property management subsidiaries do not provide services to projects developed by third parties. The project management companies typically provide after-sales services to purchasers of our properties, including security services, maintenance, operation of clubhouses, gardening and landscaping and other services. Under PRC laws and regulations, the owners' association of a residential community has the right to change property management companies pursuant to certain procedures. See "Risk Factors — Risks Relating to Our Business — Property owners may terminate our engagement as the provider of property management services."

Our property management companies typically enter into property management agreements with the property owners. The property management contract sets forth the scope and the quality requirements of the services provided by our property management companies. We are not allowed to assign the management responsibilities to a third party. We are responsible for establishing the property management procedures and preparing maintenance and renovation plans with respect to the properties and public facilities. The property management contract also sets forth the payment arrangements of management fees, which cannot be increased without the prior consent of the property owners.

Investment Properties

We develop investment properties, including office buildings, retail shop units, shopping malls, hotels and serviced apartments for leasing and/or for capital appreciation. As of April 30, 2010, these investment properties (which include investment properties under development) had a total saleable GFA attributable to the Group of approximately 999,126 sq.m. In addition, we also have 1,400 car parks with a total saleable GFA of approximately 16,800 sq.m. We believe these properties help reduce our exposure to fluctuations in property sales prices. One of our main office buildings is

International Finance Place, which was completed in 2007. International Finance Place comprises office properties with a total saleable GFA of approximately 61,000 sq.m. held for lease. At present, tenants who have signed up or agreed to sign up include about 13 domestic and foreign banks, the Guangzhou offices of various multi-national corporations and diplomatic institutions such as the Italian Consulate. Some of our retail shop units are, or are expected to be, located in large, multiple-use complexes. We may choose to sell the retail shop units we have developed when we believe that sales would generate a better return on investment than through rental or holding for capital appreciation.

We will continue to explore opportunities in diversified property investments with the objective to maintain a balanced product portfolio. We intend to continue to roll out high quality investment properties and premium hotels in the future. We expect our portfolio of office buildings, retail shop units, shopping malls, office buildings, hotels and serviced apartments held on a long-term basis to account for approximately 20% of our total assets.

Hotel Management

In September 2009, we opened our first hotel property, Four Points by Sheraton Guangzhou, Dongpu, located in Tianhe Dongpu, Guangzhou. In addition, we have two high-end star-rated hotels under construction in Guangzhou, namely, Guangzhou W Hotel and Sheraton Huadu Resort, and six other high-end star-rated hotels under planning, variously located in Guangzhou, Suzhou, Chengdu and Hainan. We have entered into three operating agreements with the Starwood Hotels Group. Under these agreements, the Starwood Hotels Group will operate our hotels and associated serviced apartments. Each operating agreement has a ten- or fifteen-year term commencing on the date of the opening of the respective hotel and ending on December 31 of its tenth or fifteenth full operating year. The Starwood Hotels Group have an option to extend the term for an additional five years upon a written notice of no more than one year and no less than 180 days prior to the expiration of the original term.

We believe that by having the Starwood Hotels Group operate our hotels and serviced apartments, we will be able to benefit from their global reputation, hotel operation experience as well as their integrated marketing services, global reservation systems and employee training programs. The Starwood Hotels Group will receive a monthly fee in consideration of their operation services. This fee is calculated based on a fixed percentage of the revenue from the operations of each of our hotels and serviced apartments operated by Starwood Hotels Group for each month and a progressive percentage of the amount by which such revenue exceeds all ordinary and necessary expenses incurred in the operations of such hotels and serviced apartments for each calendar year during the term of the relevant operating agreement. After the payment of this monthly fee and deduction of all necessary reserves, we are entitled to all of the profits and losses of our hotels and serviced apartments. As the owner of these properties, we will participate in reviewing and approving the operating plans, subject to certain limitations stated in the hotel operating agreements, of the hotels proposed by the Starwood Hotels Group and participate in making material operating and financial management decisions of the relevant hotels.

The table below sets forth certain information relating to our hotels which had been completed, as of April 30, 2010:

	Estimated Hotel GFA (sq.m.)	Number of Rooms	Ownership Interest	Management Partner	Date of Full Opening	Terms under the Operating Management Agreement
Four Points by Sheraton.	35,000	300	100%	Sheraton	2009	15 years

The table below sets forth certain information relating to our hotels which were under development, as of April 30, 2010:

	Project	Estimated Date of Completion	Estimated Hotel GFA (sq.m.)	Estimated Number of Rooms	Ownership Interest	Management Partner
Huadu Sheraton Resort	Sky Ville	2010	16,000	102	100%	Sheraton
Guangzhou W Hotel .	The Apex	2011	50,000	302	100%	W Hotels

In addition, we are planning to develop six other high-end hotels in Guangzhou, Suzhou, Chengdu and Hainan, as part of six of our projects under development, namely, Lie De, J2–2, Zengcheng Summit, Suzhou Apex, Chengdu Cosmos and Lingshui Project.

Properties Used by Us

Our corporate headquarters are located at International Finance Place, Guangzhou, Guangdong Province. As of April 30, 2010, the properties that we leased had an aggregate GFA of approximately 4,716.5 sq.m., which are located in the PRC and Hong Kong. As of April 30, 2010, we, as lessees, had signed seven tenancy agreements with the relevant lessors. We had not completed registration of these tenancy agreements as of April 30, 2010 and were in the process of applying for, and/or requesting the relevant lessors to assist in, the registration of the remaining tenancy agreements. As advised by our PRC legal counsel, Jingtian & Gongcheng, the failure of registering a tenancy agreement would not affect the validity and enforceability of such tenancy agreement under the applicable laws and regulations. In addition, for one of the properties for which the registrations have not been completed yet, we have not been provided with the relevant title certificates, and as a result, the validity of the tenancy agreements with respect to such properties is uncertain. We lease such properties primarily as offices of the regional offices and local branches of our subsidiaries and as staff housing. We believe that in the event there is any future dispute due to lessor's defective title to the leased property and/or in connection with the validity of the tenancy agreements, we will be able to find alternative premises within a short time frame and with minimal adverse impact on, or disruption to, our business operations.

Competition

Our existing and potential competitors include major domestic developers and, to a lesser extent, foreign developers primarily from Asia, including several leading developers from Hong Kong. Some of our competitors target different segments of the PRC property market; some engage in other activities in addition to property development; and some are focus regionally or nationally. Our competitors may have more experience and resources than us. For more information on competition, see "Risk Factors — Risks Relating to the Real Estate Industry in China — Increasing competition in the property industry in China, particularly in Guangzhou and other cities where we operate may adversely affect our business and financial condition."

Intellectual Property Rights

We have registered with the PRC Trademark Office our trademarks of "KWG", "合景", "合景泰富", "KWG Property", "合景泰富地產" and "IFP" under various categories, and have applied to register with the PRC Trademark Office our trademarks of "譽峰" and "領峰." We have registered "合景泰富", "KWG Property" and "合景泰富地產" trademarks in Hong Kong.

Employees

As of April 30, 2010, we had 2,048 full time employees. The following table provides a breakdown of our employees by responsibilities as of April 30, 2010:

Management	27
Corporate Affairs	3
Administration	101
Accounting	84
Human Resource	25
Engineering	197
Marketing and Sales	66
Design	71
Property Management	1,196
Cost Control (Construction)	98
Information Technology	13
Customer Service	35
Legal	12
Treasury	17
Auditing	9
Investment Development	31
Operation Management	18
Hotel Management	4
Procurement	41
Total	2,048

Insurance

Property developers in Guangzhou are not required under national or local laws or regulations to maintain insurance coverage in respect of their property development operations. We do not maintain insurance coverage on our properties developed for sale other than with respect to those developments over which our lending banks have security interests, or for which we are required to maintain insurance coverage under the relevant loan agreements. Neither do we require the construction companies we engage to maintain insurance coverage on properties under construction. In addition, we generally do not carry insurance against personal injuries that may occur during the construction of our properties. The construction companies, however, are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations. To help ensure construction quality and safety, we have a set of standards and specifications for the construction workers to comply with during the construction process. We engage qualified supervision companies to oversee the construction process. Under PRC laws, the owner or manager of properties under construction bears civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe that we would generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us. In addition, according to our construction contracts, any liability that may arise from tortious acts committed on work sites will be borne by the construction companies. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us.

We believe that our policies with respect to insurance are in line with the industry practice in the PRC. However, there are risks that 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 may suffer certain losses not covered by insurance."

Environmental and Safety Matters

We are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments. See "Regulations — The Land System of The PRC — Environmental Protection." As required by PRC laws and regulations, each project developed by a property developer is required to undergo an environmental assessment, and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. When there is a material change in respect of the construction site, scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. During the course of construction, the property developer and the construction companies must take measures to prevent air pollution, noise emissions and water and waste discharge.

In addition, PRC environmental laws and regulations provide that if a construction project includes environmental facilities (including engineering projects, devices, monitors and other facilities that were constructed or equipped in order to prevent pollution and protect the environment), such facilities will have to pass an inspection by the environmental authorities and an approval must be obtained before the environmental facilities can commence operations. If a construction project does not include any environmental facilities, no such approval is required. Our business is of such a nature that we are not required to construct environmental facilities and, therefore no approval in respect of environmental facilities from the environmental authorities is necessary.

We believe that our operations are in compliance with currently applicable national and local environmental and safety laws and regulations in all material respects. See "Risk Factors — Risks Relating to the Real Estate Industry in China — Potential liability for environmental damages could result in substantial cost increases."

Legal Proceedings

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

In April 2009, Guangzhou Hejing Meifu Real Estate Development Ltd. received tax penalties in the amount of RMB787,148 from Guangzhou Municipal taxation bureau due to failure to obtain tax invoices in accordance with relevant rules and regulations and the delay of tax payment. The tax penalty amount has been fully paid. In May 2009 and January 2010, Guangzhou Hejing Real Estate Development Ltd. received tax penalties in the amount of RMB18,000 from Guangzhou Municipal taxation bureau due to failure to obtain tax invoices in accordance with relevant rules and regulations. The tax penalty amount has been fully paid.

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

The Land System of The PRC

All land in the PRC is either State-owned or collectively-owned, depending on the location of the land. All land in the urban areas in a city or town is State-owned, and all land in the rural areas of a city or town and all rural land is, unless otherwise specified by law, collectively-owned. The State has the right to resume land in accordance with law if required for the benefit of the public.

Although all land in the PRC is owned by the State or by collectives, private individuals, enterprises and other organizations are permitted to hold, lease and develop land for which they are granted land use rights.

National Legislation

In April 1988, the Constitution of the PRC (the "Constitution") was amended by the National People's Congress (全國人民代表大會) to allow for the transfer of land use rights for value. In December 1988, the Land Administration Law (中華人民共和國土地管理法) of the PRC was amended to permit the transfer of land use rights for value.

Under the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) ("Urban Land Regulations") promulgated in May 1990, local governments at or above county level have the power to grant land use rights for specific purposes and for a definite period to a land user pursuant to a contract for the grant of land use rights upon payment of a grant premium.

Under the Urban Land Regulations, there are different maximum periods of grant for different uses of land. They are generally as follows:

Maximum period use of land	In years
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Public utilities	50
Others	50

Under the Urban Land Regulations, all local and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not resume possession of lawfully granted land use rights prior to expiration of the term of grant. If public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. A land user may lawfully assign, mortgage or lease its land use rights to a third party for the remainder of the term of grant.

Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land use rights and payment of a premium. If the term of the grant is not renewed, the land use rights and ownership of any buildings thereon will revert to the State without compensation.

The National People's Congress adopted the PRC Property Rights Law (中華人民共和國物權法) in March 2007, which became effective on October 1, 2007. According to the Property Rights Law, when the term of the right to use construction land for residential(but not other) property purposes expires, it will be renewed automatically.

In order to stop illegal occupation and abusive use of land, prevent overheating in investment in fixed assets in some areas, and implement strict protection of cultivated land, the General Office of the State Council (國務院辦公廳) issued the Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land (關於深入開展土地市場治理整頓嚴格土地管理的緊急通知) on April 29, 2004.

The notice addresses issues including, (i) continuing the rectification of the land market by cooperation between the PRC Ministry of Land and Resources (authorities on problems existing in the grant of State-owned land use right by way of tender, auction and invitation for bidding; (ii) strictly administering approvals of construction land; (iii) protecting basic agricultural land; (iv) strictly implementing the general strategy and annual plan for land use, and the balance system for occupying and compensating cultivated land; and (v) actively promoting the reform of the administration system of land and resources. Also, according to the notice, the rectification of the land market will take approximately half a year from the issuance of the notice. Approvals for converting agricultural land to non-agricultural construction land will be suspended throughout China during this period, except for certain major public infrastructure projects which shall be approved by the State Council.

On March 26, 2005, the General Office of the State Council promulgated a Notice on Effectively Stabilizing House Prices (關於切實穩定住房價格的通知) to restrain the excessive growth of house prices and promote the sound development of the property market. The notice provided that housing prices should be stabilized and the system governing housing supply should be vigorously adjusted and improved. In accordance with the notice, seven departments of the State Council including the Ministry of Construction issued an Opinion on the Work of Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) on April 30, 2005. The opinion stated, amongst the others, that: (i) the local government should focus on increasing the supply of low to medium-end ordinary residential houses while controlling the construction of high-end residential houses; (ii) to curb any speculation in the property market, business taxes would be levied from June 1, 2005 on the total revenue arising from any transfer by individuals of houses within two years upon their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses (非普通住宅) by individuals after two or more years upon their purchase thereof; and (iii) the real estate registration department will no longer register the transfer of apartment units which are pre-sold, where such units have not obtained the relevant Real Estate Ownership Certificates.

On May 24, 2006, the General Office of the State Council further 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 provided for six broad measures including but not limited to the following specific directives to (i) encourage mass-market residential developments and to curb the development of high-end residential properties; (ii) enforce the collection of business taxes on property sales (business taxes will be levied on the entire sale price of any property sold within five years, or on the profit arising from any property sold after five years subject to possible exemptions for ordinary residential properties); (iii) restrict housing mortgage loans to not more than 70% of the total property price (for houses purchased for self-residential purposes and with an area of less than 90 sq.m., the owners are still able to apply for housing mortgage up to an amount representing 80% of the total property price); (iv) halt land supply for villas projects and restrict land supply for high-end, low density residential projects; (v) moderate the progress and scale of demolition of old properties for redevelopment; (vi) local governments are also required to ensure that at least 70% of the total development and construction area also must consists of units of less than 90 sq. m. in size (with any exceptions requiring the approval of the Ministry of Construction); and (vii) 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. On August 30, 2006, the State Council published the Notice by the State Council on Strengthening the Regulation and Control of the Land (關於加強土地調控有關問題的通知), which regulates the management of land in the PRC and also the protection of cultivated land. According to the notice, land designated for industrial purposes shall be granted by way of tender, auction and putting up for bidding, but in any event shall not be sold below the reserve price.

In May 2006, the Ministry of Land and Resources published an Urgent Notice to Tighten Up Land Administration (當前進一步從嚴土地管理的緊急通知). In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten up the control on land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing. In this notice, the Ministry of Land and Resources also required the local governments to conduct thorough investigations of illegal land use and submit a report on such investigations to the Ministry by the end of October 2006.

In September 2007, the Ministry of Land and Resources issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties and Further Strengthening Macro-control of Land Supply (關於認真貫徹國務院〈關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知), pursuant to which, at least 70% of the land supply arranged by the relevant land administration authority at city or county level for residential property development for any given year must be used for developing low- to medium-cost and small-to medium-size units, low-cost rental properties and affordable housing.

In order to encourage the consumption of the ordinary residence and support the real estate developer to handle the market change, the General Office of the State Council issued the Several Opinions on Facilitating the Healthy Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見) in December 2008. Pursuant to this opinion, in order to encourage the consumption of the ordinary residence, from January 1, 2009 to December 31, 2009, business tax is imposed on the full amount of the sale income upon the transfer a non-ordinary residence by an individual within two years from the purchase date. For the transfer of non-ordinary residence which is more than two years from the purchase date and ordinary residence which is within two years from the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residence that is smaller than the average size for their locality may buy a second ordinary residence under favorable loan terms similar to first-time buyers. In addition, support for real estate developers to deal with the changing market is to be provided by increasing credit financing services to "low-to-medium-level price" or "small-to-medium-sized" ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

The Ministry of Finance and the State Administration of Taxation issued the Circular on Revising the Business Tax Policies on Individuals' House Transfer (關於調整個人住房轉讓營業稅政策的通知) on December 22, 2009, which revised the business tax policy for real property transfers. The Circular provided that from January 1, 2010, the transfer of non-ordinary housing purchased by individuals for less than five years remains subject to business tax based solely on the sale price from such transfer; any transfer of non-ordinary housing purchased by individuals for at least five years (included) and ordinary housing purchased for less than five years is subject to business tax based on the difference between the gain from such transfer and the original purchase price; and the business tax is exempted for any transfer of ordinary housing purchased and held by individuals for more than five years (included).

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

On March 8, 2010, the Ministry of Land and Resources promulgated the Circular on Strengthening Real-estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知, Circular) in order to strictly regulate the transfer of land for commercial buildings. According to this Circular, the area of a parcel of land granted for commodity residential project should be strictly restricted in accordance with the Catalogue of Restricted Use of Land (2006 Version Supplement) (限制用地專案目錄(2006年本增補本)) and the minimum price of the land transfer shall not be less than 70% of the benchmark price of the place where the land being transferred is located, and the bidding deposit shall not be less than 20% of the minimum transfer price. After land transfer deal is closed, land transfer contract shall be executed within 10 working days therefrom. The first installment of 50% of the land transfer price shall be paid within one month of the execution of the contract and the remaining payment shall be made in time in accordance with the contract, which shall not be later than one year. A system of declaration on commencement and finish of real estate project should be established since April 1, 2010. Property developer should make written declaration to the land resource authorities when the project commenced or finished.

On April 17, 2010, for the purpose of the State Council Issued Notice on Resolutely Containing the Excessive Hike of Property Price in Some Cities (堅決遏制部分城市房價過快上漲的通知) (the "April 17 Notice"), which provides that where the first home purchaser (including a borrower, his or her spouse and children under 18) buy a residence with a unit floor area of more than 90 sq.m. for self use, the minimum down payment shall not be less than 30%; where for the second home buyers that use mortgage financing, it is required that the minimum down payment shall be 50% of the purchase price with minimum mortgage lending interest rate at the rate of 110% of the benchmark rate; where a third or further buyers that use mortgage financing, the minimum down payment and interest rate thereof shall be further substantially raised. The April 17 Notice, further requires that in cities where property price is overly high with excessive price hike and strained house supply, commercial banks may in light of risk exposure suspend extending bank loans for a third or further buyers; also provision of housing loans shall be suspended to non-local residents who cannot present the local tax returns or social insurances certification of more than one (1) year.

Three authorities, including the Ministry of Housing and Urban-Rural Development (MOHURD), the People's Bank of China (PBOC) and the China Banking Regulatory Commission (CBRC), jointly released the Circular on Regulating the Standards for recognizing the Second House in Commercial Housing Loans for Individuals (關於規範商業性個人住房貸款中第二套住房認定標準的通知, Circular) on May 26, 2010, so as to regulate recognition of the second house of applicants for commercial housing loans (hereinafter referred to as the loan applicants).

Under the Circular, number of houses owned by a family in the commercial housing loans for individuals shall be calculated according to number of sets of houses which are actually owned by members (including the loan applicant and his/her spouse and under-age children, hereinafter the same) of the family who plans to purchase a house. The Circular also stipulated that house purchasers shall check the house registration records of the family via the house registration system, and shall provide the results in written. The loan applicant shall provide the credit guarantee in written to prove the actual number of houses owned by his/her family.

Grant

PRC law distinguishes between the ownership of land and the right to use land. Land use rights can be granted by the State to a person to entitle him to the exclusive use of a piece of land for a specified purpose within a specified term and on such other terms and conditions as may be prescribed. A premium is payable on the grant of land use rights. The maximum term that can be granted for the right to use a piece of land depends on the purpose for which the land is used. As described above, the maximum limits specified in the relevant regulations vary from 40 to 70 years depending on the purpose for which the land is used.

Under the Urban Land Regulations, there are three methods by which land use rights may be granted, namely by agreement, tender or auction.

On June 11, 2003, the Ministry of Land and Resources promulgated the Regulation on Grant of State-owned Land Use Rights by Agreement (協議出讓國有土地使用權規定). According to such regulation, if there is only one intended user on a piece of land, the land use rights (excluding land use rights used for business purposes, such as commercial, tourism, entertainment and commodity residential properties) may be granted by way of agreement. The local land bureau, together with other relevant government departments including the city planning authority, will formulate the plan concerning issues including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the State, and submit such plan to the relevant government for approval. The local land bureau and the person who is interested will negotiate and enter into the grant contract based on such plan. If two or more entities are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or putting up for bidding. Furthermore, according to the Rules Regarding the Grant of State-owned Land Use Rights by Way of Tender, Auction and Putting up for Bidding (招標拍賣掛牌出讓國有土地使用權規定) (the "Land Use Grant Rules") which are effective from July 1, 2002, land use rights for properties for commercial use, tourism, entertainment and commodity residential purposes can only be granted through tender, auction or putting up for bidding.

Where land use rights are granted by way of tender, invitations to tender will be issued by the local land bureau. The invitation will set out the terms and conditions upon which the land use rights are proposed to be granted. A committee will be established by the relevant local land bureau to consider tenders which have been submitted. The successful bidder will then be asked to sign the grant contract with the local land bureau and pay the relevant land premium within a prescribed period. The land bureau will consider the following factors: the successful bidder shall be either the bidder who can satisfy the comprehensive evaluation criteria of the tender, or who can satisfy the substantial requirements of the tender and also offers the highest bid.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the bidder with the highest bid. The successful bidder will be asked to enter into a grant contract with the local land bureau.

Where land use rights are granted by way of bidding, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bidding and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid and which satisfies the terms and conditions. The successful bidder will then enter into a grant contract with the local land bureau.

Upon signing of the contract for the grant of land use rights, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local land bureau for the issue of the land use right certificate. Upon expiration of the term of grant, the grantee may apply for renewal of the term. Upon approval by the relevant local land bureau, a new contract shall be entered into to renew the grant, and a grant premium shall be paid.

In September 2007, the Ministry of Land and Resources further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights Through Public Tender, Auction and Listing for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) to require that land for industrial use, except land for mining, must also be granted by public tender, auction and listing-for-sale. Only after the grantee has paid the land premium in full under the land grant contract, can the grantee apply for the land registration and obtain the land use right certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

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

Ministry of State Land and Resources promulgated Notice on Problems Regarding Strengthening Control and Monitor of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知) (the "Notice") on March 8, 2010. According to the Notice, the land provision for affordable housing, redevelopment of shanty towns and small/medium residential units for occupier owner should be no less than 70% of total land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The Notice also requires that the lowest land grant price should not less than 70% of the basic land price in which the granted land is located and the real estate developers' bid deposit should not less than 20% of the lowest grant price. The land grant agreement must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium should be 50% and must be paid within one month after the execution of the land grant agreement. The rest payment should be paid in accordance with the agreement, but not later than one year. If the land grant agreement is not executed in accordance with the requirement above, the land should not be handed over and the deposit will not be returned. If no grant premium is paid after the execution of the agreement, the land must be withdrawn.

In order to control and facilitate the procedure of obtaining land use rights, several local governments have stipulated standard provisions for land grant contracts. Such provisions usually include terms such as use of land, land premium and manner of payment, building restrictions including site coverage, total gross floor area and height limitations, construction of public facilities, submission of building plans and approvals, deadlines for completion of construction, town planning requirements, restrictions against alienation before payment of premium and completion of prescribed development and liabilities for breach of contract. Any change requested by the land user in the specified use of land after the execution of a land grant contract will be subject to approvals from the relevant local land bureau and the relevant urban planning department, and a new land use contract may have to be signed and the land premium may have to be adjusted to reflect the added value of the new use. Registration procedures must then be carried out immediately.

Withdrawal of Land

According to the Law of Administration of Urban Real Property (2007 revision) (中華人民共和國城市房地產管理法, 2007年修訂) (the "Urban Real Property Law"), where a real property development is carried out on land for which the land use rights are acquired by means of grant, the land must be developed in line with the specified use for the land and the deadline for commencement of development set out in the land grant contract. Where the development does not commence within one year from the specified date set out in the land grant contract, an idle land fee may be charged at a rate equivalent to not more than 20 per cent of the relevant land premium. Where the development does not commence within two years from the specified date, the relevant land use rights may be withdrawn without compensation, except where the commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or delays in preliminary work necessary for the commencement of development.

According to the Measures on Disposal of Idle Land promulgated on April 28, 1999 (閒置土地處置辦法), "idle land" refers to land granted for use but laying idle because the land user fails to commence development and construction before the specified commencement date without the consent of government which approved the use of the land. Where the land is deemed "idle land", relevant municipal or county land administrative departments ("Land Administrative Authorities") shall inform the land user and prepare a plan for the disposal of the idle land. Where the land is mortgaged, the mortgagee shall be informed to participate in the preparation of the disposal plan. The Land Administrative Authorities are responsible for implementing the disposal plan after such plan has been approved by the government which originally approved the use of the land.

The methods of disposal of idle land include, among others, the following:

(i) extending the development and construction period by no more than one year;

(ii) changing the use of the land, and continuing development and construction afterwards; and

(iii) arranging for temporary use of the land and re-approving the development after the original project satisfies the construction conditions, where the land has appreciated in value, the government will increase the land premium in accordance with the appreciated value.

Where the land is idle due to acts of government or relevant government departments and the land user has partly paid the compensation or requisition fee for the land, in addition to the methods provided above, the government may acknowledge the relevant land to the land user for the part of land which the land user has paid the compensation or requisition fee; while the remaining part of the land will be withdrawn by the government.

In January 2008, a Notice on Promoting Economization of Land Use (關於促進節約集約用地的通知) issued by the State Council urges the full and effective use of existing construction land and the preservation of farming land and emphasizes the enforcement of the current rules on idle land fee for any land left idle for over one year but less than two years, with such idle land fee charged at 20% of the land grant premium.

Transfer

After land use rights relating to a particular area of land have been granted by the State, unless any restriction is imposed, the party to whom such land use rights are granted may transfer, lease or mortgage such land use rights for a term not exceeding the term which has been granted by the State. The difference between a transfer and a lease is that a transfer involves the vesting of the land use rights by the transferor in the transferee during the term for which such land use rights are vested in the transferor. A lease, on the other hand, does not involve a transfer of such rights by the lessor to the lessee. Furthermore, a lease, unlike a transfer, does not usually involve the payment of a premium. Instead, a rent is payable during the term of the lease. Land use rights cannot be transferred, leased or mortgaged if the provisions of the grant contract, with respect to the prescribed period and conditions of investment, development and use of the land, have not been complied with. In addition, different areas in the PRC have different conditions which must be fulfilled before the respective land use rights can be transferred, leased or mortgaged.

All transfers, mortgages and leases of land use rights must be evidenced by a written contract between the parties which must be registered with the relevant local land bureau at municipality or country level. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the State are deemed to be incorporated as part of the terms and conditions of such transfer, depending on the nature of the transaction.

Under the Urban Real Property Law, real property that has not been registered and of which a title certificate has not been obtained in accordance with the law may not be assigned. Also, under the Urban Real Property Law, if land use rights are acquired by means of grant, the real property shall not be assigned before the following conditions have been met: (i) the premium for the grant of land use rights must have been paid in full in accordance with the land grant contract and a land use right certificate must have been obtained; (ii) investment or development must have been made or carried out in accordance with terms of the land grant contract; (iii) more than 25% of the total amount of investment or development must have been made or completed; and (iv) where the investment or development involves a large tract of land, conditions for use of the land for industrial or other construction purposes have been satisfied.

Termination

A land use right terminates upon the expiration of the term of the grant specified in the land grant contract and the resumption of that right. Upon expiry, the land use right and ownership of the related buildings erected thereon and other attachments may be acquired by the State without compensation. The land user will take steps to surrender the land use right certificate and cancel the registration of the certificate in accordance with relevant regulations. A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a premium and effect appropriate registration for the renewed right.

The State generally will not withdraw a land use right before the expiration of its term of grant and for special reasons (such as in the public interests), it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user.

Document of Title

In the PRC, there are two registers for property interests. Land registration is achieved by the issue of a land use right certificate by the relevant authority to the land user. It is evidence that the land user has obtained land use rights which can be assigned, mortgaged or leased. The building registration is the issue of a building ownership certificate (房屋所有權證) or a real estate ownership certificate (房地產權證) ("Real Estate Ownership Certificate") to the owner. It is evidence that the owner has obtained building ownership rights in respect of the building erected on a piece of land. According to the Land Registration Regulations (土地登記規則) ("Registration Regulations") promulgated by the State Land Administration Bureau (國家土地管理局) on December 18, 1995 and implemented on February 1, 1996, the Land Registration Measures (土地登記辦法) promulgated by the Ministry of Land and Resources on December 30, 2007 and effective on February 1, 2008, and the Building Registration Measures (房屋登記辦法) promulgated by the Ministry of Housing and Urban-Rural Development on February 15, 2008 and effective on July 1, 2008, all land use rights and building ownership rights which are duly registered are protected by the law.

In connection with these registration systems, real estate and land registries have been established in the PRC. In most cities in the PRC, the above systems are separate systems. However, in Shenzhen, Shanghai, Guangzhou and some other major cities, the two systems have been consolidated and a single composite real estate ownership certificate (房地產權證) will be issued evidencing the ownerships of both land use rights and the building erected thereon.

Mortgage and Guarantee

The grant of mortgage in the PRC is governed by the Security Law of the PRC (中華人民共和國擔保法) (the "Security Law") promulgated by the Standing Committee of the National People's Congress in June 1995, the Measures for Administration of Mortgages of Urban Real Estate promulgated by the Ministry of Construction (城市房地產抵押管理辦法) in May 1997, as amended in August 2001, and Property Law (物權法) promulgated by the National People's Congress in March 2007 and by relevant laws regulating real estate. Under the Security Law, any mortgage contract must be in writing and must contain specified provisions including (i) the type and amount of the indebtedness secured; (ii) the period of the obligation by the debtor; (iii) the name, quantity, and ownership of the land use rights of the mortgaged property; and (iv) the scope of the mortgage. For mortgages of urban real properties, new buildings on a piece of land after a mortgage has been entered into will not be subject to the mortgage.

The validity of a mortgage depends on the validity of the mortgage contract, possession of the real estate certificate and/or land use right certificate of the mortgagor and registration of the mortgage with authorities. If the loan in respect of which the mortgage was given is not duly repaid, the mortgagee may sell the property to settle the outstanding amount and return the balance of the proceeds from the sale or auction of the mortgaged property to the mortgagor. If the proceeds from the sale of such property are not sufficient to cover the outstanding amount, the mortgagee may bring proceedings before a competent court or arbitration tribunal (where there is an agreement to recover the amount still outstanding through arbitration) in the PRC.

The Security Law also contains comprehensive provisions dealing with guarantees. Under the Security Law, guarantees may be in two forms: (i) guarantees whereby the guarantor bear the liability when the debtor fails to perform the payment obligation; and (ii) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally liable for the payment obligation. A guarantee contract must be in writing and unless agreed otherwise, the term of a guarantee shall be six months after the expiration of the term for performance of the principal obligation.

The Security Law further provides that where indebtedness is secured by both a guarantee and by mortgaged property, the guarantor's liability shall be limited to the extent of the indebtedness that is not secured by the mortgaged property.

Leasing

Both the Urban Land Regulations and the Urban Real Property Law permit leasing of granted land use rights and buildings thereon. However, leasing of land use rights obtained by allocation (劃撥) and of buildings on such allocated land is regulated by the Urban Land Regulations.

Leasing of urban real properties is also governed by the Measures for Administration of Leasing of Urban Buildings (城市房屋租賃管理辦法) (the "Measures"), which was promulgated in accordance with the Urban Real Property Law. Under the Measures, owners of buildings in the PRC are entitled to lease their buildings, and landlords and tenants are required to enter into a written lease contract which must contain certain specified provisions. The contract has to be registered with the relevant property administrative authority at municipality or country level within 30 days after its execution. A contract cannot be longer than the remainder of the term under the land grant contract. The tenant may, upon obtaining consent from the landlord, sublease the premises.

According to the Urban Real Property Law, where the owner of a house built on state-owned land leases his/her property and that the land use rights were obtained through allocation for the purpose of profit making, any proceeds derived from the land in the form of rent must be paid to the State.

Resettlement

Pursuant to the Administration Rules of Demolition and Removal of Housing in Urban Areas (城市房屋拆遷管理條例) promulgated by the State Council on June 13, 2001, the party responsible for resettlement (the "Resettling Party") should apply for a resettlement permit and provide monetary compensation or alternative residence for the residents to be resettled. The real estate administration authority will issue a resettlement notice after granting the resettlement permit, detailing the parties concerned, the properties affected and the period of the resettlement. The Resettling Party will then enter into written agreements with the relevant residents detailing, among other things, the compensation to be provided to the residents, which will be determined on the basis of, among other things, the property's location, permitted use and GFA. If the Resettling Party and the residents fail to reach agreement, either party may apply to the relevant authority for a ruling. A ruling will be given within 30 days of the application, following which either party may initiate proceedings in the people's court within three months from the ruling if they contest the ruling.

In order to prevent illegal demolition and removal, and overheating investment in some areas, the General Office of the State Council issued 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) on June 6, 2004. The notice addresses issues including, but not limited to, the following: (i) strictly controlling the area of demolition and removal to ensure that the total area of demolition and removal is less than that of the previous year; (ii) strictly administering the procedures of demolition and removal, such procedures to be carried out in an open, fair and just manner; (iii) strengthening the supervision and administration of the compensation costs incurred for the demolition and removal, and ensuring the completion of the relocation; and (iv) strictly punishing certain illegal actions in relation to the demolition and removal.

Property Development

Property development projects in the PRC are generally divided into single projects and large tract development projects. A single project refers to the construction of buildings on a plot of land and the subsequent sale of units. A large tract development project consists of comprehensive development of an area to be suitable for industrial, leveling of the land and construction of necessary infrastructure such as water, electricity, road and communications facilities. The developer may either assign the land use rights of the developed area, or construct buildings on the land itself and sell or lease the buildings thereon.

Once the developer identifies a piece of land for development, it has to apply for a construction land use planning certificate (建築用地規劃許可證) from the relevant planning commission. Once this certificate is obtained, the developer will have to submit a detailed plan for the design of buildings and construction in order to obtain construction works planning permit (建設工程規劃許可證) and work commencement permit (建設工程施工許可證).

Environmental Protection

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

Pre-sale and Sale

Pursuant to the Urban Real Property Law and the Administrative Measures Governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法) (the "Administrative Measures") amended on July 20, 2004, commodity houses which have not been completed may be sold when certain conditions and/or requirements are satisfied.

Pre-sale of commodity houses is regulated by an approval system. Developers who intend to pre-sell their commodity houses shall apply to the relevant Real Estate Administration Department of the People's Government at city or country level (市、縣人民政府房地產管理部門) and obtain a pre-sale permit.

When commodity houses are pre-sold, the following requirements shall be satisfied according to the Urban Real Property Law and the Administrative Measures:

(i) the land premium in respect of the land use rights must be paid in full and the land use right certificate must have been obtained;

(ii) the construction works planning permit and the work commencement permit must have been obtained;

(iii) funds contributed to the development of the project shall amount to at least 25% of the total amount of the project investment, and 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 through pre-sale registration.

The Ministry of Construction, National Development and Reform Commission jointly promulgated the Notice of Further Rectifying the Trade Order of Real Estate (關於進一步整頓規範房地產交易秩序的通知) on July 6, 2006. The purpose of this notice is to strengthen the regulation over the pre-selling of real estate. The notice provides that real estate development enterprises shall sell commodity residential properties within 10 days after obtaining the pre-sale permit.

On April 13, 2010, Ministry of Housing and Urban-Rural Development issued the "Circular on further strengthening on real estate market supervision and improvement of the commercial housing pre-sale system (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). It stipulates that:

- the property developer shall not charge the earnest or advance from the purchaser in forms of subscription, order or grant of VIP card in relation to the project that has not obtained the pre-sale permits;

- property developer shall disclose all the housing that are permitted to be sold in one time and the price of each housing within ten days after obtaining the pre-sale permits;

- pre-sale permits can only be issued to entire buildings, in addition, pre-sale permit shall not be issued to individual floors or units;

- property developer shall produce commercial housing pre-sale program and sell the commercial housing in accordance with such program. The program shall include basic information of the project, such as construction schedule, number of pre-sale housing, predicted size, the areas of public space and public facilities, sale prices and the range of changes in sale prices and the monitory system on pre-sale proceeds. The pre-sale program and all material changes to such program shall be reported to the relevant authorities for record and be published;

- all the pre-sale proceeds shall be deposited into accounts under monitory to ensure the legitimate use for project construction; and

- the property developer shall take the primary responsibility for the quality of properties it has developed, while the enterprises of survey, design, construction and supervision shall also take the respectively responsibility accordingly.

Commodity buildings may be put to post-completion sale after they have passed the clearance examination and otherwise satisfy the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

Transfer of Real Estate

According to the Urban Real Estate Law and the Provisions on Administration of Transfer of Urban Real Estate promulgated by the Ministry of Construction (城市房地產轉讓管理規定) in August 1995, as amended in August 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred together. The parties to transfer must enter into a real estate transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the real estate within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the grant of the land use rights as provided by the land grant contract and a land use rights certificate has been properly obtained;

- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed;

- in case of a whole land lot development project, construction works have been carried out as planned, water supply, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled made ready for industrial or other construction purposes; and

- in case of where the real property has been completed in construction, the property ownership certificate shall been obtained.

If the land use rights were originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term provided the land grant contract after deducting the time that has been used by the former land users. In the event that the assignee intends to change the use of the land provided in the original grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land use rights were originally obtained by allocation, such allocation may be changed to land use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant statutes. Land for industry (including warehouse land, but excluding mining land), commercial use, tourism, entertainment and commodity housing development must be assigned by competitive bidding, public auction or listing-for-sale under the current PRC laws and regulations.

Real Estate Loans

According to the Notice of the People's Bank of China Regulating Home Financing Business (中國人民銀行關於規範住房金融業務的通知) promulgated by PBOC in June 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial property mortgage loans:

- Housing development loans from banks may only be granted to real estate developers with development qualification and credit ratings in the higher categories. Such loans may be offered to residential projects with good market potential. While the borrowing enterprise's internal capital shall not be less than 30% of the total investment required for the project, the project itself must have been issued with a "State-Owned Land Use Rights Certificate," "Construction Land Planning Permit," "Construction Works Planning Permit" and "Construction Works Commencement Permit."

- In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the collateral (the "Mortgage Ratio") may never exceed 80%. Where an individual applies for a home purchase loan to buy a pre-sale property, the property must have achieved the stage of "topping-out of the main structure completed" for multi-storey buildings and "two-thirds of the total investment completed" for high-rise apartment buildings.

- In respect of the grant of individual commercial use building mortgage loans, the Mortgage Ratio for commercial use building mortgage loans may not exceed 60% with a maximum loan period of 10 years and the subject commercial use building already completed.

On June 5, 2003, the PBOC promulgated the Notice on Further Strengthening the Administration of Real Estate Loans (關於進一步加強房地產信貸業務管理的通知). According to the notice, the 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. 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 should 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 August 12, 2003, the State Council (國務院) published the Notice by the State Council on Facilitating Sustained and Healthy Development of Real Estate Market (國務院關於促進房地產市場持續健康發展的通知), which provides a series of measures to control the property market, including but not limited to increasing the supply of common residential houses, controlling the construction of high-end commodity houses, and strengthening the supervision of the real property administration. The purpose of the notice is to create a positive influence on the long-term development of the property market in China.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (商業銀行房地產貸款風險管理指引) issued by China Banking Regulatory Commission in August 2004, commercial banks may not provide any loan in any form for a project without the State-owned land Use Rights Certificate, Construction Land Use Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit. Any property developer applying for property development loans must have invested at least 35% of capital required for the development and a commercial bank should maintain a strict project approval mechanism for processing applications for property development loans.

On August 30, 2004, CBRC issued a Guideline for Commercial Banks of Risks of Real Estate Loans (商業銀行房地產貸款風險管理指引). According to the guideline, no loan shall be granted to projects which have not obtained the land use right certificate, construction land planning permit, construction works planning permit and work commencement permit. The guideline also stipulated that not less than 35% of the total investment in a property development project must come from the real estate developer's own capital for the project (項目資本金) in order for banks to extend loans to the real estate developer. In addition, the guideline requires commercial banks to set up strict approval systems for loan grants.

Under the "Notice of the People's Bank of China on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve" (中國人民銀行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) issued by PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

In May 2006, the General Office of the State Council issued an opinion developed by the Ministry of Construction (and relevant departments) on Adjustment of 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). According to the opinion, in order to curtail the rapid rise in property prices, from June 1, 2006, the minimum amount of down payment for individual housing shall not be less than 30%. However, considering the housing needs of low- and middle-income earners, the minimum down payment for self-occupied housing with a GFA of less than 90 square meters per unit remains unchanged, and shall not be less than 20%.

In September 2007, PBOC and CBRC promulgated a Circular on Strengthening the Management of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的通知), with a supplement issued in December 2007. The circular aims to tighten the control over real-estate loans from commercial banks to prevent granting excessive credit. The measures, among others, include: prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties. In addition, commercial banks are also banned from providing loans to the projects that have less than 35% of capital funds (proprietary interests), or fail to obtain land use right certificates, construction land planning permits, construction works planning permits or construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, real-estate development loans provided by commercial banks should only be used for the projects where the commercial banks are located. Commercial banks may not provide loans to property developers to finance the payment of land premium.

On December 5, 2007, the PBOC and CBRC jointly issued the Supplemental Circular on Strengthening the Management of Commercial Real-estate Credit Loans (關於加強商業性房地產信貸管理的補充通知), which clarifies that the times of property mortgage loans should be calculated on a family basis, including the borrower and his spouse and minor child.

In July 2008, PBOC and CBRC jointly issued the Notice on Financially Promoting the Saving and Intensification of Use of Land (關於金融促進節約集約用地的通知), requiring that relevant financial institutions to strengthen the administration of construction land project loans, including the administration of commercial real estate credit loan.

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知), which provides that, effective October 27, 2008, the float-down range for interest rate for individual mortgage loans is expanded and the ratio of down payments is be adjusted. As a result, the minimum interest rate for individual mortgage loans is 70% of the benchmark loan interest rate and the minimum down payment ratio is adjusted to 20%.

In December 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market (國務院辦公廳關於促進房地產市場健康發展的若干意見). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self-occupied housing for the first-time by borrowing a mortgage loan shall enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first-time, if the GFA per person of that first housing is lower than the local average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self-occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate shall be determined by the commercial banks based on the benchmark interest rate and their banks' risk assessments.

According to an opinion on Adjusting the Portion of Capital for Fixed Assets Investment (國務院關於調整固定資產投資項目資本金比例的通知) issued by the State Council in May 2009, the capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the capital ratio for other property is adjusted from 35% to 30%. Financial institutions shall decide based on the capital ration adjustments whether or not to issue loans to real estate companies.

The General Office of the State Council issued the Circular on Accelerating the Stable and Smooth Development of Real Estate Market (關於促進房地產市場平穩健康發展的通知) on January 7, 2010. The Circular reinforces the enforcement of differentiated credit policy. In addition to continuing to support the first-time purchase of common housing with loans, the government strengthens the administration for the second housing bought with loans. It provides that the down payment for the second housing bought with loans shall not be less than 40% of the total price. The interest rate will be adjusted based on risk pricings.

On April 17, 2010, the State Council issued the "Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities" (Guofa (2010) No. 10) (國務院關於堅決遏制部分城市房價過快上漲的通知) which stipulated that down payment for the first property that is larger than 90 sq. m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans. In certain areas where commodity residential property is in short supply and prices rise too quickly, the banks may suspend granting mortgage loans for the third or further properties bought with mortgage loans or to non-local residents who cannot provide any proof of tax or social insurance payment more than one year.

Three authorities, including the Ministry of Housing and Urban-Rural Development (MOHURD), the People's Bank of China (PBOC) and the China Banking Regulatory Commission (CBRC), jointly released the Circular on Regulating the Standards for recognizing the Second House in Commercial Housing Loans for Individuals (關於規範商業性個人住房貸款中第二套住房認定標準的通知Circular) on May 26, 2010, so as to regulate cognition of the second house of applicants for commercial housing loans (hereinafter referred to as the loan applicants). Under the Circular, number of houses owned by a family in the commercial housing loans for individuals shall be calculated according to number of sets of houses which are actually owned by members (including the loan applicant and his/her spouse and under-age children, hereinafter the same) of the family who plans to purchase a house. The Circular also stipulated that house purchasers shall check the house registration records of the family via the house registration system, and shall provide the results in written. The loan applicant shall provide the credit guarantee in written to prove the actual number of houses owned by his/her family.

Foreign Investment in Property Development

The Urban Land Regulations state that foreign entities may acquire land use rights in China unless the law otherwise provides. However, in order to develop the land acquired, foreign investment enterprises in the form of equity or co-operative joint ventures or wholly foreign-owned enterprises must be established.

According to the Interim Provisions on Approving Foreign Investment Project (外商投資專案核准暫行管理辦法) promulgated by NDRC in October 2004, approval of NDRC is required for foreign investment projects with total investment of US$100 million or more within the category of encouraged or permitted foreign investments and those with total investment of US$50 million or more within the category of foreign investments subject to restrictions. Other foreign investments in China will require only local approval. Specifically, the local authorities may examine and approve foreign investment projects with total investment less than US$100 million within the category of encouraged or permitted foreign investments and those with total investment less than US$50 million within the category of foreign investments subject to restrictions.

Under the Catalog of Guidance on Industries for Foreign Investment (外商投資企業指導目錄) promulgated by MOFCOM and NDRC in October 2007, the development of a whole land lot, namely primary preparation of a land site including infrastructure construction and utility installation, solely by foreign investors, falls within the category of industries in which foreign investment is prohibited, the joint development of a whole land lot with the PRC partners, as well as the construction and operation of high-end hotels, villas, premium office buildings and international conference centers fall within the category of industries in which foreign investment is subject to restrictions, and other real estate development falls within the category of industries in which foreign investment is permitted. Establishment of a foreign investment enterprise engaged in property development, commonly referred to as a "development company", is subject to approval by the relevant departments of China's government in accordance with relevant laws and regulations. To establish a foreign investment enterprise, the joint venture partners must submit a project application report to the central or local development and reform authority for project approval. At the same time, the parties typically proceed to negotiate and execute the joint venture contract and articles of association for the establishment of development company. The project application report, the joint venture contract and/or articles of association shall then be submitted to the central or local foreign economic and trade authorities in their respective capacities for approval. Having obtained the approval certificate, the foreign investor and/or the domestic party can apply to the relevant industry and commerce authority for a foreign investment enterprise business license for the development company. In addition, all property development companies, including foreign investment enterprises, are also required to apply for a property development enterprise qualification certificate (房地產開發企業資質證書) from the central or local construction authority.

On July 11, 2006, the Ministry of Construction, the MOFCOM, the National Development and Reform Commission, PBOC, SAIC and SAFE jointly promulgated the Opinions on Foreign Investment in Real Estate (關於規範房地產市場外資准入和管理的意見), which states that: (i) an overseas entity or individual investing in real estate in China other than for self-use, shall apply for the establishment of a FIREE in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities; (ii) the registered capital of a FIREE with a total investment of US$10 million or more shall not be less than 50% of its total investment amount, whereas for FIREE with a total investment of less than US$10 million, the current rules on registered capital shall apply; (iii) a newly established FIREE can only obtain an approval certificate and business license which are valid for one year. The approval certificate and business license can be obtained by submitting the land use right certificate to the relevant government departments after the land grant premium for the land has been paid; (iv) an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the commerce authorities. The investor shall submit a letter to the commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit (建設用地規劃許可證) and the construction works planning permit (建設工程規劃許可證). In addition, the investor shall also submit the land use right certificate, the registration of change of investor and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid; (v) foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price in a lump sum and with its own capital and shall ensure that the enterprise's employees and bank loans are treated and dealt with in accordance with applicable PRC laws; (vi) if the registered capital of a FIREE is not fully paid up, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans; (vii) the investors in a FIREE shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; (viii) a branch or representative office established by a foreign investor in China (other than a FIREE), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

In August 2006, the General Office of MOFCOM issued a notice on the implementation of the "Opinion on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market" (關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉有關問題的通知). The notice requires that, the registered capital of a FIREE ("Foreign Invested Real Estate Enterprise") shall not be less than 50% of its total investment if its total investment exceeds US$3.0 million, and the registered capital of a FIREE shall not be less than 70% of its total investment if its total investment is US$3.0 million or less.

In May 2007, MOFCOM and SAFE issued the Circular on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) ("Circular 50"). Under Circular 50, prior to applying for establishment of real estate companies, foreign investors must first obtain land use rights and building ownership, or must have entered into pre-sale or pre-grant agreements with respect to the land use rights or building ownership. If foreign-invested enterprises in China engage in real estate development or operations or if FIREEs in China engage in new real estate project developments, they must first apply to the relevant PRC governmental authorities to expand their scope of business or scale of operations in accordance with the PRC laws and regulations related to foreign investments. In addition, the local PRC governmental authorities must file with MOFCOM for record their approvals of establishment of FIREEs, and must exercise due control over foreign investments in high-end properties. Foreign exchange authorities may not allow capital-account foreign exchange sales and settlements by FIREEs that have been established in contravention of these requirements.

In July 2007, SAFE issued a Notice on the Distribution of the List of the First Group of Foreign Invested Real Estate Projects Filed with MOFCOM (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) ("Notice 130"), together with a list of FIREEs that had effected their filings with MOFCOM. According to Notice 130, SAFE will no longer process foreign debt registrations or applications by FIREEs for permission to purchase foreign exchange to service their foreign debt if such FIREEs have not obtained their approval certificates from the government before June 1, 2007. As a result of Notice 130, unless the approval certificate of an FIREE as of May 31, 2007 contained an aggregate investment amount, which includes its registered capital and foreign debt amount, sufficient to permit foreign currency to be injected into its operations in China, such FIREE effectively will no longer be able to borrow foreign debt including shareholder loans and overseas commercial loans to finance their operations in China. It can only use its capital contributions instead. SAFE further provided in its Notice 130 that it will not process any foreign exchange registration (or change of such registration) or application for settlement of foreign currency under capital account by any FIREE if it has obtained the relevant approval certificates from local government authorities on or after June 1, 2007 but has not completed its filing with MOFCOM.

In connection with the filing requirement, MOFCOM issued the Notice on the Proper Filings of Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業備案工作的通知) in June 2008 to authorize the competent MOFCOM at the provincial level to verify and check the filing documents.

On April 6, 2010, the State Council issued the Opinions on Further Enhancing the Utilization of Foreign Investment (關於進一步做好利用外資工作的若干意見), which provides that, the projects with total investment (including capital increase) less than US$300 million within the category of industries in which foreign investment is encouraged or permitted as listed in the Catalog of Guidance on Industries for Foreign Investment, may be approved by local governments, except for those required to be approved by relevant departments of the State Council under the Catalogue of Investment Projects Approved by the Government (政府核准的投資專案目錄).

On May 4, 2010, the National Development and Reform Commission (NDRC) issued the Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects (關於做好外商投資專案下放核准許可權工作的通知, Circular), specifying that the power to verify foreign-invested projects shall be delegated and project verification procedures shall be simplified.

Under the Circular, projects set out in the Guideline Catalogue of Foreign-invested Industries that are encouraged or permitted by the state with total investment (including additional capital) of USD$300,000,000 or less and are verified by the NDRC before shall, other than those that should be verified by relevant departments under the State Council in accordance with the Catalogue of Investment Projects Approved by the Government, be verified by the development and reform commission at the provincial level.

The Circular specifies that, after the power to verify is delegated, project application reports, content, conditions and procedure of verification shall still be determined in accordance with the Tentative Administrative Measures for Verification of Foreign-invested Projects. The power to verify projects restricted by the state as set out in the Guideline Catalogue of Foreign-invested Industries is not to be delegated for the time being.

On June 10, 2010, MOFCOM released the Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment ((關於下放外商投資審批權限有關問題的通知) Circular). Under the Circular, local authorities shall examine and approve and administrate the establishment and replacement of foreign-invested enterprises which are subject to the encouraged and permitted catalogues of the Guiding Catalogues of Foreign-invested Industries and with a total investment volume valued at US$300 million and those which are subject to the restricted catalogues and with a total investment volume valued at US$50 million.

The Circular stipulated that establishment and replacement of foreign-invested enterprises whose registered capital is lower than 300 million US dollars and the foreign-invested venture capital enterprises and foreign-invested venture capital management enterprises whose total capital is lower than 300 million US dollars shall be examined and approved and administrated by local authorities.

Foreign Exchange Controls

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China (中國銀行) or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain the prior approval of the SAFE (國家外匯管理局).

On December 28, 1993, PBOC, under the authority of the State Council (國務院), promulgated the Notice of the PBOC Concerning Further Reform of the Foreign Currency Control System (中國人民銀行關於進一步改革外匯管理體制的公告), effective from January 1, 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On March 26, 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of

Foreign Exchange (結匯、售匯及付匯暫行管理規定) (the "Provisional Regulations"), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which is determined by demand and supply of Renminbi. Pursuant to such systems, the PBOC sets and publishes the daily Renminbi-US dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On January 29, 1996, the State Council promulgated Regulations for the control of Foreign Exchange (中華人民共和國外匯管理條例) ("Control of Foreign Exchange Regulations") which became effective from April 1, 1996. The Control of Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations were subsequently amended on January 14, 1997 and on August 5, 2008. Such amendment affirms that the State shall not restrict international current account payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Foreign Exchange Settlement and Sale Banks by Foreign-invested Enterprises (外商投資企業實行銀行結售匯工作實施方案). The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialized accounts for capital account receipts and payments at designated foreign exchange banks.

On October 25, 1998, PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (關於停辦外匯調劑業務的通知) pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On July 21, 2005, the PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in China (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction, and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardization of all cross-border flows of funds.

The Control of Foreign Exchange Regulations was amended by the State Council on August 1, 2008 and came effective on August 5, 2008. Under the revised Control of Foreign Exchange Regulations, the compulsory settlement of foreign exchange is dropped. As long as the capital inflow and outflow under the current accounts are based upon real and legal transactions, individuals and entities may keep their income in foreign currencies inside or outside China according to the provisions and terms to be set forth by the SAFE. The foreign exchange income generated from current account transactions may be retained or sold to financial institutions engaged in foreign currency settlement and exchange. Whether to retain or sell the foreign exchange income generated from capital account transactions to financial institutions is subject to approvals from the SAFE or its branches, except for otherwise stipulated by the State. Foreign exchange or settled Renminbi of capital account must be used in the way as approved by the SAFE or its branches, and the SAFE or its branches are empowered to supervise the utility of the foreign exchange or settled Renminbi of capital account and the alterations of the capital accounts. The Renminbi follows a managed floating exchange rate in line with the market demand and supply. A domestic individual or entity who conducts the overseas direct investment or overseas issue and transaction of negotiable securities and derivative financial products shall file with competent authorities of the PRC. Furthermore, such individual or entity shall apply for the approval on such investment, issue or transaction form relevant authorities prior to the filing if otherwise required by relevant PRC laws and regulations.

On August 29, 2008, the General Affairs Department of SAFE issued a Notice with Regard to the Issue of Administration of Settlement of Foreign Currency Capital of Foreign Investment Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知). This notice further regulates the administration of settlement of foreign currency capital of foreign investment enterprises within the PRC.

According to the notice, prior to applying for settlement of foreign currency capital with designated banks, foreign investment enterprises must undergo capital verification by an accountancy firm. The designated banks should not engage in settlement of foreign currency capital for enterprises that have not completed the process of capital verification. Furthermore, the total amount of foreign exchange settled by a designated bank for a foreign investment enterprise should not exceed the total capital audited. The designated banks must comply with the SAFE administration rules of settlement based on actual payment when engaging in foreign currency capital settlement with foreign investment enterprises.

Funds in Renminbi obtained by foreign investment enterprises through foreign currency capital settlement may only be used within the business scope approved by the government authorities. Furthermore, such funds shall not be used for equity investments within the PRC unless otherwise stipulated. Except for foreign-invested real estate enterprises, foreign investment enterprises may not use funds in Renminbi obtained through foreign currency capital settlement to purchase real estate for any purposes other than its own occupancy. Should a foreign investment enterprise wish to use funds in Renminbi obtained through foreign currency capital settlement to purchase securities, it must act incompliance with the relevant PRC regulations. Any transfer of funds for the sake of equity investment in the PRC by foreign-invested investment enterprises approved by the MOFCOM must first undergo examination and approval by the SAFE, or its local branches. Any profits obtained by PRC entities or individuals through the sale of equities or interests in PRC enterprises to foreign investors must be conducted through an account reserved exclusively for foreign exchange. The opening of such account, and any related transferral of funds, must undergo examination and approval by the local branches of SAFE as provided by the relevant regulations.

On October 21, 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) which became effective as at November 1, 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. According to the notice, "special purpose company" (特殊目的公司) refers to the offshore company established or indirectly controlled by the PRC residents for the special purpose of carrying out financing of their assets or equity interest in PRC domestic enterprise. Prior to the establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retroactively. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration procedures by March 31, 2006.

On September 1, 2006, the Ministry of Construction and SAFE promulgated the Circular on the Issues Concerning the Regulation of Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯有關問題的通知). This circular states that: (i) where foreign exchange is remitted for a real estate purchase, the foreign purchaser shall be subject to examination by the designated foreign exchange bank. The remitted funds shall be directly remitted by the bank to the RMB account of the real estate development enterprise and no payment remitted from abroad by the purchasers shall be kept in the foreign exchange current account of the real estate development enterprises; (ii) where the real estate purchase fails to complete and the foreign purchaser intends to remit the purchase price in RMB back to foreign currencies, the foreign purchaser shall be subject to examination by the designated foreign exchange bank; (iii) when selling real estates in China and the purchase price received in RMB is remitted to foreign currencies, the foreign purchaser shall be subject to examination by the local branch of SAFE; and (iv) if the registered capital of a FIREE is not fully paid up, its land use right certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the FIREE is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans.

Taxation in China

Income Tax

Prior to the 2008 Tax Law (中華人民共和國企業所得稅法) and its implementation rules that became effective on January 1, 2008, our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the new income tax law, effective from January 1, 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises, The 2008 Tax Law and its implementation rules provide certain relieves to enterprises that were established prior to March 16, 2007, including (1) continuously enjoying the preferential income tax rate during a five-year transition period if such enterprises are entitled to preferential income tax rate before the effectiveness of new Enterprises Income Tax Law; (2) continuously enjoying the preferential income tax rate until its expiry if such enterprises are entitled to tax holidays for a fixed period under the relevant laws and regulations. However, where the preferential tax treatment has not commenced due to losses or accumulated loss not being fully offset, such preferential tax treatment shall be deemed to commence from January 1, 2008 and expire on December 31, 2013. In addition, dividends from PRC subsidiaries to their foreign shareholders will be subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable. However, under the new tax law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. Under the implementation rules of the new Enterprise Income Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Because this tax law is new and its implementation rules are newly issued, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

Business Tax

Business tax is payable in respect of certain business activities in China as set out in the Provisional Regulations Concerning Business Tax (中華人民共和國營業稅暫行條例), which was promulgated in 1994 and amended in 2008. The activities to which the business tax applies include construction, leases and sales of real estate properties in China. The tax is a turnover tax charged on gross revenue. No deduction of the tax incurred on purchased services or materials is allowed. However, deductions from gross revenue are allowed for subcontracting fees paid among the transportation, tourism and construction industries. The rate of business tax payable for property sale and leasing transactions is 5% of the proceeds from the sale or leasing of real estate/immovable properties in China.

In December 2009, the Ministry of Finance and the State Administration of Taxation jointly issued the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (關於調整個人住房轉讓營業稅政策的通知) to curtail speculations in the property market in response to the property price rises across the country. Pursuant to the Notice, effective from January 1, 2010, business tax will be imposed on the full amount of the sale income upon the transfer of non-ordinary residence by an individual within five years, from the purchase date. For the transfer of non-ordinary residence which is more than five years from the purchase date and ordinary residence which is within five years of the purchase date, the business tax is to be levied on the difference between the sale income and the purchase prices. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date.

Land Appreciation Tax

Under the PRC Tentative Regulations on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) of 1994 and its implementation rules of 1995,LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the "deductible items" that include the following:

- Payment made to acquire land use rights;
- Costs and charges incurred in connection with land development;
- Construction costs and charges in the case of newly constructed buildings and facilities;
- Assessed value in the case of old buildings and facilities;
- Taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and
- Other items allowed by the Ministry of finance.

The tax rate is separated into four categories of progressive tax rates, ranging from 30% to 60% of the appreciation value as compared to the "deductible items" as follows:

Appreciation value	LAT rate
Portion not exceeding 50% of deductible items	30%
Portion over 50% but not more than 100% of deductible items	40%
Portion over 100% but not more than 200% of deductible items	50%
Portion over 200% of deductible items	60%

Exemption from LAT is available to the following cases:

- Taxpayers constructing ordinary residential properties for sale (i.e. the residences built in accordance with the local standard for general civilian used residential properties, excluding deluxe apartments, houses, resorts etc.), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estate taken over and repossessed according to laws due to the construction requirements of the state;

- Due to redeployment of work or improvement of living standard, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities' approval.

According to the requirements of the Land Appreciation Tax Provisional Regulations, the Land Appreciation Tax Detailed Implementation Rules and the Notice on the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts Signed before January 1, 1994 (關於對1994年1月1日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) issued by the Ministry of Finance in January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- Real estate transfer contracts executed before January 1, 1994; and

- First time transfers of land use rights and/or premises and buildings during the five years commencing on January 1, 1994 if the real estate development contracts were executed or the development projects were approved before January 1, 1994 and the capital has been injected for the development in compliance with the relevant regulations.

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 (關於土地增值稅優惠政策延期的通知) that extended the period for the Land Appreciation Tax exemption policy as mentioned above to the end of 2000.

After the enactment of the LAT regulations and the implementation rules in 1994 and 1995 respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau (the predecessor of MLR) separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the time period as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority will not process the relevant title change procedures, and will not issue the property ownership title certificates.

The State Administration of Taxation issued a further notice, namely, the Notice on Careful Management Work of LAT Collection (關於認真做好土地增值稅徵收管理工作的通知) in July 2002 to require local tax authorities to require prepayment of LAT on basis of proceeds from pre-sale of real estate. This requirement is restated in the Notice of State on Further Strengthening of Administration Work in Relation to the Collection of Land Appreciation Tax and Land Use Tax in Cities and Towns (國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) issued on August 5, 2004 by the State Administration of Taxation.

On December 28, 2006, the State Administration of Taxation promulgated the "Circular Concerning the Settlement of the LAT Imposed on Real Property Developers" (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, the "Circular"), effective from February 1, 2007.

LAT must be paid if a project meets any of the following requirements:

- The property development project has been completed and sold out;

- The entire uncompleted and unsettled development project is transferred; or

- The land-use right of the relevant project is transferred.

In addition, the competent tax departments may require a property developer to settle the LAT in any of the following circumstances:

- For completed property development projects, the transferred GFA represents more than 85% of the total saleable GFA, or the proportion represented is less than 85%, the remaining saleable GFA has been leased out or used by the developer;

- The project has not been sold out for more than three years after obtaining the sale or pre-sale permits;

- The developer applies for cancellation of the tax registration without having settled the LAT; or

- Other conditions stipulated by the provincial tax departments.

The tax bureaus at the provincial level will, taking account of the local practical conditions, stipulate specific rules or measures on the management of the LAT settlement in accordance with the Circular.

The State Administration of Taxation issued the Administrative Rules for the Liquidation of Land Appreciation Tax (關於印發〈土地增值稅清算管理規程〉的通知) effective from June 1, 2009. The State Administration of Taxation reiterated the above requirements in the new rules.

On May 19, 2010, the State Administration of Taxation (SAT) has issued the Circular on Issues Concerning Settlement of Land Value-added Tax ((關於土地增值稅清算有關問題的通知) the Circular) which clarifies the revenue recognition in the settlement of land value-added tax and other relevant issues. According to the Circular, in the settlement of land value-added tax, if the sales invoices of commodity houses are issued in full, the revenue shall be recognized based on the amount indicated in the invoices; if the sales invoices of commodity houses are not issued or are issued in part, the revenue shall be recognized based on the purchase price indicated in the sales contract as well as other income. If the area of a commodity house specified in a sales contract is inconsistent with the result obtained by the relevant authorities after on-site survey and the purchase price is made up or returned before the settlement of land value-added tax, adjustments shall be made in the calculation of land value-added tax. The Circular provides that the deed tax paid by a real estate development enterprise for land use right shall be treated as the "relevant fees paid in accordance with the uniform regulations of the state" and be deducted from the "amount paid for land use right."

On May 25, 2010, the State Administration of Taxation (SAT) published the Circular on Strengthening the Collection and Administration of Land Value Increment Tax (關於加強土地增值稅徵管工作的通知, "Circular") to require all local government to scientifically formulate the tax ratio and strengthen the pre-tax of land value increment tax. According to the Circular, all local government shall made adjustments to the current pre-tax ratio. In addition to safeguarding housing, the pre-tax ratio of provinces in the eastern region shall not be lower than 2%, while the provinces in middle and northeastern region shall not be lower than 1.5% and the provinces in western region shall not be lower than 1%; and the local government shall determine the pre-tax ratio applicable to different types of real estate.

Urban Land Use Tax

Pursuant to the Tentative Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council in September 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land is between RMB0.2 and RMB10.0 per square meter. The Tentative Regulations of the People's Republic of China on Land Use Tax (中華人民共和國城鎮土地使用稅暫行條例) were revised by the State Council on December 31, 2006. As of January 1, 2007, the annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

Stamp Duty

Under the Tentative Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council in August 1988, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including real estate title certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of RMB5.0 per item.

Deed Tax

Under the PRC Tentative Regulations on Deed Tax (中華人民共和國契稅暫行條例), a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. These taxable transfers include:

- Grant of use right of state-owned land;
- Sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and
- Sale, gift and exchange of real properties.

Deed tax rate is from 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions.

The State Administration of Taxation issued the Administrative Rules for the Liquidation of Land Value-added Tax effective from June 1, 2009. The State Administration of Taxation reiterated the above requirements in the new rules.

Buildings Tax

Under the Tentative Regulations of the People's Republic of China on Buildings Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council in September 1986, buildings tax is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the rental.

Municipal Maintenance Tax

Under the Tentative Regulations of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council in 1985, taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax are required to pay municipal maintenance tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a ton, 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 (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the State Administration of Taxation on February 25, 1994, the municipal maintenance tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

Education Surcharge

Under the Tentative Provisions on Imposition of Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council in April 1986 and revised by the State Council in June 1990 and August 2005, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知). Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the State Administration of Taxation on February 25, 1994 and the Supplementary Circular Concerning Imposition Of Education Surcharge (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the education surcharge is not applicable to enterprises with foreign investment for the time being.

MANAGEMENT

The following table sets forth certain information with respect to our directors and senior management as of April 30, 2010.

Name	Age	Position
Kong Jian Min	42	Chairman and Executive Director
Kong Jian Tao	40	Chief Executive and Executive Director
Kong Jian Nan	44	Executive vice president and Executive Director
Li Jian Ming	43	Executive Director
Tsui Kam Tim	41	Executive Director, the Chief Officer and the Company Secretary
He Wei Zhi	42	Executive Director
Yu Yao Sheng	48	Executive Director
Lee Ka Sze, Carmelo	50	Independent non-executive director and a member of audit committee
Dai Feng	68	Independent non-executive director, a member of audit committee and a member of remuneration committee
Tam Chun Fai	48	Independent non-executive director, chairman of audit committee and a member of remuneration committee

Executive Directors

Kong Jian Min, aged 42, is the founder of the Group, an executive director and the Chairman of the Company. Mr. Kong is primarily responsible for the formulation of our development strategies, as well as supervising our project planning, business operation and sales and marketing. Mr. Kong graduated from Jinan University majoring in computer science in 1989. Mr. Kong has over 15 years of experience in property development and investment. Prior to the founding of the Group, Mr. Kong served as a credit officer of the Baiyun Road Sub-Branch of the Guangzhou Branch of Industrial and Commercial Bank of China. Mr. Kong is a brother of Kong Jian Tao and Kong Jian Nan. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands and various subsidiaries of the Company incorporated in the PRC.

Kong Jian Tao, aged 40, is an executive director and the Chief Executive Officer of the Company. Mr. Kong is responsible for the overall operation of the Group's projects. He has over 15 years of experience in property development and has been a director of the Group since 1995. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries incorporated in the British Virgin Islands and various subsidiaries of the Company incorporated in the PRC.

Kong Jian Nan, aged 44, is an executive director and executive vice president of the Company. Mr. Kong is responsible for coordinating and managing human resources, administrative management, IT management and legal affairs of the Group. He is a graduate of China Central Radio and TV University and joined the Group in 1999. Saved as disclosed above, Mr. Kong is also a director of all subsidiaries of the Company incorporated in the British Virgin Islands and various subsidiaries of the Company incorporated in the PRC.

Li Jian Ming, aged 43, is an executive director of the Company, a vice president of the operations management division and a general manager of the Southern China Region of the Group. Mr. Li graduated from South China University of Technology, majoring in industrial and civil construction. Mr. Li joined the Group in 1994 and had held the position of vice president in the engineering management division. He was appointed as an executive director of the Company in June 2007. Currently, Mr. Li is responsible for the internal operations and management of the Group and the overall operations and management of the Southern China Region. Save as disclosed above, Mr. Li is also a director of one of the subsidiaries of the Company incorporated in the PRC.

Tsui Kam Tim, aged 41, is an executive director, the Chief Financial Officer and the Company Secretary of the Company. Mr. Tsui is primarily responsible for the financial management and supervision of financial reporting, corporate finance, treasury, tax and other related finance matters. Mr. Tsui graduated from Australia National University with a bachelor's degree in Commerce and he is a professional member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he was a senior manager of an international firm of certified public accountants. Mr. Tsui joined the Group in January 2007 as the Chief Financial Officer and was appointed as an executive director of the Company in November 2007. Saved as disclosed above, Mr. Tsui is also a director of all subsidiaries of the Company incorporated in Hong Kong.

He Wei Zhi, aged 42, is an executive director of the Company, a vice president and a general manager of the South-western China Region of the Group. Mr. He graduated from Guangzhou University majoring in hotel management. He joined the Group in 1995 and had held the positions of manager and deputy general manager of the sales department. Since his joining of the Group, he has been responsible for project planning, design and sales planning work of the Group, gaining extensive experience in property market. Mr. He was appointed as an executive director of the Company in February 2009 and is mainly responsible for the overall operation and management of the South-western China Region. Saved as disclosed above, Mr. He is also a director of various subsidiaries of the Company incorporated in the PRC.

Yu Yao Sheng, aged 48, is an executive director of the Company, a vice president and a general manager of the Eastern China Region of the Group. Mr. Yu joined the Group in January 2009 and is responsible for the overall operations and management of the Eastern China Region. Mr. Yu was appointed as an executive director of the Company in March 2010. Mr. Yu is a senior engineer and a grade-one national registered structural engineer. He has extensive experience in architectural design, engineering management, project management, regional development, administration and human resources management. Mr. Yu graduated from Hefei University of Technology with a bachelor's degree in architecture, and also holds a master's degree from China University of Mining and Technology. Prior to joining the Group, Mr. Yu was the head of architectural design institute, deputy director of urban construction commission and executive deputy commander-in-chief of the construction command office of National Development Zones, PRC.

Independent Non-Executive Directors

Lee Ka Sze, Carmelo, aged 50, is an independent non-executive director and a member of audit committee of the Company. Mr. Lee received a bachelor's degree in Laws and the Postgraduate Certificate in Laws from The University of Hong Kong. He is qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory and has been a partner of Messrs. Woo, Kwan, Lee & Lo since 1989. Mr. Lee is an independent non-executive director of Ping An Insurance (Group) Company of China Limited and a non-executive director of Y.T. Realty Group Limited, The Cross-Harbour (Holdings) Limited, China Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company Limited, Termbray Industries International (Holdings)

Limited and Yugang International Limited, all of which are listed on the Stock Exchange. Mr. Lee is a deputy chairman of the Listing Committee of the Stock Exchange. He is also an adjudicator of the Registration of Persons Tribunal and the chairman of the Transport Tribunal of the Hong Kong Government.

Dai Feng, aged 68, is an independent non-executive director, a member of audit committee and a member of remuneration committee of the Company. Mr. Dai is a member of the Expert Committee on Urban Planning of the Ministry of Construction (國家建設部城市規劃專家委員會), a member of the Expert Committee on Living Environment of the China Research Association on Property and Residence (中國房地產及住宅研究會人居環境委員會), and member of various other professional organizations on urban planning and research in the PRC. He is a part-time professor of Huazhong University of Science and Technology and Wuhan University of Technology and is also a fellow of the International Eurasian Academy of Sciences. Mr. Dai has over 40 years of experience in property development, specializing in urban planning, design and related information technology. Since 1985, he has won various prizes in urban planning and application of advanced technology. His achievements were highly recognized by the Ministry of Construction of China. Mr. Dai is an independent non-executive Director of Guangzhou R&F Properties Co. Ltd. which is listed on the Main Board of the Stock Exchange, and is also an independent non-executive Director of Poly Real Estate Group Co. Ltd. and Guangzhou Donghua Enterprises Co. Ltd., both of which are listed on the Shanghai Stock Exchange.

Tam Chun Fai, aged 48, is an independent non-executive director, chairman of audit committee and a member of remuneration committee of the Company. Mr. Tam graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and is also a member of Chartered Financial Analyst. Mr. Tam has over 20 years of experience in auditing and corporate advisory services as well as financial management and compliance work. He is an executive director, the chief financial officer and company secretary of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange and is an independent non-executive director of Hi Sun Technology (China) Limited, a company listed on the Main Board of the Stock Exchange.

Senior Management

Our senior management members are Kong Jian Min, Kong Jian Tao, Kong Jian Nan, Li Jian Ming, Tsui Kam Tim, He Wei Zhi and Yu Yao Sheng. See "— Executive Directors" for the description of their experience.

The table below sets forth certain information regarding our senior management members (excluding executive Directors):

Name	Age	Position
Luo Guo Qing	47	Vice president
Leung Kin, Kenneth	36	General Manager of business development
Law Siu Wo	47	Vice president of finance
Rao Jun	42	Vice president of human resources division
Chen Jie Ping	37	Director of the hotel and commerce division
Wu Yue Zhao	36	Director of the product research and development division
Luo Xiao Yun	42	Director of the legal affairs division and assistant to the Chairman
Lin Kai Ping	36	General Manager of Guangzhou Ningjun Property Management Limited under the Group

Luo Guo Qing, aged 47, is a vice president of the Group. He is responsible for the operations and management of the corporate strategy and brand marketing division of the Group. Mr. Luo holds a bachelor's degree in civil engineering from South China University of Technology, and a master's degree in business administration from Jinan University, and is a senior engineer in technical management. He has over 25 years of experience in the property industry and joined the Group in November 2008. Prior to joining the Group, Mr. Luo had held the positions of general manager and president at several large real estate development groups in the Southern China Region.

Leung Kin, Kenneth, aged 36, is a general manager of business development of the Group. Mr. Leung joined the Group in March 2009 and is responsible for strategy, corporate finance and business development of the Group. Mr. Leung graduated from the Wharton School of the University of Pennsylvania. Prior to joining the Group, Mr. Leung was an investment banker at Credit Suisse and Merrill Lynch.

Law Siu Wo, aged 47, is a vice president of finance of the Group. Mr. Law joined the Group in October 2008 and is responsible for the overall domestic and foreign financial budgets and analysis of the Group. He graduated from University of Wisconsin in the United States and holds a master's degree in business administration from University of California, Los Angeles. Mr. Law had worked for an international firm of certified public accountants for more than six years and another private equity fund for three years. He also had worked as financial controllers of several listed companies in Hong Kong and United States for more than 10 years. Mr. Law is a member of the American Institute of Certified Public Accountants and a member of Hong Kong Institute of Certified Public Accountants.

Rao Jun, aged 42, is a vice president of human resources division of the Group. Mr. Rao graduated from Zhongshan University majoring in philosophy. Mr. Rao joined the Group in June 2009 and is responsible for human resources and administration. Prior to joining to the Group, Mr. Rao worked in an internationally recognized U.S. enterprise. He has 20 years of extensive working experiences in human resources and management.

Chen Jie Ping, aged 37, is a director of the hotel and commerce division of the Group. Mr. Chen joined the Group in 2003 and had been responsible for the marketing and planning of the Group's projects. Currently, Mr. Chen is responsible for the planning and operations of hotel and commercial properties of the Group. Prior to joining the Group, Mr. Chen was a deputy general manager of a property agent and is experienced in the sale of properties in the PRC.

Wu Yue Zhao, aged 36, is a director of the product research and development division of the Group. He is responsible for the research, development and design of the products of the Group. Mr. Wu graduated from South China University of Technology with a master's degree in construction and is a registered planning professional. He joined the Group in 2006. Prior to joining the Group, Mr. Wu was the manager of the design department of several well-known property developers.

Luo Xiao Yun, aged 42, is a director of the legal affairs division of the Group and assistant to the Chairman. Ms. Luo joined the Group in November 2009 and is responsible for the overall operations and management of legal affairs. Ms. Luo graduated from Zhongshan University with a bachelor's degree in laws and subsequently was admitted to practise in the PRC as a qualified solicitor. Ms. Luo is a practising solicitor with extensive working experience in financial investment, corporate law and civil and commercial law. Prior to joining the Group, Ms. Luo began her legal career at the Foreign Economic and Trade Cooperation Committee and was a solicitor in other law firms.

Lin Kai Ping, aged 36, is a general manager of Guangzhou Ningjun Property Management Limited. Ms. Lin joined the Group in April 2004 and is responsible for the overall property management of the Southern China Region. Ms. Lin graduated from the University of International Business and Economics majoring in administration management. Prior to joining to the Group, Ms. Lin worked in a world's leading British property management company. She has 18 years of extensive working experiences in property management.

Company Secretary

Tsui Kam Tim. See "— Executive Directors" for the description of Mr. Tsui's experience.

Directors' Remuneration

The directors' emoluments are subject to the recommendations of the remuneration committee and the Board's approval. The emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of our Group.

During 2007, 2008 and 2009, the aggregate amount of remuneration paid by us to our directors was RMB3.4 million, RMB6.8 million and RMB9.1 million, respectively.

Board Committees

Audit Committee

The audit committee comprises three members who are independent non-executive directors, namely Mr. Tam Chun Fai (the chairman), Mr. Lee Ka Sze Carmelo and Mr. Dai Feng. The audit committee reports to the Board and is delegated by the Board to assess matters related to the financial statements of accounts. Under its terms of reference, the audit committee is required to perform, amongst the others, the following duties:

- making recommendation to the Board on appointment, re-appointment and removal of external auditor of the Group and considering the remuneration and terms of engagement of that external auditor;
- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;
- reviewing the Group's financial controls, internal control and risk management system;
- reviewing the Group's financial and accounting policies and practices;
- ensuring that management has fulfilled its duty to establish and maintain an effective internal control and risk management systems;
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board;
- reviewing and monitoring the integrity of the Group's financial statements and annual reports and accounts and half-year report.

The audit committee held two meetings during the year and all minutes were kept by the company secretary. The audit committee has reviewed the accounting policies and practices adopted by the Group and the interim results of the Group as well as assessed the effectiveness of the Group's internal control and risk management system. The audit committee reported that there was no material uncertainty that cast doubt on the Company's going concern ability.

Remuneration Committee

The principal responsibilities of the remuneration committee include formulation and making recommendations on remuneration policy and remuneration package of the directors and members of senior management to the Board. The remuneration committee comprises an executive director, namely Mr. Kong Jian Min, and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Dai Feng. Mr. Kong Jian Min is the chairman of the remuneration committee.

The Board expects the remuneration committee to exercise independent judgment and ensures that executive directors do not participate in the determination of their own remuneration.

Though the remuneration committee did not hold any committee meeting for the year ended December 31, 2009. However, members of the remuneration committee have reviewed the remuneration package of the directors and the remuneration policies of the Company, which are determined with reference to prevailing market practices.

Nomination Committee

The nomination committee was established on June 11, 2007. The nomination committee is responsible for reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships. The nomination committee comprises an executive director, namely Mr. Kong Jian Min, and two independent non-executive directors, namely Mr. Tam Chun Fai and Mr. Dai Feng. Mr. Kong Jian Min is the chairman of the nomination committee.

During the year ended December 31, 2009, although no meeting was held by the nomination committee, members of the nomination committee have reviewed the composition of the Board which is determined by directors' skills and experience appropriate to the Company's business.

Share Option Scheme

Our share option scheme (the "Scheme") was adopted pursuant to the shareholders' resolution passed on June 11, 2007. See note 33 to the financial statements starting on page F-1 of this offering memorandum.

During the year ended December 31, 2009, we announced that we offered to grant 8,457,000 share options to the grantees, including directors of the Board and certain employees of us on December 18, 2009. Details of the share options granted pursuant to the Scheme were as follows:

Name of grantee	Number of share options granted during the year	Number of options outstanding at the end of the year	Date of grant	Period during which share options are exercisable	Exercise price per share
	(Note 1)			(Note 1)	(HK$)
Li Jian Ming	619,000	619,000	December 18, 2009	December 18, 2010– December 17, 2014	6.24
He Wei Zhi	619,000	619,000	December 18, 2009	December 18, 2010– December 17, 2014	6.24
Tsui Kam Tim	619,000	619,000	December 18, 2009	December 18, 2010– December 17, 2014	6.24
Tam Chung Fai	30,000	30,000	December 18, 2009	December 18, 2009– December 17, 2014	6.24
Lee Ka Sze, Carmelo .	30,000	30,000	December 18, 2009	December 18, 2009– December 17, 2014	6.24
Dai Feng	30,000	30,000	December 18, 2009	December 18, 2009– December 17, 2014	6.24
Other employees of the Group	6,510,000	6,510,000	December 18, 2009	December 18, 2010– December 17, 2014	6.24

Note:

1. Details of the exercise period of the share option are set out in note 33 to the financial statements starting on page F-1 of this offering memorandum.

During the year ended December 31, 2009, no share options were exercised, cancelled or lapsed.

SUBSTANTIAL SHAREHOLDERS

As of the date of this offering memorandum, the following persons beneficially own more than 5% of our outstanding shares and underlying shares, as recorded in the register maintained by us pursuant to Section 336 of the Securities and Futures Ordinance of the Laws of Hong Kong.

Name of shareholder	Capacity	Number of ordinary shares[1]	Percentage of issued share capital
Plus Earn Consultants Limited[2] . . .	Beneficial owner	1,612,500,000	55.74%

(1) Share(s) of HK$0.10 each in the capital of the Company.

(2) Plus Earn Consultants Limited is legally and beneficially owned as to 76.5% by Kong Jian Min, as to 15% by Kong Jian Tao and as to 8.5% by Kong Jian Nan, each being an executive director of the Company.

RELATED PARTY TRANSACTIONS

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on The Stock Exchange of Hong Kong Limited, we are subject to the requirements of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which require certain "connected transactions" with "connected persons" be approved by a company's independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

Major Related Party Transactions

The table below sets forth our related party transactions for the periods indicated.

	Year Ended December 31,		
	2007	2008	2009
	(RMB in thousands)		
Interest charged by related companies[1]	245	—	—
Compensation paid to key management personnel			
Short term employee benefits	6,997	12,305	16,581
Equity-settled share option expenses	—	—	685
Post-employment benefits	378	483	406
Total	7,375	12,788	17,672

(1) The interest is charged, with reference to the market rates, at interest rates of 6.14% to 7.34% per annum for 2007.

Acquisition of Zengcheng Summit

On November 30, 2007, Guangzhou Tianjian Real Estate Co., Ltd. ("Tianjian Real Estate"), a wholly-owned subsidiary of us, Dongling Holding Co., Ltd. ("Dongling Holding"), Guangzhou Huilai Commercial Co., Ltd. ("Huilai Commercial"), Guangxin Jiangwan Xincheng ("Guangxin Jiangwan") and Guangzhou Hejing Real Estate Development Ltd. ("Hejing Real Estate") entered into an agreement (the "Agreement") in relation to a joint venture arrangement in respect of the development of five parcels of land located in Zengcheng City, Guangdong Province (the "Project"). The Agreement was terminated by the parties on September 17, 2009. On the same day, Tianjian Real Estate and Dongling Holding entered into the second agreement ("Second Agreement"), the agreement in respect of the transfer of a 100% interest ("Sales Interest") in Guangzhou Lihe Property Development Limited ("Guangzhou Lihe") from Dongling Holding to Tianjian Real Estate. Pursuant to the Second Agreement, total consideration for the Sales Interest was RMB800 million, in which RMB100 million was payable in cash and RMB700 million was payable in certain commercial properties in this project upon completion. Tianjian Real Estate and Dongling Holding further executed an assignment of loan arrangement, pursuant to which Dongling Holding agreed to assign a loan of RMB1,695.1 million owed by Guangzhou Lihe to Dongling Holding to Tianjian Real Estate for a consideration of RMB1,695.1 million.

To fund our existing property projects and to finance our working capital requirements, we have borrowed money or incurred indebtedness from various banks or trust companies. As of April 30, 2010, our total bank loans amounted to RMB10,246.2 million (US$1,501.1 million). We set forth below a summary of the material terms and conditions of these loans, indebtedness and other obligations.

Project Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including primarily Bank of China, Guangzhou Rural Commercial Bank, Guangzhou Rural Credit Union, China Construction Bank, Agricultural Bank of China, Industrial and Commercial Bank of China, Chinese Mercantile Bank, Standard Chartered Bank, China Minsheng Banking Corp., Ltd., Guangdong Development Bank and Shanghai Pudong Development Bank. These loans typically are project loans to finance the construction of our projects (the "project loans") and terms ranging from one to 10 years, which generally correspond to the construction periods of the particular projects.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first notifying the lender and/or obtaining the lenders' prior consent:

- create encumbrances on any part of their properties or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations or change the company's status, such as liquidation and dissolution;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts;
- reduce their registered capital;
- transfer part or all of the liabilities under the loans to a third party; and
- prepay the loan.

Dividend Restriction

Pursuant to the project loans with Bank of China and Guangdong Development Bank, some of our PRC subsidiaries also agreed not to distribute any dividends:

- if the borrowers' after-tax net profit is nil or negative or insufficient to cover losses from the previous accounting periods; or
- if the borrower's profit before tax in the relevant accounting period has not been used to pay off the principal, interest or other related expenses due in that accounting period or is insufficient to cover the principal, interest or other related expenses due in next period.

Guarantee and Security

Certain of our PRC subsidiaries and associates have entered into guarantee or security agreements with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries and associates have guaranteed or provided security including property mortgage and share pledge for all liabilities of the subsidiary borrowers under these project loans. We also act as a guarantor in relation to certain of these project loans.

Acquisition Financing

CCB Dongshan 2010 Loan

On March 18, 2010, our PRC subsidiary, Guangzhou Tianjian Real Estate Development Co., Ltd. ("Guangzhou Tianjian") signed a loan agreement with China Construction Bank, Guangzhou Dongshan Branch ("CCB Dongshan") to finance the acquisition of Guangzhou Lihe, which holds the Zengcheng Summit project. See "Related Party Transactions — Acquisition of Zengcheng Summit". The loan is a RMB denominated term loan facility with an aggregate principal amount of up to RMB1.16 billion (the "CCB Dongshan 2010 Loan"). The term of the loan is five years. As of April 30, 2010, RMB830 million in principal amount was outstanding under this facility.

Interest

The CCB Dongshan 2010 Loan bears interest at the PBOC benchmark lending interest rate per annum payable on the 12th of each month for an interest period. In the event that the CCB Dongshan 2010 Loan is not used for the designated purpose of the loan, the penalty interest is calculated at an upward floating rate of 100% from the PBOC benchmark lending interest rate per annum. Any interest on the overdue amount under the CCB Dongshan 2010 Loan is calculated at an upward floating rate of 50% from the PBOC benchmark lending interest rate per annum.

Covenants

Pursuant to the CCB 2010 Loan, Guangzhou Tianjian agreed, among other things:

- to not create encumbrances on any part of their properties or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- to not grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- to not alter the nature or scope of their business operations in any material respect;

- to not transfer part or all of the liabilities under the loans to a third party; and
- to use the CCB Dongshan 2010 Loan is solely for the purpose of acquiring the entire equity interest in the target project company including its business operations and financial and cash positions.

Events of default

The CCB Dongshan 2010 Loan contains certain customary events of default, including nonpayment of principal or interest, insolvency and breaches of the terms of the CCB Dongshan 2010 Loan. If an event of default has occurred, CCB Dongshan may, without prior notice to the Company demand immediate payment or repayment of all amounts outstanding including all interest accrued thereon. In addition, if, for any reason, the CCB Dongshan is of the view that certain conditions exist that may endanger CCB Dongshan's claims under the contract such as substantial change in the nature of the invested project and/or the target acquisition company's business, the dividend policy of the target acquisition company, CCB Dongshan may, with five business days of written notice, immediately take the necessary relief measures such as demand immediate payment or repayment of all amounts outstanding.

Term loans

ICBC 2006 Loan

On December 20, 2006, we signed a loan agreement with the Industrial and Commercial Bank of China (Asia) Limited ("ICBC") as supplemented by the supplemental loan agreement, the second supplemental loan agreement and the third supplemental loan agreement dated December 28, 2006, January 12, 2007 and May 6, 2008, respectively. The loan facility is a Hong Kong dollar denominated term loan facility with an aggregate principal amount of up to HK$500 million for Guangzhou Xinhengchang Enterprise Development Co., Ltd. ("Guangzhou Xinhengchang") and an aggregate principal amount of up to HK$500 million for Guangzhou Hejing Real Estate Development Co., Ltd. ("Guangzhou Hejing") (the "ICBC 2006 Loan") both of which are wholly-owned subsidiaries incorporated in the PRC. As of April 30, 2010, HK$664.5 million in principal amount was outstanding under this facility.

The ICBC 2006 Loan has a final maturity date of March 31, 2014. We may prepay on any interest payment date under the loan agreement for the ICBC Loan on the amount prepaid subject to five business days' prior written notice of prepayment to ICBC, specifying the amount to be prepaid and the date of such prepayment.

Guarantee and Security

We have agreed to guarantee the ICBC 2006 Loan.

The ICBC 2006 Loan is secured by the proceeds of certain all-risks insurance and construction contract of International Finance Place, approximately half of International Finance Place (the "Mortgaged Property") and the dividend accounts of Kong Jian Min, Kong Jian Tao and Kong Jian Nan, our executives directors.

Interest

The ICBC 2006 Loan bears interest at the rate of 1.25% per annum over HIBOR on the first day of each interest period for an interest period, which shall be one month. Any overdue amount under the ICBC 2006 Loan will be subject to a penalty interest accruing from the due date up to the date of actual payment at a rate of 2.0% per annum over the applicable interest rates on the ICBC 2006 Loan.

Covenants

We have agreed to maintain the ratio of the loan outstanding under this loan agreement to the valuation of the valuation of the mortgaged property described above to be below 50% at all times.

We have further agreed that, if the Mortgaged Property is encumbered by third party interests, we will not, subject to certain exceptions:

- create security or dispose of any assets;
- borrow moneys, make loans or give any guarantee;
- enter into any contract relating to the sale, license and/or management of the Mortgaged Property; and
- make any non-ordinary course investments.

Events of Default

The ICBC 2006 Loan contains certain customary events of default, including nonpayment of principal or interest, cross default, insolvency and breaches of the terms of the ICBC 2006 Loan. If an event of default has occurred, ICBC may, without prior notice to the Company demand immediate payment or repayment of all amounts outstanding including all interest accrued thereon.

Consent

On July 29, 2010, we obtained a letter from ICBC that consents to the offering and related aspects of it.

ICBC 2008 Loan

On July 30, 2008, we signed a term loan agreement with ICBC. The loan facility is a Hong Kong dollar denominated term loan facility with an aggregate principal amount of up to HK$250 million (the "ICBC 2008 Loan"). As of April 30, 2010, HK$175 million in principal amount was outstanding under this facility.

The ICBC 2008 Loan will mature on July 30, 2011. We cannot prepay the ICBC 2008 Loan without prior consent of ICBC and 10 business days' prior written notice of prepayment to ICBC.

Guarantee and Security

We have agreed to guarantee the ICBC 2008 Loan.

The ICBC 2008 Loan is secured by the capital stock of, and all assets owned by, Champ Joyment Limited, one of our wholly-owned subsidiaries incorporated in Hong Kong, and secured by the capital stock of our PRC subsidiary Guangzhou Conghua Hejing Real Estate Development Limited. Champ Joyment Limited is a Non-Subsidiary Guarantor.

Interest

The ICBC 2008 Loan bears interest at the rate of 3.5% per annum over HIBOR payable on the last business day of each interest period for an interest period, which is a period of three months, commencing from the date of the first advance made. Any interest on overdue amount under the ICBC 2008 Loan is calculated at a rate of 2.0% per annum on the basis of the actual number of days elapsed and a 365-day year compounded monthly.

Covenants

Pursuant to the ICBC 2008 Loan, we agreed to the following financial covenants:

- our net worth[1] will not be less than RMB8.5 billion; and
- our net gearing ratio[2] will not be more than 60%, as confirmed by ICBC in writing on July 22, 2010.

We have further agreed, among other things that all pre-sale and sale proceeds of the Conghua Project will be deposited into an ICBC Guangzhou controlled account.

Events of Default

The ICBC 2008 Loan contains certain customary events of default, including nonpayment of principal or interest, cross default, insolvency and breaches of the terms of the ICBC 2008 Loan. If an event of default has occurred, ICBC may, without prior notice to the Company demand immediate payment or repayment of all amounts outstanding including all interest accrued thereon.

Consent

On July 29, 2010, we obtained a letter from ICBC that consents to the offering and all related aspects of it.

SCB Loan

On April 27, 2009, we signed a loan agreement with Standard Chartered Bank (Hong Kong) Limited ("SCB"). The loan facility is an unsecured Hong Kong dollar denominated term loan facility with an aggregate principal amount of up to HK$300 million (the "SCB Loan"). The SCB Loan is also guaranteed by Fancy Think Investments Limited ("Fancy Think") and Oak Plus Investments Limited ("Oak Plus"). As of April 30, 2010, HK$300 million in principal amount was outstanding under this facility.

1 *"Net worth" under the ICBC 2008 Loan represents the amount paid up or credited as paid up on the issued share capital and the amounts standing to the credit of the consolidated capital and revenue reserves as shown in our latest audited consolidated balance sheet, net any declared dividend or other distributions to our shareholders to the extent that such dividend or other distribution is not provided for in such audited consolidated balance sheet and any debits balance on profit and loss account.*

2 *"Net gearing ratio" under the ICBC 2008 Loan represents the total interest bearing borrowings net of cash and cash equivalent and restricted cash over our net worth.*

The SCB Loan will mature on April 27, 2012. We cannot prepay the SCB Loan without giving 14 days' prior written notice of prepayment to SCB, specifying the amount to be prepaid and the date of such prepayment.

Interest

The SCB Loan bears interest at the rate of 3.0% per annum over HIBOR on the first day of each interest period for an interest period, which may be one, two or three months as selected by us. Any overdue amount under the SCB Loan will be subject to default interest at the rate of 2.0% per annum.

Covenants

Pursuant to the SCB Loan, we agreed to the following financial covenants:

- our consolidated tangible net worth[1] will not be less than HK$8.3 billion;
- our ratio of consolidated net borrowings[2] to consolidated tangible net worth (deducting amount attributable to minority interests) will not exceed 0.75:1; and
- our ratio of consolidated EBITDA[3] to consolidated interest expense[4] will not be less than 6.0:1.

We have further agreed, among other things that:

- if the aggregate net worth of Fancy Think and Oak Plus is less than 75% of the consolidated tangible net worth of the Group minus the net worth of Issuer, an additional offshore subsidiary will be required to guarantee the SCB Loan; and
- no encumbrance will be created over any asset of the Group, subject to certain exceptions.

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1 *Consolidated tangible net worth, as defined in the SCB Loan, means, the aggregate of the paid up or credited as paid up issued share capital of the Group and the amounts standing to the credit of our consolidated distributable and non-distributable reserves as shown on our consolidated financial statements after deducting any amounts attributable to intangible assets, a sum equal to the amounts by which the book value of any of its assets are written up, any amount distributed or proposed to be distributed to persons out of profits accrued on or before date of financial statements and any adjustments reflecting any variation in the amount of paid-up capital, amounts standing to the credit of such reserves or adjustments considered appropriate by external auditors.*

2 *Consolidated net borrowings, as defined in the SCB Loan, means the aggregate of all the liabilities in respect of our indebtedness from any bank or other financial institution determined on a consolidated basis deducting the aggregate amount of cash at hand held by the members of the Group except any such cash subject to security.*

3 *"Consolidated EBITDA", as defined in the SCB Loan, means our consolidated operating profits of the Group for the relevant period before taxation: (a) before deducting any consolidated interest expenses; (b) before taking into account any items treated as exception or extraordinary items; (c) before deducting any amount attributable to amortization of goodwill or depreciation of tangible assets; and (d) after deducting the amount of any profit of any member of the Group which is attributable to minority interest.*

4 *"Consolidated interest expense", as defined in the SCB Loan, means the aggregate amount of interest, commission, fees, discounts, prepayment penalties or premiums and other finance payments in respect of consolidated total borrowings whether accrued, paid or payable (but excluding those interest capitalized) by any member of our Group in respect of the twelve months ending on the last day of the Borrower's financial year and each period of six months ending on the last day of the first half of the Borrower's financial year excluding any such obligation owed to any other members of our Group, including the interest element of leasing and hire purchase payments, including any amounts paid, payable or accrued by any member of our Group to counterparties under any interest rate hedging instrument and deducting any amounts paid, payable or accrued by counterparties to any member of our Group under any interest rate hedging instrument.*

Events of Default

The SCB Loan contains certain customary events of default, including nonpayment of principal or interest, cross default, insolvency and breaches of the terms of the SCB Loan. If an event of default has occurred, SCB may, without prior notice to the Company demand immediate payment or repayment of all amounts outstanding including all interest accrued thereon.

Consent

On July 29, 2010, we obtained a letter from SCB that consents to the offering and related aspects of it.

ICBC 2010 Loan

On July 29, 2010, we signed a term loan agreement with ICBC. The loan facility is a Hong Kong dollar denominated term loan facility with an aggregate principal amount of up to HK$500 million (the "ICBC 2010 Loan"). The ICBC 2010 Loan has a one lump sum drawdown within 30 days from July 29, 2010.

The ICBC 2010 Loan will mature on July 29, 2013. We cannot prepay the ICBC 2010 Loan without prior consent of ICBC and 10 business days' prior written notice of prepayment to ICBC, specifying the amount to be prepaid and the date of such prepayment.

Guarantee and Security

We, Oak Plus and Rich Come Enterprises Limited ("Rich Come"), our wholly-owned subsidiaries, have agreed to guarantee the ICBC 2010 Loan.

The ICBC 2010 Loan is secured by the capital stock of, and all assets owned by, Beauty Sight Investments Limited ("Beauty Sight") and Rich Come, the capital stock of our PRC subsidiary Hainan New World Property Development (HK) Limited, certain properties located in Hainan and the receivables of a loan owed by Rich Come to Beauty Sight. Beauty Sight and Rich Come are Non-Subsidiary Guarantors.

Interest

The ICBC 2010 Loan bears interest at the rate of 4% per annum over HIBOR payable on the last business day of each interest period for an interest period, which is a period of one, or two or three months, commencing from the date of the first advance made. Any interest on overdue amount under the ICBC 2010 Loan is calculated at a rate of 2.0% per annum on the basis of the actual number of days elapsed and a 365-day year compounded monthly.

Covenants

Pursuant to the ICBC 2010 Loan, we agreed to the following financial covenants:

- our net worth[1] will not be less than RMB8,500 million; and
- our net gearing ratio[2] will not be more than 60%.

We have further agreed, among other things that all pre-sale and sale proceeds of any part of the Hainan Lingshui Project shall be deposited into an ICBC designated and controlled account and no amount can be withdrawn without the prior consent of ICBC.

Events of Default

The ICBC 2008 Loan contains certain customary events of default, including nonpayment of principal or interest, cross default, insolvency and breaches of the terms of the ICBC 2010 Loan. If an event of default has occurred, ICBC may, without prior notice to the Company demand immediate payment or repayment of all amounts outstanding including all interest accrued thereon.

Consent

On July 29, 2010, we obtained a letter from ICBC that consents to the offering and all related aspects of it.

Trust Financing Arrangements

Suzhou Trust Financing

In December 2009, China Construction Bank Corporation — Suzhou Branch ("CCB Suzhou"), as settler and beneficiary, and Jiangxi International Trust Co., Ltd. ("Jiangxi International") entered into a trust agreement to set up a trust in the amount of RMB901 million, comprising 900 million senior trust units ("Senior Units") and 1 million junior trust units ("Junior Units"). The Senior Units were open for subscription by the public and the Junior Units were subscribed by Suzhou Hejing Real Estate Development Co., Ltd. ("Suzhou Hejing"), one of our wholly owned subsidiaries in the PRC.

The fund raised under the trust was for the purpose of increasing the registered capital of Suzhou Kaiyu Real Estate Development Company Limited ("Suzhou Kaiyu"), which is engaged in the development of Suzhou Apex project, from RMB400 million to RMB1,500 million. Subsequent to such capital increase, Suzhou Kaiyu is owned 60.06% by Jiangxi International, 29.94% by Suzhou Hejing and 10% by Suzhou Jinzhu Property Development Co., Ltd., an independent third party. The term of the trust is 18 months, subject to early termination by Jiangxi International upon the occurrence of certain events. Early redemption of the Senior Units or Junior Units is not allowed.

1 *"Net worth" under the ICBC 2010 Loan represents the amount paid up or credited as paid up on the issued share capital and the amounts standing to the credit of the consolidated capital and revenue reserves as shown in our latest audited consolidated balance sheet. Net any declared dividend or other distributions to our Shareholders to the extent that such dividend or other distribution is not provided for in such audited consolidated balance sheet and any debits balance on profit and loss account.*

2 *"Net gearing ratio" under the ICBC 2010 Loan represents our total borrowings (whether interest bearing or not) net of cash and cash equivalent and restricted cash over our net worth.*

In connection with the trust financing, Suzhou Hejing and CCB Suzhou also entered into an option agreement, according to which Suzhou Hejing may acquire all Senior Units from CCB Suzhou at a consideration equivalent to an amount equal to the number of Senior Units X (1 + 11.5%) X number of investment days in the Senior Units divided by 360 (the "Consideration") on December 24, 2010, unless a material adverse event occurs, in which case such acquisition will be made at the request of CCB Suzhou (the "Put Option").

The Put Option is secured by Suzhou Hejing's equity interests in Suzhou Kaiyu Guangzhou Hejing, and we also agreed to guarantee the obligations under the option agreement.

All the proceeds of the trust were deposited to the custodian bank account maintained with and managed by CCB Suzhou.

Guangzhou Trust Financing

In January 2010, Guangzhou Hejing entered into a series of agreements with Citic Trust Limited Company ("Citic Trustee") to set up a trust financing arrangement for the purpose of increasing the registered capital of Guangzhou Wanhui Real Estate Development Limited ("Wanhui"), which is engaged in the development of the D3-4 project in Guangzhou. The term of the trust financing arrangement is 18 months.

The trust consists of three series: 300 million of senior units that were open to the public for subscription ("Senior Units"), 30 million of series 1 junior units ("S1 Units") and 135 million of series 2 junior units ("S2 Units"), each at RMB1 per unit.

The Senior Units were fully subscribed by the public. Citic Trustee used the proceeds of RMB300 million to invest in Wanhui. At the same time, Guangzhou Hejing agreed to entrust its 100% equity interest in Wanhui to Citic Trustee in exchange for the S1 Units. As a result, Citic Trustee owns 100% of Wanhui. Guangzhou Hejing also agreed to entrust its creditor's rights to a RMB135 million shareholder loan owing from Wanhui to Citic Trustee in exchange for S2 Units.

The target annual yield of the Senior Units is 6.5% for investors who subscribed for 3 million units or more and 5.8% for investors who subscribed for less than 3 million units. The target earning for the Senior Units is equal to the principal amount of Senior Units X target annual yield X actual days accumulated divided by 365. In addition, Guangzhou Hejing is required to compensate Citic Trustee on an annual basis in an amount equivalent to the result of the principal amount of the Senior Units X 1.1% X actual days accumulated divided by 365.

In connection with the trust financing, we have granted Citic Trustee a) a put option to require us to purchase from it 100% of the equity interest in Wanhui; and b) a right to transfer its equity interest in Wanhui to a third party; we also have a call option to require Citic Trustee to sell to us its 100% equity interest in Wanhui.

Guangzhou Hejing's obligations under the trust financing are guaranteed by us and secured by 94.5% of the equity interest in Guangzhou Liangyu Investment Co., Ltd., one of our subsidiaries.