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This announcement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No securities may be offered or sold in the United States absent registration or an applicable exemption from registration requirements. Any public offering of securities to be made in the United States will be made by means of a prospectus. Such prospectus will contain detailed information about the company making the offer and its management and financial statements. No public offer of securities is to be made by the Company in the United States.

KAISA GROUP HOLDINGS LTD.
佳兆業集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1638)

OVERSEAS REGULATORY ANNOUNCEMENT

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

References are made to the announcements of Kaisa Group Holdings Ltd. (the "**Company**") dated 12 September 2012 and 13 September 2012 (the "**Notes Issue Announcements**") and the announcement dated 19 September 2012 (the "**Overseas Regulatory Announcement**") in relation to the 2012 Notes Issue. All terms used herein have the same meaning as defined in the Notes Issue Announcements and the Overseas Regulatory Announcement, unless otherwise defined.

Please refer to the attached offering memorandum dated 12 September 2012 in relation to the 2012 Notes (the "**Revised Offering Memorandum**"), which was published on the website of Singapore Exchange Limited on 20 September 2012. This announcement supersedes the Overseas Regulatory Announcement in which the amount of net proceeds on page 50 of the Offering Memorandum was inadvertently left blank due to clerical error. The amount of net proceeds on page 50 of the Revised Offering Memorandum has now been inserted.

* *For identification purposes only*

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

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

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

By Order of the Board
Kaisa Group Holdings Ltd.
Kwok Ying Shing
Chairman and Executive Director

Hong Kong, 21 September 2012

As at the date of this announcement, the executive directors of the Company are Mr. Kwok Ying Shing, Mr. Kwok Ying Chi, Mr. Sun Yuenan, Dr. Tam Lai Ling, Mr. Chen Gengxian, Mr. Han Zhenjie, Mr. Jin Zhigang and Mr. Ji Jiaming, and the independent non-executive directors of the Company are Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Fok Hei Yu.

US$250,000,000

KAISA GROUP HOLDINGS LTD.

(incorporated in the Cayman Islands with limited liability)

12.875% Senior Notes due 2017

Issue Price: 100%

plus, in each case, accrued interest, if any, from the issue date

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Our 12.875% Senior Notes due 2017 (the "Notes") will bear interest from September 18, 2012 at 12.875% per annum payable semi-annually in arrears on March 18 and September 18 of each year, beginning March 18, 2013. The Notes will mature on September 18, 2017.

The Notes are senior obligations of Kaisa Group Holdings Ltd. (the "Company"), guaranteed by certain of our existing subsidiaries (the "Subsidiary Guarantors"), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in "Description of the Notes." We refer to the guarantees by the Subsidiary Guarantors as Subsidiary Guarantees. The Company and the Subsidiary Guarantor Pledgors (as defined herein) have agreed to pledge the capital stock of the Subsidiary Guarantors held by them to secure the Notes and the Subsidiary Guarantees of such Subsidiary Guarantor Pledgors.

At any time on or after September 18, 2015, we may redeem the Notes, in whole or in part, at the redemption prices specified under "Description of the Notes — Optional Redemption." At any time prior to September 18, 2015 we may redeem up to 35% of the Notes, at a redemption price of 112.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings. In addition, we may redeem the Notes, in whole but not in part, at any time prior to September 18, 2015, at a price equal to 100% of the principal amount of such Notes plus (i) accrued and unpaid interest (if any) to the redemption date and (ii) a premium as set forth in this offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes (the "Indenture")), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

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

For a more detailed description of the Notes, see the section entitled "Description of the Notes" beginning on page 191.

Investing in the Notes involves risks. See the section entitled "Risk Factors" beginning on page 14.

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

The Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Notes are being offered and sold by the Initial Purchasers only outside the United States in compliance with Regulation S under the U.S. Securities Act ("Regulation S"). For a description of certain restrictions on resale and transfer, see the section entitled "Transfer Restrictions."

It is expected that delivery of the Notes will be made on or about September 18, 2012 through the book-entry facilities of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme*, Luxembourg ("Clearstream") against payment therefor in immediately available funds.

Sole Global Coordinator

Citigroup

Joint Lead Managers and Joint Bookrunners

Citigroup **Deutsche Bank** **HSBC**

The date of this offering memorandum is September 12, 2012

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

This offering memorandum is not a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto) as implemented in member states of the European Economic Area (the "EU Prospectus Directive"). This offering memorandum has been prepared on the basis that all offers of the Notes made to persons in the European Economic Area will be made pursuant to an exemption under the EU Prospectus Directive from the requirement to produce a prospectus in connection with offers of the Notes.

IN CONNECTION WITH THIS OFFERING, CITIGROUP GLOBAL MARKETS LIMITED, AS STABILIZING MANAGER, DEUTSCHE BANK AG, SINGAPORE BRANCH, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, OR ANY PERSON ACTING ON THEIR BEHALF, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF CITIGROUP GLOBAL MARKETS LIMITED, DEUTSCHE BANK AG, SINGAPORE BRANCH AND THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, AND NOT FOR US OR ON OUR BEHALF.

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

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

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

No representation or warranty, express or implied, is made by Citigroup Global Markets Limited, Deutsche Bank AG, Singapore Branch and The Hongkong and Shanghai Banking Corporation Limited (the "Initial Purchasers") or Citicorp International Limited (the "Trustee"), Citibank, N.A., London Branch (the "Principal Paying and Transfer Agent") or Citigroup Global Markets Deutschland AG (the "Registrar") or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. None of the Initial Purchasers, the Trustee, the Principal Paying and Transfer Agent or the Registrar has independently verified any of the information contained in this offering memorandum, and they can give no assurance that this information is accurate, truthful or complete. This offering memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Company, the Subsidiary Guarantors, the Initial Purchasers, the Trustee, the Principal Paying and Transfer Agent or the Registrar that any recipient of this offering memorandum should purchase the Notes.

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

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

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

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

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

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.3530 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 29, 2012, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK$7.7572 to US$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 29, 2012. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see the section entitled "Exchange Rate Information."

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

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") which differ in certain respects from generally accepted accounting principles in certain other countries.

Unless the context otherwise requires, references to "2009," "2010" and "2011" in this offering memorandum are to our financial years ended December 31, 2009, 2010 and 2011, respectively.

References to "2009 Secured Loan" are to our US$200 million term loan under the credit agreement dated August 24, 2007, as amended and restated on September 12, 2007 and October 24, 2009, between us and a number of financial investors (including Credit Suisse AG, Singapore Branch, Merrill Lynch PCG, Inc., Kamsara Limited, Forum Asia Realty Income II, L.P., PMA Credit Opportunities Fund, PMA Temple Fund, Diversified Asian Strategies Fund and PMA Focus Fund (the "Lenders")), pursuant to which we also issued detachable warrants to the Lenders other than Forum Asia Realty Income II, L.P., which term loan was repaid in full upon issuance of the 2010 Notes.

References to the "2010 Notes" are to our 13.50% Senior Notes due 2015.

References to the "Convertible Bonds" are to our U.S. dollar settled 8% convertible bonds due 2015 in the aggregate principal amount of RMB1,500,000,000.

References to the "IPO" are to our initial public offering listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange," "Stock Exchange" or "HKSE") in December 2009.

References to the "PAG Loan" or "Exchangeable Term Loan" are to our US$120 million exchangeable term loan under a facility agreement dated May 23, 2012 among the Company as borrower, certain subsidiaries of the Company as guarantors and PA International Opportunity VI Limited ("PAG") as lender.

References to the "RMB Bonds" are to our U.S. dollar settled 8.5% senior secured guaranteed bonds due 2014 in the aggregate principal amount of RMB2,000,000,000.

References to "share" are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK$0.10, in our share capital.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and gross floor area ("GFA") information presented in this offering memorandum represent the site area and GFA of the entire project, including those attributable to the minority shareholders of our non-wholly owned project companies. References to "sq.m." are to the measurement unit of square meters.

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

In this offering memorandum, a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用證) issued by a local real estate and land resources bureau with respect to the land use rights; a construction land planning permit refers to a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction works planning permit refers to a construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China; a construction permit refers to a construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; a pre-sale permit refers to a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties; a certificate of completion refers to an inspection and acceptance form of construction completion (竣工驗收備案表); and a property ownership certificate refers to a property ownership certificate (房屋所有權證) (or in certain areas of the PRC, a property ownership and land use rights certificate (房地產權證)) issued by a local real estate bureau with respect to the ownership rights of the buildings on the relevant land.

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

FORWARD-LOOKING STATEMENTS

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

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

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

SUMMARY

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

Overview

We are a leading PRC property developer with a sizable and diversified land bank of approximately 23.9 million sq.m. GFA in 24 cities across five regions. According to "Top 50 Real Estate Enterprise Property Developers by Sales in 2011" and "Top 50 Real Estate Enterprise Property Developers by Sales in the first half of 2012" both jointly compiled and issued by China Real Estate Information Corporation ("CRIC") and China Real Estate Appraisal Center, Kaisa was ranked 12th nationwide in terms of GFA sold in 2011 and 16th nationwide in terms of GFA sold in the six months ended June 30, 2012. We focus on mass market housing demand and are primarily engaged in the development of large-scale residential properties as well as integrated commercial properties.

Headquartered in Shenzhen, the Special Economic Zone adjacent to Hong Kong, we have historically focused our property development in the Pearl River Delta region. Our well-established position in the Pearl River Delta region is supported by our geographically diversified development portfolio, including projects in Greater Shenzhen, Foshan, Guangzhou and Zhuhai. Leveraging our success in the Pearl River Delta region, we have also expanded into other areas in China, including Shanghai, Hangzhou, Taicang, Changzhou and Jiangyin in the Yangtze River Delta region, Chengdu and Nanchong in the Western China region, Changsha, Wuhan and Zhuzhou in the Central China region, and Shenyang, Yingkou, Benxi, Panjin, Anshan, Weifang, Liaoyang and Huludao in the Pan-Bohai Bay Rim. In 2007, we derived all our revenue from sales of properties in the Greater Shenzhen area, including Shenzhen and the adjacent cities of Huizhou and Dongguan. For the six months ended June 30, 2012, our revenue from sales of properties in the Greater Shenzhen area was RMB1.2 billion, accounting for 54.2% of our total revenue from sales of properties for the same period. In July 2009, April 2010, August 2010 and November 2010, we completed Jiangyin Lake View Place Phase 1, Chengdu Lijing Harbour Phases 1 and 2, Shanghai Shanhuwan Garden and Changsha Lake View Place Phase 1, respectively, which became milestones in our expansion into the Yangtze River Delta region, the Western China region and the Central China region. With our in-depth property development experience and the dedication that we have demonstrated throughout our operational history, we intend to expand into other regions in China.

We focus primarily on development of the following:

- Residential properties. Our large-scale residential properties are generally located in suburban areas with access to public transport and other urban facilities in select cities in China. These properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities. The principal target customers for our residential properties are middle to upper-middle income households. We often develop our residential properties in a number of phases. We believe our multi-phased approach has enabled us to manage our capital resources efficiently and has increased our returns through the higher average selling prices which we expect to achieve at subsequent development phases.

- Commercial properties. Our integrated commercial properties are generally located in central business districts, or CBDs, in select cities in China. Since 2005, we have increased the commercial property development in our portfolio. Guangzhou Jinmao, our completed commercial project, is located in a prime location within Guangzhou's CBD and consists of a premium grade office building and retail space. In December 2010, we completed Guangzhou Kaisa Plaza, a commercial project which comprises primarily one high-rise office building with retail space, located in Guangzhou's Tianhe CBD. In March 2011, the Shenzhen Municipal Government announced its landmark projects in response to the Central Government's 12th Five-Year Plan, and included in the landmark project list is a trophy project in the heart of Shenzhen CBD - Shenzhen Kaisa Global Center. Our other commercial projects are expected to consist of a mixture of office buildings and retail spaces.

As of June 30, 2012, we had a total of 62 property development projects, including completed properties, properties under development and properties for future development, in 24 cities in China. As of June 30, 2012, we had completed properties with a total GFA of approximately 5,348,746 sq.m., and had a land bank with an estimated total GFA of approximately 23,932,215 sq.m., including completed properties held for sale with a total GFA of approximately 274,044 sq.m., properties under development with an estimated total GFA of approximately 8,469,436 sq.m. and properties for future development with an estimated total GFA of approximately 15,188,731 sq.m. Our contracted sales were RMB6,020.0 million, RMB10,090.6 million, RMB15,289.1 million and RMB6,458.5 million in 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. Our GFA sold was approximately 688,000 sq.m., 876,000 sq.m., 2,177,000 sq.m. and 1,103,000 sq.m. in 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively.

Our revenue was RMB4,672.2 million, RMB7,755.9 million, RMB10,834.7 million and RMB2,300.2 million and the profit attributable to equity holders of our Company was RMB547.9 million, RMB3,636.7 million, RMB1,901.0 million and RMB674.8 million in 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively.

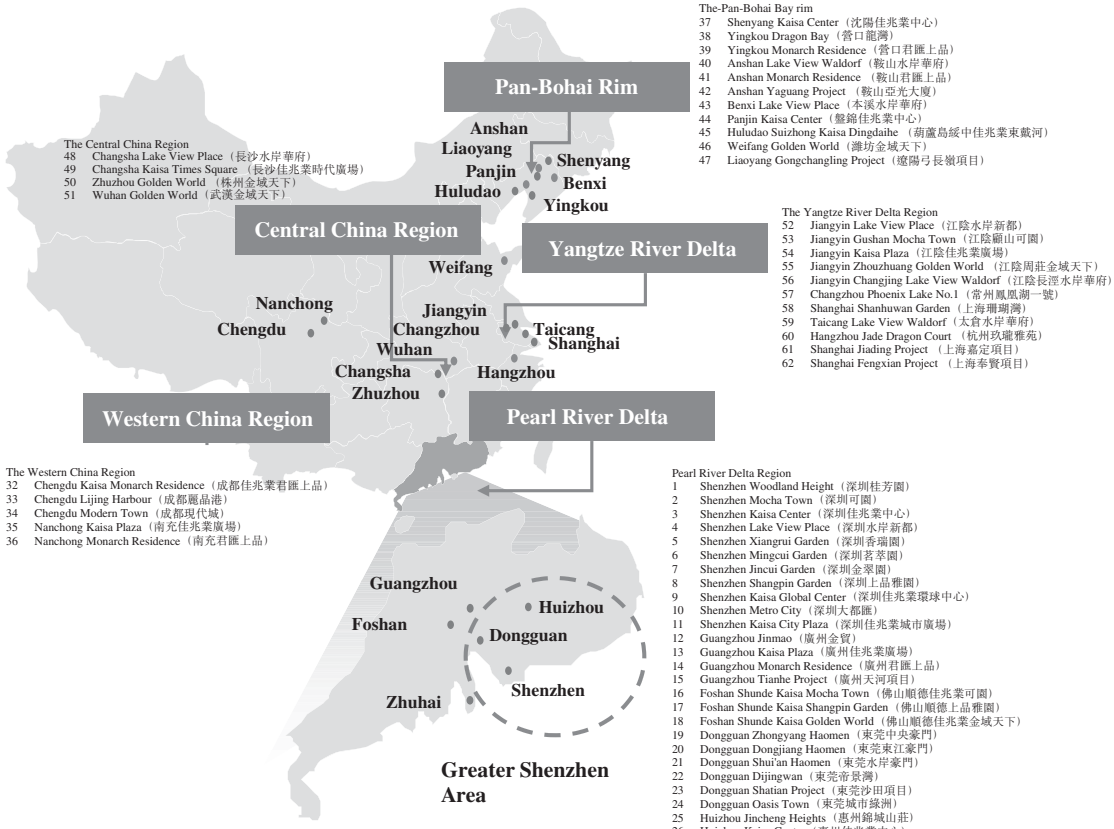
Recent Developments

Subsequent to June 30, 2012, we acquired parcels of land as set forth in the table below:

Time of Acquisition	Location	Attributable interest (%)	Number of land parcels	Site area (sq.m.)	Attributable GFA per maximum allowed plot ratio (sq.m.)	Consideration (RMB in millions)	Type
July 2012. . . .	Huludao	100%	4	260,718	573,580	195.6	Residential and commercial
July 2012. . . .	Taizhou	51%	2	192,505	385,010	132.0	Residential and commercial
July 2012. . . .	Dalian	100%	1	26,610	119,700	814.0	Residential and commercial
August 2012. .	Jiangyin	100%	1	41,440	74,592	109.4	Residential
August 2012. .	Jiangyin	100%	1	35,801	114,563	161.1	Residential
Total.			9	557,074	1,267,445	1,412.1	

Our Projects

The map below shows the geographical distribution of our property development projects as of June 30, 2012:



The Pan-Bohai Bay rim
37 Shenyang Kaisa Center（沈陽佳兆業中心）
38 Yingkou Dragon Bay（營口龍灣）
39 Yingkou Monarch Residence（營口君匯上品）
40 Anshan Lake View Waldorf（鞍山水岸華府）
41 Anshan Monarch Residence （鞍山君匯上品）
42 Anshan Yaguang Project （鞍山亞光大廈）
43 Benxi Lake View Place（本溪水岸華府）
44 Panjin Kaisa Center（盤錦佳兆業中心）
45 Huludao Suizhong Kaisa Dingdaihe （葫蘆島綏中佳兆業東戴河）
46 Weifang Golden World（濰坊金域天下）
47 Liaoyang Gongchangling Project（遼陽弓長嶺項目）

The Central China Region
48 Changsha Lake View Place（長沙水岸華府）
49 Changsha Kaisa Times Square （長沙佳兆業時代廣場）
50 Zhuzhou Golden World（株州金域天下）
51 Wuhan Golden World（武漢金域天下）

The Yangtze River Delta Region
52 Jiangyin Lake View Place（江陰水岸新都）
53 Jiangyin Gushan Mocha Town（江陰顧山可圆）
54 Jiangyin Kaisa Plaza（江陰佳兆業廣場）
55 Jiangyin Zhouzhuang Golden World （江陰周莊金域天下）
56 Jiangyin Changjing Lake View Waldorf（江陰長涇水岸華府）
57 Changzhou Phoenix Lake No.1（常州鳳凰湖一號）
58 Shanghai Shanhuwan Garden（上海珊瑚灣）
59 Taicang Lake View Waldorf（太倉水岸華府）
60 Hangzhou Jade Dragon Court （杭州玖瓏雅苑）
61 Shanghai Jiading Project （上海嘉定項目）
62 Shanghai Fengxian Project （上海奉賢項目）

The Western China Region
32 Chengdu Kaisa Monarch Residence（成都佳兆業君匯上品）
33 Chengdu Lijing Harbour（成都麗晶港）
34 Chengdu Modern Town（成都現代城）
35 Nanchong Kaisa Plaza（南充佳兆業廣場）
36 Nanchong Monarch Residence（南充君匯上品）

Pearl River Delta Region
1 Shenzhen Woodland Height（深圳桂芳園）
2 Shenzhen Mocha Town（深圳可園）
3 Shenzhen Kaisa Center（深圳佳兆業中心）
4 Shenzhen Lake View Place（深圳水岸新都）
5 Shenzhen Xiangrui Garden（深圳香瑞園）
6 Shenzhen Mingcui Garden（深圳茗萃園）
7 Shenzhen Jincui Garden（深圳金翠園）
8 Shenzhen Shangpin Garden（深圳上品雅園）
9 Shenzhen Kaisa Global Center（深圳佳兆業環球中心）
10 Shenzhen Metro City（深圳大都匯）
11 Shenzhen Kaisa City Plaza（深圳佳兆業城市廣場）
12 Guangzhou Jinmao（廣州金貿）
13 Guangzhou Kaisa Plaza（廣州佳兆業廣場）
14 Guangzhou Monarch Residence（廣州君匯上品）
15 Guangzhou Tianhe Project（廣州天河項目）
16 Foshan Shunde Kaisa Mocha Town（佛山順德佳兆業可園）
17 Foshan Shunde Kaisa Shangpin Garden（佛山順德上品雅園）
18 Foshan Shunde Kaisa Golden World（佛山順德佳兆業金域天下）
19 Dongguan Zhongyang Haomen（東莞中央豪門）
20 Dongguan Dongjiang Haomen（東莞東江豪門）
21 Dongguan Shui'an Haomen（東莞水岸豪門）
22 Dongguan Dijingwan（東莞帝景灣）
23 Dongguan Shatian Project（東莞沙田項目）
24 Dongguan Oasis Town（東莞城市綠洲）
25 Huizhou Jincheng Heights（惠州錦城山莊）
26 Huizhou Kaisa Center（惠州佳兆業中心）
27 Huizhou Yuan Zhou Project（惠州園洲項目）
28 Huizhou Tonghu Project（惠州潼湖項目）
29 Huizhou Riverbank New Town（惠州東江新城）
30 Zhuhai Lake View Waldorf Garden（珠海水岸華府）
31 Zhuhai Golden World（珠海御金山花園）

Our Competitive Strengths

We believe we have the following competitive strengths:

- market leadership in the Pearl River Delta region with a national footprint;
- quality landbank at relatively low cost and supplemented by acquisition by redevelopment;
- responsiveness to market trends and prudent financial management; and
- experienced and long-serving senior management team and continuous recruitment of management talent.

Our Business Strategies

We aim to continue to grow as a leading property developer with a national presence in key economic regions in China. We have developed the following business strategies to pursue our growth objectives:

- continue to enhance profit margin from urban redevelopments in Shenzhen and the rest of the Pearl River Delta region and achieve further geographical diversification in China;
- further enhance asset turnover and cost efficiency through standardized product lines and a scalable business model;
- continue to focus on residential and commercial property development while enhancing property diversification and selectively expanding our land bank; and
- further enhance our brand recognition.

General Information

We were incorporated in the Cayman Islands on August 2, 2007, as an exempted company with limited liability. Our principal place of business in the PRC is at Room 3306, Kerry Center, Ren Min Nan Road, Luohu, Shenzhen, China. Our place of business in Hong Kong is at Suite 2001, 20th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is www.kaisagroup.com. Information contained on our website does not constitute part of this offering memorandum.

The Offering

Terms used in this summary and not otherwise defined have the meanings given to them in the section entitled "Description of the Notes."

Issuer	Kaisa Group Holdings Ltd.
Notes Offered	US$250,000,000 aggregate principal amount of 12.875% Senior Notes due 2017 (the "Notes").
Offering Price	100% of the principal amount of the Notes.
Maturity Date	September 18, 2017
Interest	The Notes will bear interest from and including September 18, 2012 at the rate of 12.875% per annum, payable semi-annually in arrears.
Interest Payment Dates	March 18 and September 18 of each year, commencing March 18, 2013.
Ranking of the Notes	The Notes are: • general obligations of the Company; • senior in right of payment to any future obligations of the Company expressly subordinated in right of payment to the Notes; • at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); • guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described in "Description of the Notes — The Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Subsidiary Guarantees and the Collateral;" and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries. After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgors as described below under the caption "Security to be Granted," subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees and the Collateral," the Notes will be secured by a pledge of the Collateral as described below under the caption "Security to be Granted" and will: • be entitled to a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and • rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Subsidiary Guarantees	Each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The initial Subsidiary Guarantors will not have significant operations or assets. The initial Subsidiary Guarantors will consist of all Restricted Subsidiaries other than the Subsidiaries organized under the laws of the PRC on the Original Issue Date, Ace Start Enterprises Limited, Goldenform Investments Limited, Kaisa Technology Limited, Onfair Asia Pacific Limited and Yuan Yuan Investment Company Limited. None of the existing or future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee at any time in the future. A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances. See "Description of the Notes — The Subsidiary Guarantees — Release of the Subsidiary Guarantees." Each future Subsidiary of the Company (other than Subsidiaries organized under the laws of the PRC) will provide a guarantee of the Notes immediately upon becoming a Restricted Subsidiary. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary so long as such Restricted Subsidiary does not guarantee any other Indebtedness of the Company or any other Restricted Subsidiary; provided that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors do not account for more than 15% of the Total Assets of the Company.
Ranking of the Note Guarantees	The Subsidiary Guarantee of each Subsidiary Guarantor is: • a general obligation of such Subsidiary Guarantor; • is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; • is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; • ranks at least *pari passu* with all unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

	After the pledge of the Collateral by the Company and the Subsidiary Guarantor Pledgor as described below under the caption "Security to be Granted," subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees and the Collateral," the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor will be secured by a pledge of the Collateral as described below under the caption "Security to be Granted" and will: • be entitled to a lien on the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any Permitted Liens and the Intercreditor Agreement); and • rank effectively senior in right of payment to unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral pledged by such Subsidiary Guarantor Pledgor securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).
Security to be Granted	The Company has agreed, for the benefit of the holders of the Notes, to pledge, and cause each initial Subsidiary Guarantor Pledgor to pledge, the Capital Stock of all Restricted Subsidiaries (other than the Restricted Subsidiaries organized under the laws of the PRC, Ace Start Enterprises Limited, Goldenform Investments Limited, Kaisa Technology Limited, Onfair Asia Pacific Limited and Yuan Yuan Investment Company Limited (the "Collateral") held by them (subject to Permitted Liens and the Intercreditor Agreement) within ten Business Days of the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of each such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future.

Intercreditor Agreement	The Company, the initial Subsidiary Guarantor Pledgors, the Common Security Trustee, Citicorp International Limited, as trustee under the 2010 Notes and the Convertible Bonds, respectively, have entered into an intercreditor agreement dated December 20, 2010 (to which Citicorp International Limited, as trustee under the RMB Bonds, acceded on March 15, 2011, and PAG, as lender under the PAG Loan, acceded on May 23, 2012; as so amended and supplemented from time to time, the "Intercreditor Agreement"), to which the Trustee will accede. The Intercreditor Agreement provides that the security interests in the Collateral will be shared on a pari passu basis among (i) the trustee under the 2010 Notes, (ii) the trustee under the Convertible Bonds, (iii) the trustee under the RMB Bonds, (iv) PAG, (v) the Trustee for the benefit of the holders of the Notes and (vi) any other creditors with respect to Permitted Pari Passu Secured Indebtedness.
Use of Proceeds	The Company intends to use the net proceeds of the offering of the Notes to fund existing and new property projects and refinance existing indebtedness and for general corporate purposes.
Optional Redemption	At any time on or after September 18, 2015, the Company may redeem the Notes, in whole or in part, at redemption prices specified under "Description of the Notes — Optional Redemption." At any time prior to September 18, 2015, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to September 18, 2015, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 112.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date.
Repurchase of Notes Upon a Change of Control.	Not later than 30 days following a Change of Control Triggering Event, the Company will make an offer to purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase.

Additional Amounts	All payments on the Notes or under the Subsidiary Guarantees or the Security Documents will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a successor of the Company or an applicable Subsidiary Guarantor is organized or resident for tax purposes or any jurisdiction from or through which payment is made (or any political subdivision or taxing authority thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. Subject to certain exceptions and as more fully described herein, in the event that any such withholding or deduction is so required, the Company, a successor of the Company or the applicable Subsidiary Guarantor, as the case may be, will pay such Additional Amounts as will result in receipt of such amounts as would have been received by the holder of each Note had no such withholding or deduction been required. See "Description of the Notes — Additional Amounts."
Redemption for Taxation Reason	Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date of redemption, if the Company or a Subsidiary Guarantor would be obligated to pay certain Additional Amounts as a result of certain changes in specified tax laws or other circumstances. See "Description of the Notes — Redemption for Tax Reasons."
Covenants	The Notes, the Indenture and the Subsidiary Guarantees will limit the Company's ability and the ability of its Restricted Subsidiaries to, among other things: • incur additional Indebtedness and issue preferred stock; • make investments or other Restricted Payments; • pay dividends or make other distributions or repurchase or redeem capital stock; • guarantee Indebtedness; • enter into certain transactions with affiliates; • create Liens; • enter into Sale and Leaseback Transactions; • sell assets; • enter into agreements that restrict the Company's Restricted Subsidiaries' ability to pay dividends; • issue and sell Capital Stock of Restricted Subsidiaries;

	• effect a consolidation or merger; and • engage in different business activities. All of these limitations are subject to a number of important qualifications and exceptions. See "Description of the Notes — Certain Covenants."
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The Notes sold outside the United States in reliance on Regulation S will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more global notes deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream, Luxembourg.
Book-Entry	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream, Luxembourg for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see "Description of the Notes — Book-Entry; Delivery and Form."
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about September 18, 2012, which is expected to be the fourth business day following the date of this Offering Circular. See "Plan of Distribution."
Trustee	Citicorp International Limited
Paying and Transfer Agent	Citibank, N.A., London Branch
Registrar	Citigroup Global Markets Deutschland AG
Listing and Trading	Approval in-principle has been received for the listing of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST.
Governing Law	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see "Risk Factors."

	ISIN	Common Code
ISIN/Common Code	XS0828366756	082836675

Summary Consolidated Financial and Other Data

The following table presents our summary financial and other data. The summary consolidated statement of comprehensive income data for 2009, 2010 and 2011 and the summary consolidated balance sheet data as of December 31, 2009, 2010 and 2011 set forth below (except for EBITDA and core net profit data) have been derived from our consolidated financial statements as of and for the years ended December 31, 2010 and 2011, as audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, included elsewhere in this offering memorandum. The summary consolidated statements of comprehensive income data for the six months ended June 30, 2011 and 2012 and the summary consolidated balance sheets data as of June 30, 2012 have been derived from our unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2012, as reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, included elsewhere in this offering memorandum. Our financial results for any past period are not, and should not be taken as, an indication of our performance, financial position or results of operations in future periods. Results for interim periods are not indicative of results for the full year. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Statement of Comprehensive Income and Other Financial Data

	For the year ended December 31,				For the six months ended June 30,		
	2009	2010	2011	2011	2011	2012	2012
	(RMB in thousands)			(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)		(US$ in thousands) (unaudited)
Revenue	4,672,156	7,755,890	10,834,726	1,705,450	3,707,543	2,300,172	362,061
Costs of sales	(3,352,040)	(4,745,012)	(7,601,182)	(1,196,471)	(2,468,238)	(1,191,586)	(187,563)
Gross profit	1,320,116	3,010,878	3,233,544	508,979	1,239,305	1,108,586	174,498
Other gains	37,201	5,962	43,309	6,817	33,137	17,408	2,740
Selling and marketing costs	(163,543)	(183,308)	(404,841)	(63,724)	(115,229)	(232,008)	(36,519)
Administrative expenses	(250,105)	(411,155)	(565,048)	(88,942)	(229,793)	(282,740)	(44,505)
Change in fair value of investment properties	289,847	2,970,144	432,712	68,111	467,456	423,874	66,720
Change in fair value of financial derivatives	(85,339)	—	—	—	—	3,798	598
Operating profit	1,148,177	5,392,521	2,739,676	431,241	1,394,876	1,038,918	163,532
Finance (costs)/income — net	(194,782)	(45,842)	85,834	13,511	7,936	(24,570)	(3,867)
Share of result from an associate	—	(479)	(542)	(85)	(144)	(208)	(33)
Profit before income tax	953,395	5,346,200	2,824,968	444,667	1,402,668	1,014,140	159,632
Income tax expenses	(405,538)	(1,709,544)	(925,690)	(145,709)	(485,398)	(340,509)	(53,598)
Profit for the year/period and total comprehensive income for the year/period	547,857	3,636,656	1,899,278	298,958	917,270	673,631	106,034
Profit attributable to:							
Equity holders of the Company	547,871	3,636,699	1,900,954	299,221	917,434	674,815	106,220
Non-controlling interests	(14)	(43)	(1,676)	(263)	(164)	(1,184)	(186)
	547,857	3,636,656	1,899,278	298,958	917,270	673,631	106,034
Dividends	—	—	—	—	—	—	—
Other Financial Data							
EBITDA[(1)]	1,251,389	2,983,278	3,029,235	476,820	1,235,615	708,314	111,493
EBITDA margin[(2)]	26.8%	38.5%	28.0%	28.0%	33.3%	30.8%	30.8%
Core net profit[(3)]	415,811	1,409,048	1,574,744	247,874	566,678	351,928	55,396
Core net profit margin[(4)]	8.9%	18.2%	14.5%	14.5%	15.3%	15.3%	15.3%

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

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

(3) *Core net profit for any period consists of profit for the year/period, excluding change in fair value of investment properties, net of deferred taxes, and change in fair value of financial derivatives. Core net profit is not a standard measure under HKFRS.*

(4) *Core net profit margin is calculated by dividing core net profit by revenue.*

Summary Consolidated Balance Sheet Data

	As of December 31,				At of June 30,	
	2009	2010	2011	2011	2012	2012
	(restated)			(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
	(RMB in thousands)					
Assets[(1)]						
Non-current assets	1,808,688	5,983,115	6,949,008	1,093,815	7,834,422	1,233,185
Current assets	16,173,524	20,439,427	34,755,701	5,470,754	40,226,808	6,331,939
Total assets	17,982,212	26,422,542	41,704,709	6,564,569	48,061,230	7,565,124
Equity and Liabilities						
Non-current liabilities	3,041,591	7,146,901	12,656,720	1,992,243	13,375,189	2,105,334
Current liabilities	8,312,088	9,282,248	17,098,537	2,691,411	22,017,743	3,465,724
Total liabilities	11,353,679	16,429,149	29,755,257	4,683,654	35,392,932	5,571,058
Total equity	6,628,533	9,993,393	11,949,452	1,880,915	12,668,298	1,994,066
Total equity and liabilities	17,982,212	26,422,542	41,704,709	6,564,569	48,061,230	7,565,124

(1) *In 2010, the Company adopted a new accounting policy for recording land use rights which are held for development for sales. Land use rights which are held for development for sale meet the definition of both inventories under Hong Kong Accounting Standard 2 "Inventories" and leasehold land under Hong Kong Accounting Standard 17 "Leases." Previously, land use rights which are held for development for sales were classified as prepaid operating leases and payments were amortized on a straight line basis over the period of the lease in accordance with Hong Kong Accounting Standard 17. Amortization of leasehold land during the development phase was capitalized as part of the construction cost of the property. Amortization charges incurred prior to development and following completion of the property were recognized in the consolidated statement of comprehensive income. Subsequent to the change in accounting policy, land use rights relating to property held for development for sale are classified as inventories in accordance with Hong Kong Accounting Standard 2 and measured at the lower cost and net realizable value.*

We believe that the new classification of land use rights as inventories results in a more relevant presentation of the financial position of the Group, and of its performance for the year. The revised treatment reflects our intention on the use of the land use rights and results in a presentation consistent with the industry practice.

Since development commenced almost immediately after land use rights were obtained, and a large majority of completed properties were sold in the same period in which the respective properties were completed, substantially all amortization charges have been capitalized in prior years. Accordingly, the change in accounting policy has no material impact on the consolidated statement of comprehensive income of the Group for the comparative periods. The change resulted in a decrease of non-current assets of RMB4.0 million, RMB3.8 million and RMB3.5 million as of January 1, 2009, December 31, 2009 and 2010, and an increase of current assets of RMB4.0 million, RMB3.8 million and RMB3.5 million as of January 1, 2009, December 31, 2009 and 2010. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Change in Accounting Policy" for more information.

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 the Business

We are heavily dependent on the performance of the PRC real estate market, particularly in the Pearl River Delta region

Our business and prospects depend on the performance of the real estate market in China and, in particular, in the Pearl River Delta region. Any real estate market downturn in China generally or, in particular, in the Pearl River Delta region and other cities and regions where we operate, could adversely affect our business, results of operations and financial condition. As of June 30, 2012, among our 62 property development projects, 31 were located in the Pearl River Delta region, five were located in the Western China region, four were located in the Central China region, 11 were located in the Yangtze River Delta region, and 11 were located in the Pan-Bohai Bay Rim. We also intend to enter into other regions and cities in China. We cannot assure you that the demand for new properties in the Pearl River Delta region 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, fluctuations of supply and demand in the real estate market in China are caused by economic, social, political, regulatory 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 sector in the Pearl River Delta region 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 real estate market in the Pearl River Delta region 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 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 macroeconomic 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. In November 2010, the PRC Ministry of Commerce (''MOFCOM'') promulgated the Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry (《關於加強外商投資房地產業審批備案管理的通知》), which provides that, among other things, in the case that a real estate enterprise is established in China with overseas capital, it is prohibited to purchase and/or sell real estate properties completed or under construction for arbitrage purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in the real estate development and management. Restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and, as a result, may limit our business growth and have an adverse effect on our business, financial condition and results of operations.

The PRC government has recently announced a series of other 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 PRC State Council (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 ("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 PRC State Administration of Taxation ("SAT") issued the Circular on Settlement of Land Appreciation Tax (《關於土地增值税清算有關問題的通知》) to clarify and strengthen the settlement of land appreciation tax. Furthermore, on May 25, 2010, SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (《關於加強土地增值税徵管工作的通知》), which requires that the minimum land appreciation tax ("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 — Land Appreciation Tax."
- On May 26, 2010, MOHURD, PBOC, and the China Banking Regulatory Commission (中國銀行業監督管理委員會) ("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.
- On September 21, 2010, the PRC Ministry of Land and Resources ("Ministry of Land and Resources") and MOHURD jointly promulgated the Notice on Further Strengthening the Administration and Control of the Lands for Real Estates and the Construction of Real Estates (《關於進一步加強房地產用地和建設管理調控的通知》) to tighten the examination of qualifications of land bidders.

- On September 29, 2010, PBOC and CBRC jointly issued the Circular on Issues Concerning Improving Differentiated Housing Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), which raised the minimum down payment to 30% for all first home purchase with mortgage loans, and stipulates that for any family that uses loans to buy a second home, the down payment ratio shall not be lower than 50% and loan interest rate shall not be lower than 1.1 times the benchmark loan interest rate, and all commercial banks shall suspend issuing housing loans to home buyers whose family members already own two or more housing properties and to non-local residents who cannot provide evidence showing that they have paid taxes or social insurance contributions for more than one year.
- On November 2, 2010, the Ministry of Finance, MOHURD, CBRC and PBOC jointly issued the Circular on Issues Concerning Policies on Regulation of Personal Housing Provident Fund Loan (《關於規範住房公積金個人住房貸款政策有關問題的通知》), which provides that where personal housing provident fund loan is used to buy the first ordinary self-use house and the floor area of the house is no more than 90 sq.m., the down-payment proportion shall not be lower than 20%; where the floor area of the house is more than 90 sq.m., the down-payment proportion shall not be lower than 30%. Only the housing provident fund-paying families whose floor area per capita is less than local average shall have access to personal housing provident fund loan which is used to buy the second house, and the loan shall be used to buy ordinary self-use house so as to improve dwelling conditions. Where the personal housing provident fund loan is used to buy the second house, the down-payment proportion shall not be lower than 50%, and the interest rate of such loan shall not be less than 1.1 times of the interest rate of the personal housing provident fund loan for the purchase of the first house. Personal housing provident fund loan for the purchase of a third or more houses by housing provident fund-paying families shall be suspended.
- On January 26, 2011, the General Office of the State Council issued the Notice concerning Further Strengthening the Macroeconomic Control of the Real Property Market (《進一步做好房地產市場調控工作有關問題的通知》), which, among other things, raised the minimum down payment for second house purchases from 50% to 60%, with the minimum lending interest rate at 110% of the benchmark rate. Furthermore, many cities have promulgated measures to restrict the number of houses one family is allowed to newly purchase in order to implement the aforesaid notice, such as Guangzhou, Tianjin, Beijing, Shanghai, Suzhou, Qingdao, Jinan, Chengdu and Foshan. In order to implement the central government's requirement, other cities in China where our property projects are located may also issue similar restrictive measures in the near future which may impose adverse effects on our business.
- The State Council also recently approved, on a trial basis, the launch of a new property tax scheme in selected cities. The detailed measures will be formulated by the governments of the pilot provinces, autonomous regions or municipalities directly under the central government. On January 27, 2011, the governments of Shanghai and Chongqing issued their respective measures for implementing pilot property tax schemes, which became effective on January 28, 2011. These two governments may issue additional measures to tighten the levy of property tax. It is also expected that more local governments will follow Shanghai and Chongqing in imposing property tax on commodity properties. The imposition of property tax on commodity properties will increase the purchasing cost of properties and is expected to have a negative impact on demand for properties in China, which in turn could have a material adverse effect on our business, financial condition and results of operations. We cannot assure you that property development and investment activities will continue at past levels or that there will not be an economic downturn in the property markets in the regions and cities where we operate.

- On March 8, 2011, the General Office of CBRC issued the Notice on Promoting Housing Financial Services and Strengthening Risk Management (《中國銀監會公廳關於做好住房金融服務加強風險管理的通知》), which stipulates that in handling the individual housing loan business financial institutions must strictly implement the provision that, with respect to families that purchase second residential properties through a loan, the down payment may not be less than 60%, and the loan interest rate may not be less than 1.1 times the benchmark rate.
- On July 12, 2011, the State Council announced the PRC government's intention to impose austerity measures on second- and third-tier cities. The State Council ordered the Ministry of Construction to compile a list of the specific second- and third-tier cities that will be affected by the austerity measures. If austerity measures on second- and third-tier cities are implemented, particularly in second- and third-tier cities where we have property projects or plan to have property projects, our business, financial condition and operating results may be materially and adversely affected.
- In addition, since late 2010 certain local governments, including those in Shenzhen, Foshan, Guangzhou, Hangzhou, Shanghai, Shenyang and Wuhan, have also implemented local regulatory and austerity measures affecting our industry. If local regulatory and austerity measures continue and/or are expanded in scope or to more localities where we have property projects or plan to have property projects, our business, financial condition and operating results may be materially and adversely affected.

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, nor can we assure you when or whether the existing policies will be eased or reversed. 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.

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" for more risks and uncertainties relating to the extensive PRC regulations.

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 approximately the next five years of 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. On September 28, 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 public tender, auction or listing-for-sale, the only 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 local land administration bureau

pursuant to the underlying land grant contract before the land use rights certificate can be issued to the land user. The PRC government's policy to grant state-owned land use rights at competitive market prices has substantially increased and is likely to continue to increase the acquisition cost of land reserves generally in the PRC.

In addition, in September 2010 the Ministry of Land and Resources and MOHURD jointly issued the Notice on Further Strengthening the Administration and Control of Real Estate Land and Construction (《關於進一步加強房地產用地和建設管理調控的通知》), which stipulates, among other things, that the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of any parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the plot ratio for residential land is required to be more than 1:1. In addition, a property developer and its shareholders will be prohibited from participating in any bidding to acquire additional land until any illegal behavior in which it has engaged, such as leaving its land idle for more than one year, has been completely rectified. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. See "Regulations — Land for Property Development."

If we fail to acquire sufficient land reserves in a timely manner and on 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 always be able to obtain land use rights certificates with respect to certain parcels of land. We have entered into various contractual arrangements with a view to facilitating potential land acquisitions of land use rights for certain parcels of land in several cities in China. As of June 30, 2012, the book value of these parcels of land was approximately RMB3,686.8 million. None of these contractual arrangements are land grant contracts with the PRC government or confirmation by the PRC government of the sale of state-owned land use rights. As of June 30, 2012, we had not obtained the land use rights certificates with respect to these parcels of land. In addition, we are in the process of applying for land use rights certificates which are to be granted by the government authorities directly for other certain parcels of land. We cannot assure you 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, as of June 30, 2012, our total contracted commitment for our contractual arrangements was approximately RMB2,539.0 million. 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.

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, construction loans, proceeds from pre-sales and other methods of financing. As of June 30, 2012, our total borrowings amounted to RMB13,180.5 million. Our ability to procure adequate and suitable financing for acquisitions of land and/or companies and for 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, cost of borrowing and monetary policies in China.

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

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

Specific measures implemented by the PRC government in recent years include the following examples:

- The PBOC has prohibited commercial banks from granting loans to property developers to pay land premiums since June 2003;
- MOHURD 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 Ministry of Commerce (中華人民共和國商務部) (《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 approved by and registered with the MOFCOM on or after June 1, 2007 ("FIREE") in the form of loans;
  - — restricts the ability of FIREEs to raise funds by increasing registered capital; and
  - — restricts the ability of FIREEs to raise capital through foreign debt.
- PBOC and 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 in principle 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 requirement for land purchases to 50% of the land premium 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 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, PBOC has adjusted the reserve requirement ratio for commercial banks six times in 2010, seven times in 2011 and twice in 2012. The reserve requirement ratio for commercial banks currently ranges from 10.5% to 20% with effect from May 18, 2012. Such increases may negatively impact the amount of funds available to lend to business, including us, by commercial banks in China. The PRC government could also introduce other initiatives that may further limit our access to capital, and/or consequently reduce our flexibility and ability to use bank loans or other forms of financing to finance our acquisitions and property developments. For example, in April 2010 the State Council issued the Notice on Resolutely Curbing the Excessive Hike of Property Prices in Some Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》), which mandates that developers who hold idle land or speculate in land will not be granted bank loans for the development of new property projects. In September 2010, PBOC and CBRC jointly issued a notice to prohibit banks from lending to any property developer for its new projects or renewal of its existing loans if such developer has a track record of maintaining idle land, changing the use and nature of land without proper approval, delaying the construction, commencement or completion date, hoarding properties or other noncompliance. 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税暫行條例》) 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. 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. The State Taxation Bureau clarified LAT settlement to some extent in its Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (《關於房地產開發企業土地增值税清算管理有關問題的通知》) effective February 1, 2007. The Notice clarifies that provincial and local tax bureaus may formulate their own implementing rules and determine how LAT will be settled in their jurisdictions.

We have been prepaying LAT in respect of our pre-sale proceeds since a prepayment obligation was imposed in 2004. In addition, we also make provision for the estimated amount of LAT that may be payable in respect of our other sales. We made LAT provisions of RMB144.3 million, RMB409.8 million, RMB216.0 million and RMB32.2 million for each of the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. LAT provisions are recorded as a part of "income taxes payable" on our balance sheets. 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 determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount, our cash flow, results of operations and financial condition may be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Key Factors Affecting our Results of Operations — LAT."

We experienced net cash outflows from operating activities in the past 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 inflow from operating activities of RMB277.6 million in 2009, RMB1,226.9 million in 2010 and RMB205.1 million for the six months ended June 30, 2012 and net cash outflow from operating activities of RMB4,049.7 million in 2011. We maintain a significant amount of indebtedness to finance our operations. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our total borrowings were RMB5,861.9 million, RMB7,927.4 million, RMB13,644.5 million and RMB13,180.5 million, respectively. Our gearing ratio (total borrowings (which, for the purpose of calculating the balance as of December 31, 2009, also include the amount of loan with detachable warrants) less cash and cash equivalents and restricted cash divided by total equity) was approximately 42.5%, 30.6%, 76.6% and 73.4%, respectively, as of December 31, 2009, 2010 and 2011 and June 30, 2012. Of our total outstanding borrowings of RMB13,180.5 million as of June 30, 2012, RMB1,102.8 million was repayable within 12 months and RMB12,077.7 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. 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 domestic 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 domestic bank loans as well. We cannot assure you that our refinancing efforts would be successful or timely or that we could secure additional financing on acceptable terms, 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 borrowings, we rely on proceeds from the pre-sale of residential 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 an increase in the time required to complete sales, we could experience cash flow shortfalls and difficulties in funding our property development activities and servicing our indebtedness.

We may be adversely affected by fluctuations in the global economy and financial markets

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry and many other industries. Since then PRC and many other foreign economies have shown signs of recovery. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these European nations to continue to service their sovereign debt obligations. On August 6, 2011, Standard and Poor's Ratings Services ("S&P") downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the word could lead to another global economic downturn and financial market crisis.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains high, and recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow down due to weakened exports.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be negatively affected.

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

We engage third-party contractors to provide various services, including design, pile setting, foundation digging, construction, equipment installation, interior decoration, electromechanical engineering, pipeline engineering and elevator installation. During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, payments to third-party contractors accounted for all of our total construction costs. In the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, payments to our five largest construction contractors, who are also our five largest suppliers, accounted for approximately 52.0%, 31.0%, 26.0% and 30.0%, respectively, of our total payments under contracts with our suppliers. During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we engaged three principal independent third-party contractors, who carried out property construction and subcontracted various works to independent third-party subcontractors. We endeavor to employ construction contractors with good reputations, strong track records, and adequate financial resources. We also adopt and follow our own quality control procedures and routinely monitor works performed by third-party contractors. However, we cannot assure you that any third-party contractor will provide services that satisfy our required standard of quality. If the performance of any third-party contractor is not satisfactory, we may need to replace that contractor or take other remedial actions, which could increase the cost and lengthen the time required to complete the work and the whole project. In addition, we are expanding our business into other regional markets 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 the above factors could have a material and adverse effect on our reputation, business, results of operations and financial condition.

We may be adversely affected by our lack of experience in one infrastructure development project and the additional facilities involved in the joint development in Guangdong Tangquan Forest

We have entered into a contractual arrangement relating to infrastructure development with a view to enhancing our future expansion into the relevant markets by providing the services required under the contract. Under this contractual arrangement, we have exclusive right to invest in and engage in infrastructure construction of roads. We entered into another similar contractual arrangement relating to the infrastructure construction of a section of an avenue in Huizhou in January 2008, but the underlying contract was terminated in April 2009. We also entered into an agreement on the joint development in Guangdong Tangquan Forest, under which a project company jointly owned by us and Huizhou State-owned Tangquan Linchang ("Tangquan Linchang") plans to develop, among other things, various residential and resort properties, and additional facilities including mountain roads, waterfalls, fruit orchards, mountain trails, an ecological garden and a botanical garden. As we are primarily engaged in property development and do not have the experience or requisite licenses to engage in infrastructure construction and certain construction works for the development of additional facilities in Guangdong Tangquan Forest, we rely on qualified third-party contractors specializing in the relevant projects to undertake the construction works. There can be no assurance that such contractors will successfully complete the relevant development projects, or complete the projects in a manner satisfactory under our contractual arrangements. If the

performance of any such contractor is not satisfactory, we may need to replace that contractor or take other remedial actions, which could increase the cost and lengthen the time required to complete the project. The effectiveness and performance of the third-party contractors in undertaking the construction works will, therefore, significantly affect our future expansion, and the cost and the expense for the project could in turn has a material and adverse effect on our reputation, business, results of operations and financial condition.

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

We have historically focused on developing properties in the Pearl River Delta region. We have expanded into other regions and plan 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 execute successfully 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 and 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 able to effectively expand into the hotel operation, redevelopment and development business

We intend to enter into the hotel development and redevelopment business. In May 2009, we acquired Keyu Golden Bay Resort located in Longgang District, Shenzhen and currently operate the hotel through Leisure Land Hotel Management (China) Limited ("Leisure Land"). We intend to redevelop Keyu Golden Bay Resort to further enhance its attraction to individual and corporate customers and make it more marketable. In addition, we intend to develop hotels in Chengdu, Huizhou and Jiangyin. We plan to engage hotel management companies to manage the hotels upon the completion of their construction. We also currently intend to develop and self-manage hotels in the future. We cannot assure you that we will be able to leverage our past experience as we expand into the hotel operation and development business, nor can we assure you that we will be able to procure the services of professional hotel management companies for the hotels in Shenzhen, Huludao, Panjin, Liaoyang, Huizhou and Jiangyin. We may be exposed to considerable reputational and financial risks if the hotels are mismanaged or do not meet the expectations of hotel customers. In addition, there can be no assurance that there will be sufficient demand for hotel facilities in these locations. If we fail in our efforts in our hotel operation and development business, it may have a material adverse effect on our reputation generally, and our business and prospects results of operations and financial condition may be materially and adversely affected.

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

We are required to reassess the fair value of our investment properties as of the date of our balance sheet. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our income statements in the period in which they arise. Our investment properties were revalued by an independent property valuer as of December 31, 2009, 2010 and 2011 and June 30, 2012, 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 balance sheets, and recognized changes in fair values of investment properties and the relevant deferred tax on our consolidated statements of comprehensive incomes. In 2009, 2010 and 2011 and the six months ended June 30, 2012, the fair value gains on our investment properties were RMB289.8 million, RMB2,970.1 million, RMB432.7 million and RMB423.9

million, respectively, and accounted for approximately 52.9%, 81.7%, 22.8% and 62.9%, respectively, of our profit for the respective time periods.

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. 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 would be materially and adversely affected.

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

We pre-sell properties before construction is completed. 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 and the completion of the registration of the mortgage. It generally takes six months to one year after we deliver possession of the relevant property to the purchaser for our guarantee to be released. 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, 2009, 2010 and 2011 and June 30, 2012, our outstanding financial guarantees for the mortgage loans of our customers amounted to RMB2,391.9 million, RMB4,367.0 million, RMB3,679.3 million and RMB5,229.5 million, respectively. During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we did not experience any instances where we had to honor our guarantee obligations as a result of a failure by our customers to repay their mortgage loans. However, if we are required to honor our guarantees, our results of operations and financial position may be materially and adversely affected.

We may suffer losses from certain financing arrangements we entered into, under which we guaranteed an annual return for a period of 10 years

In 2005, we sold 1,804 retail units in Phase 6 of the Woodland Height project to a number of independent third-party purchasers, who hold put options under the relevant sale and purchase agreements. We also entered into a cooperation agreement with each purchaser of the relevant retail units, under which each purchaser agreed to entrust us to provide leasing management services for 10 years from 2005 to 2015 and we guaranteed to such purchasers an annual return of 8% on the purchase price of these units for the same period. We entered into these financing arrangements for the purpose of increasing our cash inflows in 2005 by selling the units, while we retained the right to manage these units which we expect to have long-term growth potential for leasing. The rental income we received from these retail units, however, has not covered our payment at the guaranteed 8% annual rate of return to the purchasers of these units. Our rental income derived from leasing these retail units was RMB12.5 million in 2009, RMB14.0 million in 2010, RMB13.6 million in 2011 and RMB87.3 million in the six months ended June 30, 2012. In 2009 and 2010, a finance cost of RMB21.8 million and RMB5.5 million was charged to our income statement as a result of our payment of the guaranteed 8% annual rate of return to purchasers of these units in such year. In 2010, certain purchasers exercised put options, and as a result, we bought back certain units and recorded cost of sales of RMB16.4 million and RMB19.1 million, respectively, in 2010 and 2011. Unless a purchaser exercises his or her put option during the option period, we will continue to be obligated to pay at the guaranteed 8%

annual rate of return for the remaining term of each relevant cooperation agreement. As of June 30, 2012, 264 retail units were sold back to us and 1,540 retail units were rented. If the rental income derived from these units continues to be less than the aggregate amount of the guaranteed 8% annual rate of return, we may continue to suffer losses from these arrangements, which in turn may have a material and adverse effect on our results of operations, cash flow, prospects and financial condition.

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 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. During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we had not experienced any significant delays in completion or delivery of our projects. See "— We may be adversely affected by fluctuations in the global economy and financial markets" and "— The national and regional economies in China and our business may be adversely affected by natural disasters or other catastrophic events." We may also experience additional or significant delays

in completion or delivery of our projects or we may be 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, 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%. PBOC again increased the one-year lending rate six times in 2007 from 6.12% to 7.47% in December 2007. Beginning in 2008, PBOC decreased the benchmark one-year lending rate five times, from 7.47% to 5.31% in December 2008, which remained unchanged until September 2010. The one-year lending rate increased to 5.81% as of December 31, 2010, increased to 6.06% effective from February 9, 2011, increased to 6.31% effective from April 6, 2011 and increased to 6.56% effective from July 7, 2011, although the PBOC subsequently lowered the one-year benchmark interest rate by 25 basis points in June 2012 and by 31 basis points in July 2012. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by PBOC, any further increase in such benchmark lending rates will increase the interest costs for our property 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. Capitalized interest represented 8.3%, 8.8%, 6.5% and 6.6% of our cost of sales in 2009, 2010 and 2011 and the six months ended June 30, 2012 , respectively. 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.

The national and regional economies in China and our business may be adversely affected by natural disasters or other catastrophic events

Certain regions in China, including the cities where we operate, are susceptible to natural disasters such as earthquakes or floods. On May 12, 2008, an earthquake measuring 8.0 degrees on the Richter scale occurred in Sichuan Province. At the time, we had three property projects located in Chengdu, approximately 159 kilometers from the earthquake's epicenter in Wenchuan County, Sichuan Province. Each project was held for future development when the earthquake occurred, and no construction had begun on the relevant sites. 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. We also jointly renovated and developed a parcel of land which is approximately 116 kilometers from the earthquake's epicenter, completing the renovation in December 2007. As a result of the earthquake, the public auction for the land use rights was delayed until October 2009, which affected our ability to receive our expected return on the investment in a timely manner.

Natural disasters or other catastrophic events, such as earthquakes, floods or severe weather conditions affecting China, particularly the regions where we operate, could, depending upon their magnitude, significantly disrupt our business operations or cause a material economic downturn in the affected area, which in turn could materially and adversely affect our business, results of operations and financial condition.

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. During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we had not paid any compensation for delays in delivery of individual property ownership certificates. However, 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 those 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 of 0.1% of the outstanding balance 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 past, two of our projects, the Dijingwan and the Zhongyang Haomen, were subject to late payments in respect of idle land. During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we did not receive any other warning regarding idle land or paid any penalties for the late payment of land premium or in respect of idle land, and none of our land has been taken back by the government as a result of being idle for two years. However, 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 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.

We may be required to relocate existing residents and pay demolition and resettlement costs associated with our future property developments and such costs may increase

We may be required to undertake and pay for demolition of existing buildings and resettlement of existing residents with respect to some of our property developments in accordance with the relevant PRC laws and regulations. We have also entered into certain contractual arrangements involving demolition and resettlement works. In particular, we have entered into certain contractual arrangements relating to redevelopment and primary land development with a view to facilitating potential acquisitions of land use rights or enhancing our future expansion into the relevant markets. See the section entitled "Business — Description of our Property Development Projects — Contractual Arrangements." In the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our demolition and resettlement costs were approximately RMB115.6 million, RMB682.7 million, RMB860.4 million and RMB583.6 million, respectively. The compensation we pay for resettlement is calculated in accordance with certain formulas published by the relevant local authorities. These formulas take into account the location, GFA and the type of building to be demolished, local income levels and many other factors. There can be no assurance that local authorities will not change or adjust their formulas without prior notice. Existing owners or residents may disagree with the compensation arrangements or refuse to relocate. The administrative process to settle the amount of compensation, together with any appeals, or a refusal to relocate may significantly delay the timetable for the affected development. Although we take into consideration the difficulties in resettlement compensation negotiations before we enter into such contractual arrangements, the protracted resettlement process may cause delays in the redevelopment projects, and adversely affect our plans to obtain the relevant land use rights or enter into the new markets. In addition, there is no assurance that we will be able to reach agreements for compensation and resettlement for such redevelopment projects on terms satisfactory to us or at all. Moreover, an unfavorable final determination or settlement regarding the amount of compensation payable by us may increase the cost of the development and materially and adversely affect our cash flow, business, results of operations and financial condition.

A deterioration in our brand image could adversely affect our business

We rely to a significant extent on our brand name and brand image, "Kaisa" ("佳兆業"). Any negative incident or negative publicity concerning us or our property developments could adversely affect our reputation and business. In addition, although we are a well-known brand in the Pearl River Delta Region, we are less well known in other regions in China. Brand value is based largely on subjective consumer perceptions and can be damaged by isolated incidents that reduce consumer trust. Consumer demand for our products and our brand value could diminish significantly if we fail to preserve the quality of our products, or fail to deliver a consistently positive consumer experience in each of our complexes, or if we are perceived to act in an unethical or socially irresponsible manner.

In addition, our efforts to protect our brand name may not be adequate, and we may be unable to identify any unauthorized use of our brand name or to take appropriate steps to enforce our rights on a timely basis. We applied for the registration of 351 trademarks and 351 of our trademark applications have been registered. Our brand could be misappropriated or misused in the future. If the registration of our brand name "佳兆業" and the relevant trademarks in the PRC cannot be completed, we will not be able to have adequate protection against unauthorized use or infringement of our brand name committed by any third parties. Any unauthorized use or infringement of our brand name may impair the value we have built in our brand name, damage our reputation and materially and adversely affect our business and results of operations.

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

Our success and growth depend on Mr. Kwok Ying Shing, one of our founders and chairman and the continued services of our executive Directors and other members of our senior management team. They have extensive experience in the PRC real estate industry, and in-depth knowledge of various aspects of property development, strategic planning and business management. We cannot assure you that Mr. Kwok, any executive director or member of senior management is willing or able to continue in his or her present position or that we will be able to find and hire a suitable replacement, or if he or she is recruited by a competitor or departs to start a competing business. 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 provide property management services to the owners of our developed residential and commercial projects through our wholly owned property management subsidiaries. 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. We had not experienced any termination of our property management services by the owners of our developed properties during the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012. In 2009, 2010 and 2011 and the six months ended June 30, 2012, the revenue derived from our property management services was RMB58.5 million, RMB105.6 million, RMB108.1 million and RMB57.8 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 or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations, 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. The judicial process of releasing the seizure of properties may decrease the time we devote to normal and customary operating functions. 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.

In addition, several of our PRC subsidiaries are not fully in compliance with PRC laws and regulations, including those in relation to registered share capital, business licenses, operation permits and articles of association of these PRC subsidiaries, and their operations may be adversely affected if they are subject to fines or sanctions imposed by PRC authorities as a result.

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 (now MOHURD), 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 renew 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. Some of our project companies are in the process of obtaining or renewing their qualification certificates. We cannot assure you that our project companies will 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.

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 or renewal of other necessary licenses, certificates, permits or approvals. 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.

We may need to alter our sales model if the cooperation between us and our primary sales partner is discontinued

We cooperate with Shenzhen Centaline Property Consultants Ltd., Centaline Real Estate Agency (Shenzhen) Ltd., Huizhou and Changsha branches, Chengdu Centaline Property Consultants Ltd., Dongguan Centaline Property Consultants Ltd., Guangzhou Centaline Property Agency Ltd., Nanjing Centaline Real Estate Marketing Consultants Ltd. and Shenyang Centaline Property Agency Ltd. (together, "Centaline"), our primary sales partner specializing in agency sales for residential and commercial properties, to jointly promote our properties across different regional markets in China. We began cooperating with Centaline in 2000. We generally enter into one-year non-exclusive sales agency agreements with respect to Centaline's sales agency services in mainland China, and one-year exclusive sales agency agreements with respect to Centaline's sales agency services in Hong Kong, both on a project-by-project basis. Under these agreements, Centaline is generally entitled to a sales commission for sales it concludes upon completion of the sale pursuant to the relevant property purchase contract. Our arrangements with Centaline have always been and will continue to be dependent upon the demand for the properties we develop in the relevant local markets. Centaline's agency sales represented a significant portion of our total property sales proceeds. If we or Centaline discontinue or significantly limit our cooperation, terminate our sales agency agreements, or decide not to enter into new agreements upon expiration of our existing sales agency agreements, our sales may be interrupted. As a result, 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 July 2012, 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 MOHURD;
- requiring any first-time home owner to pay the minimum amount of down-payment of 30% of the purchase price of the underlying property;
- requiring any second-time home buyer to pay an increased minimum amount of down-payment of 60% of the purchase price of the underlying property and an increased minimum mortgage loan interest rate of no less than 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;
- imposing more restrictions on the types of property developments that foreign investments may engage in;
- imposing or increasing taxes on short-term gains from second-hand property sales;
- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing FIREEs, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons;
- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period;
- Raising the benchmark one-year lending rate published by PBOC for the year ended December 31, 2010 to 5.81% and to 6.56% in July 7, 2011; and
- adjusting the PBOC Renminbi deposit reserve requirement ratio for all PRC deposit taking financial institutions eight times in 2011 and in early 2012, with the current ratio ranging from 17% to 20.5%, effective as of February 24, 2012.

We can not assure you that the PRC government will not change or modify these temporary measures in the future. For more information on the various restrictive measures taken by the PRC government, you should refer to the section entitled "Regulations." These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China and adversely affect our business and prospects.

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 PRC, particularly in the Pearl River Delta region, may adversely affect our business and financial condition

In recent years, a large number of property developers have undertaken property development and investment projects, particularly in the Pearl River Delta region. The intensity of the competition among property developers in the Pearl River Delta region and other parts in the PRC for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, a decrease in property prices and delays in the government approval process. An oversupply of properties available for sale could also depress the prices of the properties we sell and may adversely affect our business, financial condition and results of operations.

In addition, the property markets in the Pearl River Delta region 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 the Pearl River Delta region or elsewhere or react to 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 contractual, legal and regulatory risks related to pre-sales

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 by more than 3% from the GFA set out in the relevant contract in every instance. Any termination of the purchase contract as a result of our late delivery of properties or deviation from the GFA set out in such contract 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. 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 presale 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. For example, in the development of our Guangzhou Jinmao, the constructed total GFA exceeded the permitted total GFA as provided in the construction works planning permit, and we were required to seek approval and pay additional land premiums for the excess GFA in 2009. During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, except for Guangzhou Jinmao, we did not have any other cases where our constructed total GFA exceeded the permitted total GFA.

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. Under current PRC laws and regulations, purchasers of first residential properties generally must pay a down payment of at least 30% of the purchase price of the property before he or she can finance the remaining balance through a mortgage loan. For second time home purchasers who use mortgage financing, the minimum down payment has increased to no less than 60% of the purchase price, and the minimum loan interest rate must be at least 10% above the relevant PBOC benchmark interest rate. For commercial property purchasers, banks are now not allowed to finance the purchase of any pre-sale properties. The minimum down payment for commercial property purchasers has increased to 50% of the purchase price, and the minimum loan interest rate must be at least 10% above the relevant PBOC benchmark interest rate and the term of the loan may not exceed 10 years. In addition, banks may not lend to any individual borrower if the monthly repayment of

the anticipated mortgage loan would exceed 50% of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55% of such individual's monthly income. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be materially and 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.

Our results of operations may vary significantly from period to period

Our results of operations may vary significantly 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 six to 18 months after the commencement of the pre-sale. 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 on an interim basis subsequent to the offering. 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 recurring revenue.

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 inspections 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 the section entitled "Business — Environmental and Safety Matters."

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. Generally, we 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, or if the money retained by us to cover our payment obligations under the quality warranties is not sufficient, 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 SAFE by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Subsequent to this offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from this offering in the form of registered capital or a shareholder loan into our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. Our investment decisions are additionally affected by various other measures taken by the PRC government relating to the PRC property market as we have disclosed in the section entitled "Industry Overview — The PRC Real Estate Industry — 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.

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税法》) (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 were previously 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. For example, companies established in Shenzhen Special Economic Zone were subject to PRC enterprise income tax at a rate of 15% before January 1, 2008 and allowed an extension period of five years to phase into the new tax regime until the end of 2012, after which the unified 25% tax rate will be imposed. For the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we paid enterprise income tax of RMB208.5 million, RMB399.3 million, RMB357.5 million and RMB302.1 million, respectively. Going forward, our income tax obligations may increase significantly as an increasing number of our properties will be developed outside of Shenzhen Special Economic Zone in which we enjoy tax benefits.

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税法實施條例》) (together with the New Tax Law, the "New Tax Laws"), effective January 1, 2008, provide that any dividend payment to foreign investors is 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税和防止偷漏税的安排》) signed on August 21, 2006, a company incorporated in Hong Kong may 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, although there is uncertainty under a recent circular regarding whether intermediate Hong Kong holding companies will remain eligible for benefits under this arrangement.

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 the "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 become subject to the withholding tax or we or any of our non-PRC subsidiaries otherwise become a PRC resident enterprise under the New Tax Laws, our profitability and cash flow would be materially and adversely affected.

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

Under the New Tax Laws, if our Company is deemed a PRC resident enterprise, the interest payable on the Notes will be considered to be sourced within China. PRC income tax at the rate of 10% will be applicable to such interest payable by us 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. Similarly, 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. It is uncertain whether we will be considered a PRC "resident enterprise," so we are not sure 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. If we are required under the New Tax Laws to withhold PRC income tax on our interest payable to our foreign shareholders 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. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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.

Our operations and financial performance could be adversely affected by labor shortages, increase in labor costs, changes to the PRC labor-related laws and regulations or labor disputes

The PRC Labor Contract Law, which became effective on January 1, 2008, imposes greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations to be based upon seniority and not merit. In the event we decide to significantly change or decrease our workforce, the Labor Contract Law could adversely affect our ability to effect such changes in the most cost effective or timely manner to our business, hence may adversely affect our financial condition and results of operations. In addition, the PRC government has continued to introduce various new labor-related regulations after the promulgation of the Labor Contract Law. Among other things, the paid annual leave provisions require that paid annual leaves ranging from five to fifteen days be available to nearly all employees and further require that employers compensate an employee for any annual leave days the employee is unable to take in the amount of three times of such employee's daily salary, subject to certain exceptions.

On October 28, 2010, the Standing Committee of the National People's Congress promulgated the Social Insurance Law, which became effective on July 1, 2011, to clarify the contents of the social insurance system in China. According to the Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay for the social insurance premiums for such employees.

As a result of the implementation of these and any future rules and regulations designed to enhance the standard for labor protection, our labor costs may continue to increase. Furthermore, as the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed fully in compliance, which may cause us to face labor disputes or governmental investigations. If we are deemed in violation of such labor laws and regulations, we could be subject to penalties, compensations to the employees and loss of reputation, and as a result our business, financial condition and results of operations could be materially and adversely affected.

Further, labor disputes, work stoppages or slowdowns at our operating subsidiaries or project sites or affecting the operations of our business partners could disrupt our daily operation or our expansion plans, which could have a material adverse effect on our business and results of operations.

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. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may adversely affect our financial condition and results of operations.

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

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

Risks Relating to the Notes

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

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

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2012, our

Non-Guarantor Subsidiaries had unsubordinated indebtedness owed to third parties in the amount of RMB26,092.6 million and financial guarantees of RMB5,229.4 million. The Notes and the Indenture permit us, the Subsidiary Guarantors and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor would have priority as to our assets or the assets of such Subsidiary Guarantor securing the related obligations over claims of holders of the Notes.

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

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total indebtedness, including both current and non-current borrowings, as of December 31, 2009, 2010 and 2011 and June 30, 2012, were RMB6,546.6 million, RMB7,927.4 million, RMB13,644.5 million and RMB13,180.5 million, respectively. We intend to use the net proceeds from this offering to refinance existing indebtedness and for general corporate purposes.

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. 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, there is no assurance that we will be able to generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

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

a continuing or future downturn in our business or the general economy. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes 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 or agreements of such subsidiaries. See "Description of Material Indebtedness and Other Obligations." In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In practice, our PRC project companies may pay dividends only after they have completed not only the project development, at least the development of a phase or a stand-alone tower or building, and the revenue recognition but also the required government tax clearance and foreign exchange procedures. In addition, 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 avoidance of double taxation arrangements 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%, although there is uncertainty under a recent circular regarding whether intermediate Hong Kong holding companies will remain eligible for benefits under this arrangement. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

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

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

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

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

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

The Notes are denominated in 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 PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. The floating band was further widened to 1.0% on April 16, 2012. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar by approximately 30.2% from July 21, 2005 to June 30, 2012. 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 the 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. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging arrangements in respect of our U.S. dollar-denominated liabilities under the Notes. These hedging arrangements may require us to pledge or transfer cash and other collateral to secure our obligations under the arrangements, and the amount of collateral required may increase as a result of mark-to-market adjustments. The Initial Purchasers and their affiliates may enter into such hedging arrangements permitted under the Indenture, and these arrangements 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 hedging arrangements.

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 or repay the Notes, the 2010 Notes, the Convertible Bonds, the RMB Bonds and the PAG Loan upon certain change of control events

We must offer to purchase or repay the Notes, the 2010 Notes, the Convertible Bonds, the RMB Bonds and the PAG Loan upon the occurrence of certain change of control triggering events. See the sections entitled "Description of the Notes" and "Description of Material Indebtedness and other Obligations."

The source of funds for any such purchase or payment would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any change of control event to make purchases or payment of outstanding Notes, the 2010 Notes, the Convertible Bonds, the RMB Bonds and the PAG Loan. Our failure to make the offer to purchase or repay, or to purchase or repay, the outstanding Notes would constitute an event of default under the Notes, the 2010 Notes, the Convertible Bonds, the RMB Bonds and the PAG Loan. 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 or repay the Notes, the 2010 Notes, the Convertible Bonds, the RMB Bonds and the PAG Loan and repay the debt.

In addition, the definition of change of control events for purposes of the indentures does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of change of control events for purposes of the indentures also includes a phrase relating to the sale of "all or substantially all" of our assets. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase or repay the Notes, the 2010 Notes, the Convertible Bonds, the RMB Bonds and the PAG Loan and the ability of a holder of the Notes, the 2010 Notes, the Convertible Bonds or the RMB Bonds or PAG to require us to purchase or repay its Notes, 2010 Notes, the Convertible Bonds, RMB Bonds or the PAG Loan 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 may be familiar

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

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

We may be unable to obtain and remit foreign exchange

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

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 or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or 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, the 2010 Notes, the Convertible Bonds, the RMB Bonds, the PAG Loan and other obligations which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk

The indentures governing the Notes and the 2010 Notes, the trust deeds governing the Convertible Bonds and the RMB Bonds and the facility agreement governing the PAG Loan include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

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

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

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

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

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

The Notes have been assigned a rating of 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. In addition, we have been assigned a long-term corporate credit rating of B+ with a negative outlook by Standard and Poor's Rating Services and a corporate family rating of B1 with a negative outlook by Moody's Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

Certain transactions that constitute "connected transactions" under the Listing Rules will not be subject to the "Limitation on Transactions with Shareholders and Affiliates" covenant

Our shares are listed on the Hong Kong Stock Exchange and we are required to comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 are subject to the independent shareholders' requirement under the Listing Rules. 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, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

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

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

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

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

Risks Relating to the Subsidiary Guarantees and the Collateral

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

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a 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 at any time in the future. Moreover, the Notes will not be guaranteed by certain Other Non-Guarantor Subsidiaries. In addition, certain of our offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of these subsidiaries do not exceed 15% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries. See the section entitled "Description of the Notes — The Subsidiary Guarantees" for a list of the Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. In addition, the Subsidiary Guarantors guarantee our obligations under the Notes, the 2010 Notes, the Convertible Bonds, the RMB Bonds and the PAG Loan. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become 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. See the section entitled "— Risks Relating to the Notes — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries."

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

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

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

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

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

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

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

The pledge of certain Collateral may in some circumstances be voidable

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

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

The Trustee may request the holders of the Notes to provide an indemnity and/or security to its satisfaction

In certain circumstances the Trustee may (at its sole discretion) request the holders of the Notes to provide an indemnity and/or security to its satisfaction before it takes actions on behalf of the holders of the Notes. The Trustee shall not be obliged to take any such actions if not indemnified to its satisfaction. Negotiating and agreeing to an indemnity and/or security can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security to it, in breach of the terms of the Indenture governing the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

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

The ability of the Trustee, on behalf of the holders of the Notes, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise will be subject to the terms of the Intercreditor Agreement, as well as in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the 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 will be sufficient to satisfy, or will not be substantially less than, amounts due and payable on the Notes. By its nature, the Collateral, which consists solely of the capital stock of any existing or future Subsidiary Guarantor, is likely to be illiquid and is unlikely to have a readily ascertainable market value. Likewise, we cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The Collateral will be shared on a *pari passu* basis by the holders of the Notes, the holders of the 2010 Notes, the holders of the Convertible Bonds, the holders of the RMB Bonds and PAG and may be shared on a *pari passu* basis with holders of other indebtedness ranking *pari passu* with the Notes that we may issue in the future. 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 such 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 obligations of the Company and each of the Subsidiary Guarantor Pledgors 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 (as defined herein) or other *pari passu* indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

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

The Common Security Trustee is required to take action to enforce the Collateral in accordance with the instructions of the holders of the Notes, the holders of the 2010 Notes, the holders of the Convertible Bonds, the holders of the RMB Bonds and PAG given under and in accordance with the Intercreditor Agreement. Any enforcement action taken by the Common Security Trustee will adversely affect the Company's entitlement to receive distributions 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, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected. The ability of holders of the Notes to enforce the Collateral is restricted under the Intercreditor Agreement, as only the Common Security Trustee 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 holders, creditors or representatives of the 2010 Notes, the Convertible Bonds, the RMB Bonds, the PAG Loan and other Permitted Pari Passu Secured Indebtedness may decide whether to take any enforcement action and may thereafter, through their respective trustee or agent, in accordance with the Intercreditor Agreement, instruct the Common Security Trustee to take enforcement action against the Collateral. By virtue of the instructions given to the Common Security Trustee described above, actions may be taken in respect of the Collateral that may be adverse to holders of the Notes. In such event, the only remedy available to holders of the Notes would be to sue for payment under the Notes and the Subsidiary Guarantees.

The Common Security Trustee, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Intercreditor Agreement. Under certain circumstances, the Common Security Trustee may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the holders of the Notes. The Common Security Trustee will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement or any of the Security Documents for the benefit of the holders of the Notes, the 2010 Notes, the Convertible Bonds, the RMB Bonds or the lender of the PAG Loan, unless such holders or lender have offered to the Common Security Trustee indemnity and/or security satisfactory to the Common Security Trustee against any loss, liability or expense.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US$241.5 million. We intend to use the net proceeds to fund existing and new property projects and refinance our existing indebtedness and for general corporate purposes.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds. Pending application of the net proceeds of this offering, we intend to invest such net proceeds in "Temporary Cash Investments" as defined under "Description of the Notes."

China

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. The floating band was further widened to 1.0% on April 16, 2012. From July 21, 2005 to June 30, 2012, the value of the Renminbi appreciated by approximately 30.2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. PBOC authorized the China Foreign Exchange Trading Centre, effective since January 4, 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi on each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for the business day.

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

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
		(RMB per US$1.00)		
2007	7.2946	7.5806	7.8127	7.2946
2008	6.8225	6.9193	7.2946	6.7800
2009	6.8259	6.8259	6.8470	6.8176
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012				
February	6.2935	6.2997	6.3120	6.2935
March	6.2975	6.3125	6.3315	6.2975
April	6.2790	6.3043	6.3150	6.2790
May	6.3052	6.3242	6.3684	6.3684
June	6.3530	6.3633	6.3703	6.3530
July	6.3610	6.3717	6.3879	6.3487
August	6.3484	6.3593	6.3738	6.3484
September (through September 7, 2012)	6.3428	6.3453	6.3489	6.3428

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

On September 7, 2012, the noon buying rate for U.S. dollars in New York City for cable transfers in Renminbi was US$1.00 = RMB6.3428 as certified for customs purposes by the Federal Reserve Bank of New York.

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China (the "Basic Law"), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK$7.80 per U.S. dollar to a rate range of HK$7.75 to HK$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong government will maintain the link at HK$7.80 to US$1.00 or at all.

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

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
	(HK$ per US$1.00)			
2007	7.7984	7.8008	7.8289	7.7497
2008	7.7499	7.7814	7.8159	7.7497
2009	7.7536	7.7513	7.7618	7.7495
2010	7.7810	7.7692	7.8040	7.7501
2011	7.7663	7.7793	7.8087	7.7634
2012				
February	7.7551	7.7544	7.7559	7.7532
March	7.7656	7.7620	7.7678	7.7551
April	7.7587	7.7621	7.7660	7.7580
May	7.7616	7.7640	7.7699	7.7616
June	7.7572	7.7590	7.7610	7.7572
July	7.7538	7.7561	7.7586	7.7538
August	7.7560	7.7562	7.7574	7.7543
September (through September 7, 2012)	7.7556	7.7565	7.7569	7.7556

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

On September 7, 2012, the noon buying rate for U.S. dollars in New York City for cable transfers in Hong Kong dollars was US$1.00 = HK$7.7556 as certified for customs purposes by the Federal Reserve Bank of New York.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our cash and cash equivalents, current borrowings, non-current borrowings, total equity and total capitalization as of June 30, 2012:

- on an actual basis; and
- as adjusted to give effect to the issue of the Notes in this offering after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering.

The as-adjusted information below is illustrative only and, other than disclosed in the second bullet point above, does not take into account any changes in our borrowings and capitalization after June 30, 2012.

	As of June 30, 2012			
	Actual		As adjusted	
	(RMB in millions)	(US$ in millions) (unaudited)	(RMB in millions)	(US$ in millions)
Cash and cash equivalents[(1)]	3,457.3	544.2	4,991.5	785.7
Current borrowings:				
Borrowings	1,102.8	173.6	1,102.8	173.6
Non-current borrowings:				
Borrowings[(2)]	12,077.7	1,901.1	12,077.7	1,901.1
Notes to be issued	—	—	1,534.2	241.5
	12,077.7	1,901.1	13,611.9	2,142.6
Total equity	12,668.3	1,994.1	12,668.3	1,994.1
Total capitalization[(3)]	24,746.0	3,895.2	26,280.2	4,136.7

(1) Cash and cash equivalents exclude restricted cash of RMB422.9 million.

(2) Our borrowings do not include capital commitments or contingent liabilities. As of June 30, 2012, our capital commitments were RMB19,832.6 million and our contingent liabilities, which were in the form of guarantees that we have provided to our customers in relation to their purchases of our properties, amounted to RMB5,229.5 million.

(3) Total capitalization equals total non-current borrowings plus total equity.

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since June 30, 2012.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated statement of comprehensive income data for 2009, 2010 and 2011 and the summary consolidated balance sheet data as of December 31, 2009, 2010 and 2011 set forth below (except for EBITDA and core net profit data) have been derived from our consolidated financial statements as of and for the years ended December 31, 2010 and 2011, as audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, included elsewhere in this offering memorandum. The summary consolidated statement of comprehensive income data for the six months ended June 30, 2011 and 2012 and the summary consolidated balance sheet data as of June 30, 2012 have been derived from our unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2012, as reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, included elsewhere in this offering memorandum. Our financial results for any past period are not, and should not be taken as, an indication of our performance, financial position or results of operations in future periods. Results for interim periods are not indicative of results for the full year. Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial data below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum.

Summary Consolidated Statement of Comprehensive Income and Other Selected Financial Data

	For the year ended December 31,				For the six months ended June 30,		
	2009	2010	2011	2011	2011	2012	2012
	(RMB in thousands)			(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)		(US$ in thousands) (unaudited)
Revenue	4,672,156	7,755,890	10,834,726	1,705,450	3,707,543	2,300,172	362,061
Costs of sales	(3,352,040)	(4,745,012)	(7,601,182)	(1,196,471)	(2,468,238)	(1,191,586)	(187,563)
Gross profit	1,320,116	3,010,878	3,233,544	508,979	1,239,305	1,108,586	174,498
Other gains	37,201	5,962	43,309	6,817	33,137	17,408	2,740
Selling and marketing costs	(163,543)	(183,308)	(404,841)	(63,724)	(115,229)	(232,008)	(36,519)
Administrative expenses	(250,105)	(411,155)	(565,048)	(88,942)	(229,793)	(282,740)	(44,505)
Change in fair value of investment properties	289,847	2,970,144	432,712	68,111	467,456	423,874	66,720
Change in fair value of financial derivatives	(85,339)	—	—	—	—	3,798	598
Operating profit	1,148,177	5,392,521	2,739,676	431,241	1,394,876	1,038,918	163,532
Finance (costs)/income — net	(194,782)	(45,842)	85,834	13,511	7,936	(24,570)	(3,867)
Share of result from an associate	—	(479)	(542)	(85)	(144)	(208)	(33)
Profit before income tax	953,395	5,346,200	2,824,968	444,667	1,402,668	1,014,140	159,632
Income tax expenses	(405,538)	(1,709,544)	(925,690)	(145,709)	(485,398)	(340,509)	(53,598)
Profit for the year/period and total comprehensive income for the year/period	547,857	3,636,656	1,899,278	298,958	917,270	673,631	106,034
Profit attributable to:							
Equity holders of the Company	547,871	3,636,699	1,900,954	299,221	917,434	674,815	106,220
Non-controlling interests	(14)	(43)	(1,676)	(263)	(164)	(1,184)	(186)
	547,857	3,636,656	1,899,278	298,958	917,270	673,631	106,034
Dividends	—	—	—	—	—	—	—
Other Financial Data							
EBITDA[1]	1,251,389	2,983,278	3,029,235	476,820	1,235,615	708,314	111,493
EBITDA margin[2]	26.8%	38.5%	28.0%	28.0%	33.3%	30.8%	30.8%
Core net profit[3]	415,811	1,409,048	1,574,744	247,874	566,678	351,928	55,396
Core net profit margin[4]	8.9%	18.2%	14.5%	14.5%	15.3%	15.3%	15.3%

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

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

(3) *Core net profit for any period consists of profit for the year/period, excluding change in fair value of investment properties, net of deferred taxes, and change in fair value of financial derivatives. Core net profit is not a standard measure under HKFRS.*

(4) *Core net profit margin is calculated by dividing core net profit by revenue.*

Summary Consolidated Balance Sheet Data

	As of December 31,				As of June 30,	
	2009	2010	2011	2011	2012	2012
	(restated)			(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
	(RMB in thousands)					
Assets[1]						
Non-current assets	1,808,688	5,983,115	6,949,008	1,104,086	7,834,422	1,233,185
Current assets	16,173,524	20,439,427	34,755,701	5,522,125	40,226,808	6,331,939
Total assets	17,982,212	26,422,542	41,704,709	6,626,211	48,061,230	7,565,124
Equity and Liabilities						
Non-current liabilities	3,041,591	7,146,901	12,656,720	2,010,950	13,375,189	2,105,334
Current liabilities	8,312,088	9,282,248	17,098,537	2,716,684	22,017,743	3,465,724
Total liabilities	11,353,679	16,429,149	29,755,257	4,727,634	35,392,932	5,571,058
Total equity	6,628,533	9,993,393	11,949,452	1,898,577	12,668,298	1,994,066
Total equity and liabilities	17,982,212	26,422,542	41,704,709	6,626,211	48,061,230	7,565,124

(1) *In 2010, the Company adopted a new accounting policy for recording land use rights which are held for development for sales. Land use rights which are held for development for sale meet the definition of both inventories under Hong Kong Accounting Standard 2 "Inventories" and leasehold land under Hong Kong Accounting Standard 17 "Leases." Previously, land use rights which are held for development for sales were classified as prepaid operating leases and payments were amortized on a straight line basis over the period of the lease in accordance with Hong Kong Accounting Standard 17. Amortization of leasehold land during the development phase was capitalized as part of the construction cost of the property. Amortization charges incurred prior to development and following completion of the property were recognized in the consolidated statement of comprehensive income. Subsequent to the change in accounting policy, land use rights relating to property held for development for sale are classified as inventories in accordance with Hong Kong Accounting Standard 2 and measured at the lower cost and net realizable value.*

We believe that the new classification of land use rights as inventories results in a more relevant presentation of the financial position of the Group, and of its performance for the year. The revised treatment reflects our intention on the use of the land use rights and results in a presentation consistent with the industry practice.

Since development commenced almost immediately after land use rights were obtained, and a large majority of completed properties were sold in the same period in which the respective properties were completed, substantially all amortization charges have been capitalized in prior years. Accordingly, the change in accounting policy has no material impact on the consolidated statement of comprehensive income of the Group for the comparative periods. The change resulted in a decrease of non-current assets of RMB4.0 million, RMB3.8 million and RMB3.5 million as of January 1, 2009, December 31, 2009 and 2010, and an increase of current assets of RMB4.0 million, RMB3.8 million and RMB3.5 million as of January 1, 2009, December 31, 2009 and 2010. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Change in Accounting Policy" for more information.

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 generally accepted accounting principles in other jurisdictions. In this section of the offering memorandum, references to "2009," "2010" and "2011" refer to our financial years ended December 31, 2009, 2010 and 2011, respectively.

Overview

We are a leading PRC property developer with a sizable and diversified land bank of approximately 23.9 million sq.m. GFA in 24 cities across five regions. According to "Top 50 Real Estate Enterprise Property Developers by Sales in 2011" and "Top 50 Real Estate Enterprise Property Developers by Sales in the first half of 2012" both jointly compiled and issued by CRIC and China Real Estate Appraisal Center, Kaisa was ranked 12th nationwide in terms of GFA sold in 2011 and 16th nationwide in terms of GFA sold in the six months ended June 30, 2012. We focus on mass market housing demand and are primarily engaged in the development of large-scale residential properties as well as integrated commercial properties.

Headquartered in Shenzhen, the Special Economic Zone adjacent to Hong Kong, we have historically focused our property development in the Pearl River Delta region. Our well-established position in the Pearl River Delta region is supported by our geographically diversified development portfolio, including projects in Greater Shenzhen, Foshan, Guangzhou and Zhuhai. Leveraging our success in the Pearl River Delta region, we have also expanded into other areas in China, including Shanghai, Hangzhou, Taicang, Changzhou and Jiangyin in the Yangtze River Delta region, Chengdu and Nanchong in the Western China region, Changsha, Wuhan and Zhuzhou in the Central China region, and Shenyang, Yingkou, Benxi, Panjin, Anshan, Weifang, Liaoyang and Huludao in the Pan-Bohai Bay Rim. In 2007, we derived all our revenue from sales of properties in the Greater Shenzhen area, including Shenzhen and the adjacent cities of Huizhou and Dongguan. For the six months ended June 30, 2012, our revenue from sales of properties in the Greater Shenzhen area was RMB1.2 billion, accounting for 54.2% of our total revenue from sales of properties for the same period. In July 2009, April 2010, August 2010 and November 2010, we completed Jiangyin Lake View Place Phase 1, Chengdu Lijing Harbour Phases 1 and 2, Shanghai Shanhuwan Garden and Changsha Lake View Place Phase 1, respectively, which became milestones in our expansion into the Yangtze River Delta region, the Western China region and the Central China region. With our in-depth property development experience and the dedication that we have demonstrated throughout our operational history, we intend to expand into other regions in China.

As of June 30, 2012, we had a total of 62 property development projects, including completed properties, properties under development and properties for future development, in 24 cities in China. As of June 30, 2012, we had completed properties with a total GFA of approximately 5,348,746 sq.m., and had a land bank with an estimated total GFA of approximately 23,932,215 sq.m., including completed properties held for sale with a total GFA of approximately 274,044 sq.m., properties under development with an estimated total GFA of approximately 8,469,436 sq.m. and properties for future development with an estimated total GFA of approximately 15,188,731 sq.m. Our contracted sales were RMB6,020.0 million, RMB10,090.6 million, RMB15,289.1 million and RMB6,458.5 million in 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. Our GFA sold was approximately 688,000 sq.m., 876,000 sq.m., 2,177,000 sq.m. and 1,103,000 sq.m. in 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively.

Our revenue was RMB4,672.2 million, RMB7,755.9 million, RMB10,834.7 million and RMB2,300.2 million and the profit attributable to equity holders of our Company was RMB547.9 million, RMB3,636.7 million, RMB1,901.0 million and RMB674.8 million in 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively. In 2009, 2010, 2011 and the six months ended June 30, 2012, our revenue was primarily generated from sales of our developed properties, which amounted to approximately 96.6%, 97.1%, 97.6% and 93.7% of our revenue, respectively. Our remaining revenue in 2009, 2010, 2011 and the six months ended June 30, 2012 included rental income and income from our property management services.

Key Factors Affecting Our Results of Operations

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

Economic conditions, speed of urbanization and demand for residential and commercial properties in China, particularly in the Pearl River Delta region

Our business is heavily dependent on the performance of the real estate market in China, particularly in the Pearl River Delta region. The performance of the PRC real estate industry is subject to continued growth in the economy, the rate of urbanization and the resultant demand for properties in China. The key factors that we consider to be important to our operations include (1) general economic development, (2) growth conditions in the private sector and (3) urban planning. Economic growth attributable to the private business sector has increased the general level of disposable income and the number of middle to upper-middle income households, which are our primary target customers. Developments in the economy and the rate of urbanization have in the past increased the supply of and demand for residential properties and affected pricing trends in the property sector in the cities and regions where we operate in China. We believe that these factors will continue to significantly affect our results of operations.

The slowdown of the worldwide economy from 2008 to early 2009, including that of China, resulted in the decline in real estate market sentiment, which have adversely affected property demand and average selling prices and rental prices in many areas of China since 2008. Since then PRC and many other foreign economies have shown signs of recovery. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these European nations to continue to service their sovereign debt obligations. On August 6, 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world could lead to another global economic downturn and financial market crisis. It is difficult to determine the impact of any global economic slowdown and financial crisis on the property industry in China. 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.

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 in which we may finance our property development. See "Regulations" for more details on the relevant PRC laws and regulations.

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, 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. 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. The PRC government continued to increase regulation over the property market in 2011. Policies restricting property purchases were adopted in nearly 50 cities, as compared to fewer than 20 cities in 2010. Regulations were promulgated at various levels to promote affordable housing. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations.

Ability to acquire suitable land at suitable prices

To have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase land reserves suitable for development. Based on our current development plans, we have sufficient land reserves for property developments for the next five years. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC government policies and measures on land supply 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 required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the Ministry of Land and Resources promulgated a notice to strictly regulate the transfer of land for commercial buildings. According to the notice, the area of a parcel of land granted for commodity residential development should be strictly restricted in accordance with the catalog of restricted use of land and the minimum price of the land transfer should not be less than 70% of the benchmark price of the place where the land being transferred is located, and the real estate developer's bid deposit should not be less than 20% of the minimum transfer price. See "Regulations." These changes of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

Land and construction costs

Our results of operations are affected by key components of our cost of sales, such as land costs and construction costs. In 2009, 2010 and 2011 and the six months ended June 30, 2012, our land costs were RMB617.9 million, RMB979.8 million, RMB1,635.7 million and RMB312.0 million, respectively, and our land cost as a percentage of our property sales revenue was approximately 13.7%, 13.0%, 15.5% and 14.5%, respectively. Land premiums have generally been increasing over the past 10 years in China. We believe that land premiums will continue to rise as the PRC economy continues to develop. Another key component of our cost of sales is construction costs, which are susceptible to the price volatility of construction materials such as steel and cement. We are also exposed to the price volatility of construction materials.

Access to and cost of financing

Bank borrowing is an important source of funding for our property developments. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our outstanding borrowings amounted to RMB5,861.9 million, RMB7,927.4 million, RMB13,644.5 million and RMB13,180.5 million, respectively. The effective interest rates on our bank borrowings included in non-current liabilities for 2009, 2010 and 2011 and the six months ended June 30, 2012 were approximately 5.7%, 5.6%, 6.5% and 5.8%, respectively. The effective interest rates on our bank borrowings included in current liabilities for 2009, 2010 and 2011 and the six months ended June 30, 2012 were 5.8%, 6.1%, 11.6% and 7.9%, respectively. The increase in our effective interest rate in 2011 compared to 2010 was primarily attributable to increased borrowing of trust financing loans with short-term maturities for the purpose of project financing. The decrease in our effective interest rate in the six months ended June 30, 2012 compared to 2011 was primarily because a smaller proportion of our debts were trust financing loans which bear a higher average

interest rate. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments. Our ability and flexibility to use bank loans to finance our property projects are also affected by the measures taken by the PRC government from time to time to restrain money supply and credit availability for fixed asset investments, particularly with respect to the property development sector. In addition to bank borrowings, we have also accessed capital markets for our financing requirements. See "Description of Material Indebtedness and Other Obligations." 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.

Pre-sale and progress of property development

Pre-sales constitute the most important source of our operating cash inflow during our project development. PRC law allows us to pre-sell properties before their completion upon obtaining the pre-sale permit from the relevant governmental authorities and requires us to use the pre-sale proceeds to develop the relevant pre-sale property projects. However, we do not recognize revenue from the pre-sale of a property until the property has been delivered to the purchaser. The progress of property development may affect our ability to deliver properties to our customers within the specified time limit and in turn affect the amount and timing of cash inflows from pre-sales. In addition, reduced cash inflow from pre-sales of our properties will increase our reliance on external financing and will impact our ability to finance our continuing property developments.

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 2009, 2010 and 2011 and the six months ended June 30, 2012, we made LAT prepayments of RMB80.7 million, RMB97.9 million, RMB175.2 million and RMB82.6 million, respectively and LAT provisions of RMB144.3 million, RMB409.8 million, RMB216.0 million and RMB32.2 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."

Fair Value of Investment Properties

We hold investment properties for rental income or capital appreciation. We consider the estimated long-term growth potential, overall market conditions and our cash flows and financial condition when we decide whether to sell or hold our completed properties for long-term investment purposes. Going forward, we intend to continue to consider the above factors in deciding whether to sell or lease our completed properties and we expect to increase our investment property portfolio over time. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our consolidated statements of comprehensive income, which may have a substantial effect on our profits. Total GFA of completed investment properties we held for rental income was 73,145 sq.m. as of December 31, 2009, 77,589 sq.m. as of December 31, 2010, 75,559 sq.m. as of December 31, 2011 and 87,567 sq.m. as of June 30, 2012. Our investment properties were revalued by an independent property valuer as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively, on an open market for existing use basis which reflected market conditions at those dates. The fair value of our investment properties may have been higher or lower had the valuer used a different set of bases or assumptions, or had the valuation been conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant balance sheet dates and do not generate any cash inflow for our operations or potential dividend distribution to the holders of shares of the Company (the "Shareholders"). The amount of revaluation adjustments has been,

and will continue to be, subject to market fluctuations. If similar levels of fair value gains cannot be sustained in the future, our results of operations can be adversely impacted. See "Risk Factors — Risks Relating To the 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."

Critical Accounting Policies

The preparation of our consolidated financial statements and condensed consolidated interim financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires our management to exercise its judgment in the process of applying our accounting policies. Therefore, the consolidated financial statements and condensed consolidated interim financial information included in this offering memorandum may not necessarily reflect our results of operations, financial position and cash flows in the future or what they would have been had we been a separate, stand-alone entity during the periods presented.

Critical accounting policies are those accounting policies that are reflective of significant judgments and uncertainties and that potentially yield materially different results under different assumptions and conditions.

When reviewing our consolidated financial statements and condensed consolidated interim financial information, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our consolidated financial information. In addition, we discuss our revenue recognition policy below because of its significance, even though it does not involve significant estimates or judgments.

Change in accounting policy

As of January 1, 2010, we changed our accounting policy for land use rights which are held for development for sale and the accounting policy has been applied retrospectively.

Land use rights which are held for development for sales meet the definition of both inventories under Hong Kong Accounting Standard 2 "Inventories" and leasehold land under Hong Kong Accounting Standard 17 "Leases."

Previously, land use rights which are held for development for sales were classified as prepaid operating leases and payments were amortized on a straight line basis over the period of the lease in accordance with Hong Kong Accounting Standard 17. Amortization of leasehold land during the development phase was capitalized as part of the construction cost of the property. Amortization charges incurred prior to development and following completion of the property were recognized in the consolidated statement of comprehensive income.

Subsequent to the change in accounting policy, land use rights relating to property held for development for sale are classified as inventories in accordance with Hong Kong Accounting Standard 2 and measured at the lower of cost and net realizable value.

We believe that the new classification of land use rights as inventories results in a more relevant presentation of our financial position, and of our performance for the year. The revised treatment reflects our intention on the use of the land use rights and results in a presentation consistent with the industry practice.

Since development commenced almost immediately after land use rights were obtained, and a large majority of completed properties were sold in the same period in which the respective properties were completed, substantially all amortization charges have been capitalized in prior years. Accordingly, the change in accounting policy has no material impact on the consolidated statement of comprehensive income for the comparative periods. The change resulted in a reclassification of certain items in the consolidated balance sheet is summarized as follows:

	As of December 31		As of January 1,
	2010	2009	2009
		(RMB in thousands)	
Non-current assets			
Decrease in land use rights	(3,524)	(3,836)	(4,011)
Current assets			
Increase in properties held for sale	276,429	263,407	503,278
Increase in properties under development	6,467,311	4,128,892	4,316,736
Decrease in land use rights	(6,740,216)	(4,388,463)	(4,816,003)

Revenue recognition

Revenue is shown after eliminating sales with the companies comprising our Group. Revenue is recognized when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the activities as described below:

Sales of properties

Revenue from sales of a property is recognized when the risks and rewards of the property are transferred to the purchaser, which occurs when the construction of relevant property has been completed, the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the balance sheet as advanced proceeds received from customers under current liabilities.

Rental income

Rental income from properties under operating leases is recognized on a straight-line basis over the lease terms.

Project consultancy services

Project consultancy services income is recognized in the accounting period in which the service is rendered.

Property management services

Commission arising from property management services is recognized in the accounting period in which the service is rendered.

Fair value of investment properties

An investment property is measured initially at its cost, including related transaction costs. After initial recognition, an investment property is carried at fair value. Changes in fair values of an investment property are recognized in the income statement in the year in which such changes arise. The fair values of investment properties as of December 31, 2009, 2010 and 2011 and June 30, 2012, were determined by independent property valuers, on an open market for existing use basis. In making the judgment, consideration was given to assumptions that are mainly based on market conditions existing as of December 31, 2009, 2010 and 2011 and June 30, 2012, expected rental from future leases in the light of current market conditions and appropriate capitalization rates. These estimates are regularly compared to actual market data and actual transactions entered into by us. Changes in subjective input assumptions can materially affect the fair value estimate.

Properties under development

For accounting purposes, properties under development include properties for which we have obtained the relevant land use rights certificates. Properties under development are stated at

the lower of cost and net realizable value. The development cost of a property comprises construction costs, depreciation of machinery and equipment, amortization of land use rights, borrowing costs on qualifying assets and professional fees incurred during the development period. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs of completion, or by management estimates based on prevailing market conditions. The assessment of carrying amount of properties under development requires the use of our judgement and estimates. We will make provision to revise these estimates when events or changes in circumstances indicate that the carrying amounts may not be realized.

Completed properties held for sale

Completed properties remaining unsold at the end of each of the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 are stated as inventory (or current assets held for sale) at the lower of cost and net realizable value. Cost comprises development costs attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions. The assessment of the carrying amount of completed properties for sale requires the use of our judgment and estimates. We will make provision to revise these estimates when events or changes in circumstances indicate that the carrying amounts may not be realized.

Borrowings and borrowing costs

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

Borrowing costs are charged to the consolidated statement of comprehensive income in the accounting period in which they are incurred, except for costs related to funding of the construction and acquisition of properties under development which are capitalized as part of the cost of that asset during the construction period and up to the date of completion of construction.

Loan with detachable warrants

Loan with detachable warrants that contain liability, warrants and options is classified as loan liabilities, equity investments and derivatives on initial recognition and are remeasured to fair value through profit or loss at subsequent reporting dates. We engaged an independent appraiser to assist us in determining the fair value of these financial derivatives. This consideration of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

Income taxes, withholding taxes and deferred taxation

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

We are subject to enterprise income tax in China. Before and up to December 31, 2007, companies established in the Shenzhen Special Economic Zone were subject to PRC enterprise income tax at a rate of 15% while other companies established outside the Shenzhen Special Economic Zone were subject to PRC enterprise income tax at a rate of 33%, unless such companies were located in other regions with different tax regimes. In March 2007, the NPC approved the New Tax Law, which took effect on January 1, 2008. The New Tax Law unifies the enterprise income tax rate for domestic enterprises and foreign investment enterprises to 25% unless the enterprise qualifies under certain limited exceptions. Effective January 1, 2008, companies in the Shenzhen Special Economic Zone have been allowed an extension period of five years to phase into the new tax regime. The applicable enterprise income tax rate applicable

to our subsidiaries which were registered and established prior to March 16, 2007 in the Shenzhen Special Economic Zone was 20% in 2009, 22% in 2010 and 24% in 2011 and is 25% in 2012. For companies previously subject to a tax rate of 33%, the enterprise income tax rate has been decreased to 25% from January 1, 2008. Because the deferred income tax assets and liabilities will be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, the change in the applicable tax rate will affect the determination of the carrying values of deferred tax assets and liabilities of our subsidiaries located in China. We will continue to evaluate the impact of the new enterprise income tax law on our results of operations and financial condition as detailed measures and regulations are issued.

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

Deferred income tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as we consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

LAT

Our property developments are subject to LAT. LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statements of comprehensive income as cost of sales. We make LAT provisions based on our calculation in accordance with relevant government regulations. The tax bureaus in general have not strictly enforced the LAT regulations, and many localities have not published settlement rules. Accordingly, significant judgment is required in determining the amount of LAT. We recognize LAT based on our management's best estimates according to our understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provision in the periods in which such taxes have been finalized with local tax authorities. See "— Key Factors Affecting Our Results of Operations — LAT" and the section entitled "Risk Factors — Risks Relating to the Businesses — Our LAT provisions and prepayments may not be sufficient to meet our LAT obligations."

Certain Income Statement Items

Revenue

Revenue primarily comprises the fair value of the consideration received or receivable for the sales of properties, including completed properties held for sale and properties under development, and services in the ordinary course of business. We recognize our revenue from sales of properties after the properties have been sold and delivered to the purchasers. We pre-sell our properties under development in accordance with PRC pre-sale regulations. We do not, however, recognize the proceeds from pre-sales until we have completed the construction of these properties and delivered the properties to the purchasers. Typically there is a time gap ranging from six to 18 months between the time we commence pre-sale of the properties under development and the delivery of the properties. We record the proceeds received from the pre-sold properties as advance proceeds received from customers, an item of current liabilities on our balance sheet, and as a part of cash inflows from operating activities on our cash flow statements. We generate a small portion of revenue from the rental income derived from our investment properties and property management services.

Cost of sales

Cost of sales comprises primarily land acquisition costs, construction costs, capitalized borrowing costs, business taxes and direct cost related to property investment and property management. The table below sets forth breakdowns by these categories of our cost of sales for 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, respectively.

	For year ended of December 31,				For the six months ended June 30,		
	2009	2010	2011	2011	2011	2012	2012
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(US$ in millions) (unaudited)	(RMB in millions) (unaudited)	(RMB in millions) (unaudited)	(US$ in millions) (unaudited)
Land costs	617.9	979.8	1,635.7	257.5	508.7	312.0	49.1
Construction costs	2,158.4	2,954.0	4,805.7	756.5	1,497.2	646.0	101.8
Capitalized borrowing costs	278.7	418.8	492.6	77.5	210.6	78.4	12.3
Business taxes	246.7	327.3	568.6	89.5	201.8	99.8	15.7
Direct cost related to property investment and property management	50.3	65.1	98.6	15.5	49.9	55.4	8.7
Total cost of sales	3,352.0	4,745.0	7,601.2	1,196.5	2,468.2	1,191.6	187.6

Land costs. Land costs represent costs relating to the acquisition of the rights to occupy, use and develop land, including land premiums, deed taxes and government surcharges and demolition and resettlement cost. The land costs are recognized as part of cost of sales upon the completion and delivery of relevant properties to the purchasers. In 2009, 2010 and 2011 and the six months ended June 30, 2012, our GFA delivered was 494,632 sq.m., 706,701 sq.m., 1,178,108 sq.m. and 283,362 sq.m., respectively, and our average land costs per sq.m. of GFA were approximately RMB1,249.2, RMB1,386.5, RMB1,388.4 and RMB1,101.1, respectively, as measured by dividing the aggregate land costs recognized in our consolidated statements of comprehensive income by the aggregate saleable GFA of properties delivered within these periods. Our land cost increased from 2009 to 2011 primarily due to an increase in total GFA delivered. Our land cost decreased from the six months ended June 30, 2011 to the six months ended June 30, 2012, as a higher proportion of our properties was delivered in second and third tier cities rather than first tier cities in the six months ended June 30, 2012 compared to the six months ended June 30, 2011.

Construction costs. Construction costs represent costs for the design and construction of a property project, consisting primarily of fees paid to our contractors, including contractors responsible for civil engineering construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs, design costs and certain government surcharges. The construction costs are recognized as part of cost of sales upon the completion and delivery of relevant properties to the purchasers. Our construction costs are affected by a number of factors such as price movements for construction materials, location and types of properties, choices of materials and investments in ancillary facilities. In 2009, 2010, 2011 and the six months ended June 30, 2012, our construction costs were RMB2,158.4 million, RMB2,954.0 million, RMB4,805.7 million and RMB646.0 million, respectively.

Capitalized borrowing costs. Capitalized borrowing costs are derived from borrowings for our property development. We capitalize our borrowing costs as part of the cost of sales for a development project to the extent that such costs are directly attributable to the acquisition and construction of such project.

Business taxes. Revenues from property development and property investment are subject to business taxes of 5%, and revenue from property management is also subject to business taxes of 5%.

Other gains — net

Other net gains primarily consist of interest income on outstanding receivables from customers, investment return from an infrastructure project, compensation from termination of proposed development projects, investment return from primary land development, forfeited customer deposits and others. The forfeited customer deposits are the non-refundable initial deposits paid by our customers upon entering into preliminary sale and purchase agreements but which were forfeited as a result of the failure of our customers to complete the purchases.

Selling and marketing costs

Selling and marketing costs include advertising expenses, sales and agency commissions, and other expenses relating to sales and promotion of our properties.

Administrative expenses

Administrative expenses comprise primarily staff costs, office expenses, directors' emoluments, depreciation, legal and professional fees, travel expenses, and donations.

Change in fair value of investment properties

We hold certain properties, such as the commercial properties in Shenzhen Kaisa Center Woodland Height Phases 4 and 6 and Huizhou Kaisa Center, and retail space and car parking spaces in Guangzhou Jinmao, Shenzhen Kaisa Global Center, Shenyang Kaisa Center, Huizhou Kaisa Center Phase 1 and Phase 2 and Jiangyin Kaisa Plaza for rental income or capital appreciation. Changes in fair values of investment properties are recognized in the consolidated statement of comprehensive income in the year such changes arise. The fair values of our investment properties as of December 31, 2009, 2010 and 2011 and June 30, 2012 were determined by independent property valuers. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets. See "— Critical Accounting Policies — Fair Value of Investment Properties."

Change in fair value of financial derivatives

In connection with the 2009 Secured Loan, we issued the warrants pursuant to the warrant instruments dated September 12, 2007 (the "Warrants"). The fair value of financial derivatives reflected the fair value of the financial derivatives issued under the warrant instruments. The fair values of the financial derivatives were calculated by an independent appraiser. The determination of fair value was made after consideration of a number of factors, including: effective interest rate, probability of a qualifying initial public offering, the average interest rate for five-year to seven-year term China treasury bonds and IPO share price. We had a fair value loss of RMB85.3 million in 2009, which reflected primarily the varying probability of the initial public offering.

On May 23, 2012, we entered into a US$120,000,000 term loan with conversion options with PAG, an independent third party (the "PAG Loan" or the "Exchangeable Term Loan"). See "Description of Material Indebtedness and Other Obligations – PAG Loan." The maturity date of the PAG Loan is August 24, 2014, which is 27 months after the drawdown date. The net proceeds received from the PAG Loan have been split between a financial derivative component and a liability component as follows:

(i) The financial derivative component represents the fair value of conversion feature of the PAG Loan as at issuance date, which is determined using the binomial model. The agreement allows the lender to have the option to convert the outstanding loan into equity interests of certain subsidiaries of the Company on May 24, 2014, three months before the maturity date of the PAG Loan.

The financial derivative is classified as a financial liability at fair value through profit or loss and subsequently carried at fair value.

(ii) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded options derivatives.

The value of the liability component of approximately RMB642,632,000 and the financial derivative component of approximately RMB114,357,000, net of transaction cost of US$316,000, were determined at issuance of the PAG Loan. We had a fair value gain of RMB3.8 million for the six months ended June 30, 2012, which reflected primarily the change in fair value of the financial derivative component of the PAG Loan.

Finance income

Finance income represents interest income on bank deposits.

Finance costs

Finance costs comprise primarily interest expenses on bank borrowings, other borrowings and loan with detachable warrants, net of capitalized borrowing costs. Since the construction period for a project does not necessarily coincide with the interest payment period of the relevant loan, not all of the interest costs related to a project can be capitalized. As a result, our finance costs fluctuate from period to period.

Income tax expenses

Income tax expenses represent PRC enterprise income tax payable, deferred income tax and LAT payable by our subsidiaries. The following table sets forth our tax provision for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,		
	2009	2010	2011	2011	2012	2012
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
Current income tax						
— PRC enterprise income tax	217,166	512,743	632,084	262,862	275,396	43,349
— PRC LAT	144,347	409,781	271,870	104,642	32,216	5,071
Overprovision in prior years						
— PRC LAT	—	—	(55,916)	—	—	—
Deferred income tax	44,025	787,020	77,652	117,894	32,897	5,178
Total income tax expenses	405,538	1,709,544	925,690	485,398	340,509	53,598

For 2009, 2010 and 2011 and the six months ended June 30, 2012, we recognized enterprise income tax (including deferred income tax) of RMB261.2 million, RMB1,299.8 million, RMB709.7 million and RMB308.3 million, respectively. The fluctuations in our enterprise income taxes during 2009, 2010 and 2011 were primarily attributable to the increase in operating profit before tax. We made a lower LAT provision for the six months ended June 30, 2012 as compared to the corresponding period in 2011, primarily due to our decreased gross profit. We made a lower LAT provision in 2011 as compared to 2010, primarily due to the lower average selling price per sq.m. recognized. We made a higher LAT provision in 2010 as compared to 2009, primarily due to our increased gross profit and increased number of projects that are subject to LAT.

For the six months ended June 30, 2011 and 2012, our effective tax rate was approximately 34.6% and 33.6%, respectively. The decrease was primarily attributable to a higher portion of our operating profit before taxation being derived from the increase in fair value of our investment properties for the six months ended June 30, 2012 as compared to the corresponding period in 2011, for which no LAT provision was required. For 2009, 2010 and 2011, our effective tax rate was approximately 42.5%, 32.0% and 32.8%, respectively. Our effective tax rate decreased to 32.0% in 2010 from 42.5% in 2009, primarily due to (i) the disposal of the Guangzhou Kaisa Plaza by way of an equity transfer which did not trigger LAT; and (ii) a much higher proportion of our operating profit before taxation contributed by the increase in fair value of our investment properties, for which no provision for LAT is required. Our effective income tax rate increased slightly to 32.8% in 2011 from 32.0% in 2010, primarily because a much lower proportion of our operating profit before taxation was derived from the increase in fair value of our investment properties, for which no provision for LAT is required.

No Hong Kong profits tax was provided for each of 2009, 2010 and 2011 and the six months ended June 30, 2012 as we had no assessable profits for those periods. The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Revised) of Cayman Islands and, accordingly, is exempted from payment of income tax as there are no laws enacted in the Cayman Islands which impose any tax to be levied on profits, income, gains or appreciations.

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries to us were exempt from PRC income tax. However, pursuant to the New Tax Law and its implementation rules that became effective on January 1, 2008, dividends payable by foreign-invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10% unless such foreign investors' jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. See the section entitled "Risk Factors — Risks Relating to China — 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."

Results of Operations

The table below summarizes our consolidated results for 2009, 2010 and 2011 and the six months ended June 30, 2012:

	For the year ended December 31,				For the six months ended June 30,		
	2009	2010	2011	2011	2011	2012	2012
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousand) (unaudited)	(RMB in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
Revenue	4,672,156	7,755,890	10,834,726	1,705,450	3,707,543	2,300,172	362,061
Costs of sales	(3,352,040)	(4,745,012)	(7,601,182)	(1,196,471)	(2,468,238)	(1,191,586)	(187,563)
Gross profit	1,320,116	3,010,878	3,233,544	508,979	1,239,305	1,108,586	174,498
Other gains — net	37,201	5,962	43,309	6,817	33,137	17,408	2,740
Selling and marketing costs	(163,543)	(183,308)	(404,841)	(63,724)	(115,229)	(232,008)	(36,519)
Administrative expenses	(250,105)	(411,155)	(565,048)	(88,942)	(229,793)	(282,740)	(44,505)
Change in fair value of investment properties	289,847	2,970,144	432,712	68,111	467,456	423,874	66,720
Change in fair value of financial derivatives	(85,339)	—	—	—	—	3,798	598
Operating profit	1,148,177	5,392,521	2,739,676	431,241	1,394,876	1,038,918	163,532
Finance (costs)/income — net	(194,782)	(45,842)	85,834	13,511	7,936	(24,570)	(3,867)
Share of result from an associate	—	(479)	(542)	(85)	(144)	(208)	(33)
Profit before income tax	953,395	5,346,200	2,824,968	444,667	1,402,668	1,014,140	159,632
Income tax expenses	(405,538)	(1,709,544)	(925,690)	(145,709)	(485,398)	(340,509)	(53,598)
Profit for the year/period and total comprehensive income for the year/period	547,857	3,636,656	1,899,278	298,958	917,270	673,631	106,034
Profit attributable to:							
Equity holders of the Company	547,871	3,636,699	1,900,954	299,221	917,434	674,815	106,220
Non-controlling interests	(14)	(43)	(1,676)	(263)	(164)	(1,184)	(186)
	547,857	3,636,656	1,899,278	298,958	917,270	673,631	106,034

Segment information

During 2009, 2010 and 2011 and the six months ended June 30, 2012, we derived most of our revenue from sales of properties we developed. The following table sets out our revenue in each business segment and the percentage of revenue represented by each segment for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2009		2010		2011		2011		2012	
	(RMB in millions)		(RMB in millions)		(RMB in millions)		(RMB in millions) (unaudited)		(RMB in millions) (unaudited)	
Sales of properties	4,513.3	96.6%	7,530.8	97.1%	10,575.6	97.6%	3,585.0	96.7%	2,155.1	93.7%
Rental income	100.4	2.1%	119.5	1.5%	151.0	1.4%	66.3	1.8%	87.3	3.8%
Property management services	58.5	1.3%	105.6	1.4%	108.1	1.0%	56.2	1.5%	57.8	2.5%
Total	4,672.2	100%	7,755.9	100%	10,834.7	100%	3,707.5	100%	2,300.2	100%

Six months ended June 30, 2012 compared to six months ended June 30, 2011

Revenue. Our revenue decreased by RMB1,407.3 million, or 38.0%, to RMB2,300.2 million for the six months ended June 30, 2012 from RMB3,707.5 million for the six months ended June 30, 2011. Our revenue is primarily generated from our three business segments: property development, property investment and property management.

Sales of properties. Our revenue from sales of properties decreased by RMB1,429.9 million, or 39.9%, to RMB2,155.1 million for the six months ended June 30, 2012 from RMB3,585.0 million for the six months ended June 30, 2011. This decrease was primarily attributable to a decrease in the average selling price per sq. m. from approximately RMB13,670 per sq. m. for the six months ended June 30, 2011 to approximately RMB7,605 per sq. m. for the six months ended June 30, 2012, as a higher proportion of our properties was delivered in second and third tier cities rather than first tier cities during the six months ended June 30, 2012, partially offset by an increase in the total GFA delivered from approximately 262,211 sq. m. for the six months ended June 30, 2011 to approximately 283,362 sq. m. for the six months ended June 30, 2012.

Rental income. Our rental income increased by RMB21.0 million, or 31.7%, to RMB87.3 million for the six months ended June 30, 2012 from RMB66.3 million for the six months ended June 30, 2011. This increase was primarily attributable to an increase in the aggregate GFA of our retail spaces.

Property management services. Our revenue from property management services remained fairly stable, and increased slightly by RMB1.6 million, or 2.8%, to RMB57.8 million for the six months ended June 30, 2012 from RMB56.2 million for the six months ended June 30, 2011.

Cost of sales. Our cost of sales decreased by RMB1,276.6 million, or 51.7%, to RMB1,191.6 million for the six months ended June 30, 2012 from RMB2,468.2 million for the six months ended June 30, 2011. This decrease was primarily attributable to our decreased construction cost per sq. m.

Gross profit. As a result of the above, our gross profit decreased by RMB130.7 million, or 10.5%, to RMB1,108.6 million for the six months ended June 30, 2012 from RMB1,239.3 million for the six months ended June 30, 2011. Our gross profit margin increased to 48.2% for the six months ended June 30, 2012 from 33.4% for the six months ended June 30, 2011. The increase in gross profit margin was primarily attributable to the decrease in cost of sales of properties (excluding business tax) per sq. m., from approximately RMB8,453 per sq. m. for the six months ended June 30, 2011 to approximately RMB3,658 per sq. m. for the six months ended June 30, 2012, partially offset by the decrease in average selling price per sq. m. from approximately RMB13,670 per sq. m. for the six months ended June 30, 2011 to approximately RMB7,605 per sq. m. for the six months ended June 30, 2012.

Other gains — net. We had other gains of RMB17.4 million for the six months ended June 30, 2012, as compared to other gains of RMB33.1 million for the six months ended June 30, 3011. Our other gains for the six months ended June 30, 2012 mainly comprised interest income on outstanding receivables from customers.

Selling and marketing costs. Our selling and marketing costs increased by RMB116.8 million, or 101.4%, to RMB232.0 million for the six months ended June 30, 2012 from RMB115.2 million for the six months ended June 30, 2011. This increase was primarily attributable to our strategy to achieve geographical diversification, resulting in an increase in our advertising and other promotional costs incurred for our pre-sale activities for a relatively larger number of projects for the six months ended June 30, 2012, as compared to the six months ended June 30, 2011.

Administrative expenses. Our administrative expenses increased by RMB52.9 million, or 23.0%, to RMB282.7 million for the six months ended June 30, 2012 from RMB229.8 million for the six months ended June 30, 2011. This increase was primarily attributable to an increase in staff costs and operating expenses resulting from our business expansion.

Change in fair value of investment properties. The increase in fair value of our investment properties was RMB423.9 million for the six months ended June 30, 2012, as compared to RMB467.5 million for the six months ended June 30, 2011. The increase for the six months ended June 30, 2012 was primarily attributable to the appreciation in fair value of our investment properties in Shenzhen Kaisa Global Center and Huizhou Kaisa Center Phase 2 and the addition of the retail space of Huizhou Kaisa Center Phase 1 as investment properties. The increase in the six months ended June 30, 2011 was primarily attributable to the appreciation in fair value of our investment properties in Shenzhen Kaisa Global Center and Huizhou Kaisa Center Phase 2.

Change in fair value of financial derivatives. The increase in fair value of our financial derivatives was RMB3.8 million in the six months ended June 30, 2012. The increase was primarily attributable to the change in fair value of the financial derivative component of the PAG Loan. See "Description of Material Indebtedness and Other Obligations – PAG Loan." We did not have any financial derivatives for the six months ended June 30, 2011.

Finance income. Our finance income decreased by RMB45.5 million, or 80.8%, to RMB10.8 million for the six months ended June 30, 2012 from RMB56.3 million for the six months ended June 30, 2011. The decrease was primarily attributable to net exchange losses arising mainly from U.S. dollar denominated offshore financing as a result of appreciation of the U.S. dollar against the Renminbi for the six months ended June 30, 2012, as compared to net exchange gains arising mainly from the U.S. dollar denominated offshore financing as a result of appreciation of the Renminbi against the U.S. dollar for the six months ended June 30, 2011.

Finance costs. Our finance costs decreased by RMB13.0 million, or 26.9%, to RMB35.4 million for the six months ended June 30, 2012 from RMB48.4 million for the six months ended June 30, 2011. The decrease was primarily attributable to a higher proportion of the interest expense on our debt being capitalized and not charged to our condensed consolidated statement of comprehensive income for the six months ended June 30, 2012, partially offset by the increase in our interest expense resulting from a higher amount of debt for the six months ended June 30, 2012.

Income tax expenses. Our income tax expenses decreased by RMB144.9 million, or 29.9%, to RMB340.5 million for the six months ended June 30, 2012 from RMB485.4 million for the six months ended June 30, 2011. The decrease was primarily attributable to a decrease in operating profit for the six months ended June 30, 2012. Our effective income tax rate decreased to 33.6% for the six months ended June 30, 2012 from 34.6% for the six months ended June 30, 2011, primarily due to a higher portion of our operating profit before taxation being derived from the increase in fair value of our investment properties, for which no LAT provision was required.

Profit for the period and total comprehensive income for the period. As a result of the effect of the factors described above, our profit for the period and total comprehensive income for the period decreased by RMB243.7 million, or 26.6%, to RMB673.6 million for the six months ended June 30, 2012 from RMB917.3 million for the six months ended June 30, 2011. Our net profit margin was 29.3% for the six months ended June 30, 2012 and 24.7% for the six months ended June 30, 2011. For the six months ended June 30, 2012 and 2011, our net profit (excluding change in fair value of investment properties and of financial derivatives, net of deferred tax) was RMB351.9 million and RMB566.7 million, respectively, resulting in corresponding net profit margin (excluding change in fair value of investment properties and of financial derivatives, net of deferred tax) of 15.3% and 15.3%, respectively. For the six months ended June 30, 2012 and 2011, our net profit (excluding exchange difference, change in fair

value of investment properties and of finance derivatives, net of deferred tax) was RMB370.3 million and RMB516.7 million, respectively, resulting in corresponding net profit margin (excluding exchange difference, change in fair value of investment properties and of finance derivatives, net of deferred tax) of 16.1% and 13.9%, respectively.

2011 compared to 2010

Revenue. Our revenue increased by RMB3,078.8 million, or 39.7%, to RMB10,834.7 million in 2011 from RMB7,755.9 million in 2010. This increase in revenue was primarily attributable to an increase in sales of properties. Our revenue is primarily generated from our three business segments: property development, property investment and property management.

Sales of properties. Our revenue from sales of properties increased by RMB3,044.8 million, or 40.4%, to RMB10,575.6 million in 2011 from RMB7,530.8 million in 2010. This increase was primarily due to an increase in the total delivered GFA from approximately 706,701 sq.m. in 2010 to approximately 1,178,108 sq.m. in 2011, partially offset by a decrease in average selling price per sq.m. recognized from RMB10,656 in 2010 to RMB8,977 in 2011. The property projects that contributed substantially to our revenue in 2011 were Shenzhen Jincui Garden, Shenzhen Mingcui Garden, Shenzhen Metro City, Jiangyin Lake View Place, Changsha Lake View Place, Huizhou Kaisa Plaza and Chengdu Lijing Harbour. Our revenue derived from our projects in Greater Shenzhen was RMB5,003.0 million and from outside Greater Shenzhen was RMB5,572.6 million in 2011.

Rental income. Our rental income increased by RMB31.5 million, or 26.4%, to RMB151.0 million in 2011 from RMB119.5 million in 2010. This increase was primarily attributable to an increase in the aggregate GFA of our retail spaces, rented out at higher rates.

Property management services. Our revenue from property management services remained fairly stable, and increased slightly by RMB2.5 million, or 2.4%, to RMB108.1 million in 2011 from RMB105.6 million in 2010.

Cost of sales. Our cost of sales increased by RMB2,856.2 million, or 60.2%, to RMB7,601.2 million in 2011 from RMB4,745.0 million in 2010. This increase was in line with the increase in the total GFA delivered.

Gross profit. As a result of the above, our gross profit increased by RMB222.6 million, or 7.4%, to RMB3,233.5 million in 2011 from RMB3,010.9 million in 2010. Our gross profit margin decreased to 29.8% in 2011 from 38.8% in 2010. The decrease in gross profit margin was primarily attributable to (i) our lower average selling price per sq.m. recognized in 2011 as compared to 2010 and (ii) our enbloc sale of Guangzhou Kaisa Plaza in 2010. We had a gross profit margin of 51.8% from the enbloc sale of Guangzhou Kaisa Plaza, which contributed to the higher profit margin in 2010.

Other gains. We had other gains of RMB43.3 million in 2011, as compared to other gains of RMB6.0 million in 2010. Our other gains in 2011 mainly comprised the investment return from an infrastructure project in Huizhou of RMB32.4 million.

Selling and marketing costs. Our selling and marketing costs increased by RMB221.5 million, or 120.9%, to RMB404.8 million in 2011 from RMB183.3 million in 2010. This increase was primarily due to our strategy of geographical diversification, resulting in an increase in our advertising, staff and other promotional costs incurred for our pre-sale activities for a larger number of our projects during 2011 compared to 2010, as well as the higher agency fee as a result of the increase in contracted sales amount in 2011.

Administrative expenses. Our administrative expenses increased by RMB153.8 million, or 37.4%, to RMB565.0 million in 2011 from RMB411.2 million in 2010. This increase was primarily attributable to an increase in staff costs resulting from our business expansion and an increase in operating expenses as a result of entering various new cities since the second half of 2010.

Change in fair value of investment properties. The increase in fair value of our investment properties was RMB2,970.1 million in 2010 and RMB432.7 million in 2011. The increase in 2010 was primarily attributable to the addition of commercial properties including Shenzhen Kaisa Global Center, Huizhou Kaisa Center Phase 2, Shenyang Kaisa Center, Woodland Height Phase 6 and Jiangyin Kaisa Plaza into our investment portfolio in 2010. The increase in fair value of our investment properties in 2011 was primarily attributable to the appreciation in fair value of our investment properties in Shenzhen Kaisa Global Center, Huizhou Kaisa Center Phase 2 and Shenzhen Kaisa Center.

Finance income. Our finance income increased by RMB103.6 million, or approximately 201.2%, to RMB155.1 million in 2011 from RMB51.5 million in 2010. The increase was primarily due to net exchange gains arising from the U.S. dollar denominated offshore financing as a result of appreciation of the Renminbi against the U.S. dollar in 2011.

Finance costs. Our finance costs decreased by RMB28.0 million, or approximately 28.8%, to RMB69.3 million in 2011 from RMB97.3 million in 2010. The decrease was primarily attributable to a decrease in our average outstanding bank debt balance in 2011 in relation to completed projects.

Income tax expenses. Our income tax expenses decreased by RMB783.9 million, or approximately 45.9%, to RMB925.7 million in 2011 from RMB1,709.5 million in 2010. Our effective income tax rate increased to 32.8% in 2011 from 32.0% in 2010. The increase was primarily attributable to a much lower proportion of our operating profit before taxation being derived from the increase in fair value of our investment properties, for which no provision for LAT is required.

Profit for the year and total comprehensive income for the year. As a result of the effect of the factors described above, our profit for the year and total comprehensive income for the year decreased by RMB1,737.4 million, or 47.8%, to RMB1,899.3 million in 2011 from RMB3,636.7 million in 2010. Our net profit margin was 17.5% in 2011 and 46.9% in 2010. Our net profit margin (excluding change in fair value on investment properties, net of deferred taxes) was 14.5% in 2011 and 18.2% in 2010.

2010 compared to 2009

Revenue. Our revenue increased by RMB3,038.7 million, or 66.0%, to RMB7,755.9 million in 2010 from RMB4,672.2 million in 2009. This increase in revenue was primarily attributable to the increase in sales of properties in 2010. In 2010, the revenue generated from property development, property investment and property management were approximately RMB7,530.8 million, RMB119.5 million and RMB105.6 million, respectively.

Sales of properties. Our revenue from sales of properties increased by RMB3,017.5 million, or 66.9%, to RMB7,530.8 million in 2010 from RMB4,513.3 million in 2009. This increase was primarily attributable to an increase in the total delivered GFA from approximately 494,632 sq.m. in 2009 to approximately 706,701 sq. m. in 2010 as a result of our business expansion, and an increase in the average selling price per sq. m. from approximately RMB9,124 in 2009 to approximately RMB10,656 in 2010. The higher average selling price reflects improvement in market conditions in general and is also due to the change in product mix towards commercial properties. The property projects that contributed substantially to our revenue in 2010 were Shenzhen Shangpin Garden, Guangzhou Kaisa Plaza, Dongguan Dijingwan and Chengdu Lijing Harbour.

Rental income. Our rental income increased by RMB19.1 million, or 19.0%, to RMB119.5 million in 2010 from RMB100.4 million in 2009. This increase was primarily attributable to the increased retail space rented out at higher rental rates.

Property management services. Our revenue from property management fees increased by RMB47.1 million, or 80.5%, to RMB105.6 million in 2010 from RMB58.5 million in 2009. This increase was primarily attributable to the additional property management fees derived from our property services for the commercial properties and the residential units delivered in 2010.

Cost of sales. Our cost of sales increased by RMB1,393.0 million, or 41.6%, to RMB4,745.0 million in 2010 from RMB3,352.0 million in 2009. This increase was primarily attributable to the increase in total GFA delivered.

Gross profit. Our gross profit increased by RMB1,690.8 million, or 128.1%, to RMB3,010.9 million in 2010 from RMB1,320.1 million in 2009. The increase was primarily due to an overall increase in construction costs, land costs and capitalized interest costs as a result of the increase in the total GFA delivered in 2010 as compared to that in 2009. Our gross profit margin increased to 38.8% from 28.3% in 2009. The substantial improvement mainly resulted from the higher average selling price achieved on our sales of properties, more effective cost control and improved asset-turnover.

Other gains. We had other gains of RMB6.0 million in 2010, as compared to the other gains of RMB37.2 million in 2009. The other gains in 2010 primarily comprised forfeited customer deposits. The other gains in 2009 primarily comprised RMB32.2 million generated from compensation from termination of proposed development projects and investment return from a primary land development contract.

Selling and marketing costs. Our selling and marketing costs increased by RMB19.8 million, or 12.1%, to RMB183.3 million in 2010 from RMB163.5 million in 2009. The increase in selling and marketing costs was primarily due to the higher agency fee as a result of the increase in contracted sales amount in 2010.

Administrative expenses. Our administrative expenses increased by RMB161.1 million, or 64.4%, to RMB411.2 million in 2010 from RMB250.1 million in 2009. This increase was primarily attributable to the noncash share option expenses of RMB74.3 million and an increase in employee related costs as a result of the our business expansion since our IPO in December 2009.

Change in fair value of investment properties. The increase in fair value of our investment properties was RMB289.8 million in 2009 and RMB2,970.1 million in 2010. The increase in fair value of our investment properties in 2009 was primarily attributable to the appreciated fair value of our investment properties in Guangzhou Jinmao and addition of commercial properties in Woodland Height Phase 4 into our investment property portfolio in 2009. The increase in fair value of our investment properties in 2010 was primarily attributable to addition of commercial properties including Fenglong Center, Huizhou Kaisa Center Phase 2, Shenyang Kaisa Center, Woodland Height Phase 6 and Jiangyin Zhongbu Garden into our investment portfolio in 2010.

Finance income. Our finance income increased by RMB1.0 million, or approximately 10.0% to RMB11.0 million in 2010 from RMB10.0 million in 2009. The increase was attributable to an increase in interest income on bank deposits

Finance costs. Our finance costs decreased by RMB147.9 million, or approximately 72.2%, to RMB56.9 million in 2010 from RMB204.7 million in 2009. The decrease was primarily due to our strategy of adopting an asset turnover model to lower the level of completed property held for sale, resulting in a decrease in average outstanding bank debt balance in 2010 in relation to completed projects and a net exchange translation gain of approximately RMB40.4 million derived from the proceeds of the U.S. dollar denominated 2010 Notes, as a result of appreciation of Renminbi against U.S. dollars in 2010.

Income tax expenses. Our income tax expenses increased by RMB1,304.0 million, or approximately 321.5%, to RMB1,709.5 million in 2010 from RMB405.5 million in 2009, mainly attributable to an increase in our profit for the year in 2010 and a deferred tax charge of approximately RMB742.5 million arising from fair value gain on investment properties. However, our effective income tax rate decreased to 32.0% in 2010 from 42.5% in 2009. The decrease was primarily due to decrease in our LAT in 2010 as compared to our LAT in 2009. In 2010, a much higher proportion of our operating profit before taxation was contributed by the increase in fair value of our investment properties, for which no provision for LAT is required. In addition, we disposed of Guangzhou Kaisa Plaza through equity transfer, which did not trigger LAT and also contributed to the decrease in our income tax expenses.

Profit for the year. As a result of the effect of the factors described above, our profit for the year increased by RMB3,088.8 million, or 563.8%, to RMB3,636.7 million in 2010 from RMB547.9 million in 2009. Our net profit margin was 46.9% in 2010 and 11.7% in 2009. The increase in our net profit margin was primarily attributable to the higher gross profit margin. Our net profit (excluding change in fair value on investment properties and financial derivatives, net of deferred taxes) in 2009 and 2010 was RMB415.8 million and RMB1,409.0 million, respectively, resulting in corresponding net profit margin (excluding change in fair value on investment properties and financial derivatives, net of deferred taxes) of 8.9% and 18.2% in 2009 and 2010, respectively.

Liquidity and Capital Resources

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

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions) (unaudited)
Net cash generated from/(used in) operating activities	277.6	1,226.9	(4,049.7)	205.1
Net cash used in investing activities	(444.0)	(1,597.6)	(2,002.5)	(262.8)
Net cash generated from/(used in) financing activities	2,831.5	1,393.6	5,712.1	(431.5)
Cash and cash equivalents at the end of the year/period	3,344.5	4,339.6	3,945.4	3,457.3

Operating activities

Net cash generated from operating activities in the six months ended June 30, 2012 was RMB205.1 million. Our net operating cash inflows in the six months ended June 30, 2012 were primarily attributable to (i) our profit for the period of RMB673.6 million and (ii) an increase in advanced proceeds from customers of RMB6,097.6 million, partially offset by (i) an increase in properties under development and properties held for sale of RMB4,170.2 million, (ii) an increase in prepayments for proposed development projects of RMB771.1 million, (iii) a decrease in accrued construction costs of RMB736.9 million and (iv) interest paid of RMB733.4 million.

Net cash used in operating activities in 2011 was RMB4,049.7 million. Our net operating cash outflows in 2011 were primarily attributable to (i) an increase in properties under development and properties held for sale of RMB9,439.5 million, (ii) an increase in debtors, deposits and other receivables of RMB1,205.1 million and (iii) an increase in prepayments for proposed development projects of RMB1,088.5 million, partially offset by (i) an increase in advanced proceeds from customers of RMB2,747.5 million, (ii) an increase in accrued construction costs of RMB3,951.4 million and (iii) our profit for the year of RMB1,899.3 million.

Net cash generated from operating activities in 2010 was RMB1,226.9 million. Our net operating cash inflows in 2010 were primarily attributable to (i) our profit for the year of RMB3,636.7 million, (ii) an increase in advanced proceeds received from customers of RMB2,228.3 million and (iii) an adjustment for non-cash line item of income tax expenses of RMB1,709.5 million, partially offset by (i) an adjustment for non-cash line item of change in fair value of investment properties of RMB2,970.1 million and (ii) an increase in properties under development and completed properties held for sale of RMB1,680.6 million.

Net cash generated from operating activities in 2009 was RMB277.6 million. Our net operating cash inflows in 2009 were primarily attributable to (i) our profit for the year of RMB547.9 million, (ii) an increase in advanced proceeds received from customers of RMB1,110.1 million primarily form sales of Shangpin Garden and Dijingwan and (iii) a decrease in properties under development and completed properties held for sale of RMB664.3 million primarily due to the completion of the project developments of Xiangrui Garden, Jiangyin Lake View Place, Mingcui Garden Phase 1 and 2, Shenzhen Lake View Place Phases 4 and 5, partially offset by an increase in debtors, deposits and other receivables due primarily to land deposits we paid for the project developments of Yantian, Guangzhou Jiangnan Boulevard, Jiangyin Zongbu Garden and Shenyang Qingnian Avenue.

Investing activities

During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our cash inflows from investing activities reflected primarily interest received on our bank deposits and proceeds from disposal of property and equipment. Our cash outflows from investing activities reflected investments in associated companies, acquisition of subsidiaries (net of cash acquired) and purchase of property and equipment.

In the six months ended June 30, 2012, our net cash used in investing activities was RMB262.8 million, which was primarily attributable to additions to investment properties.

In 2011, our net cash used in investing activities was RMB2,002.5 million, which was primarily attributable to acquisition of subsidiaries.

In 2010, our net cash used in investing activities was RMB1,597.6 million, which was primarily attributable to acquisition of subsidiaries and of an additional interest in a subsidiary, as well as investment in an associate.

In 2009, our net cash used in investing activities was RMB444.0 million, which was primarily attributable to the acquisition of subsidiaries in 2009 and the settlement of the purchase price for subsidiaries acquired in prior years.

Financing activities

During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our cash generated from financing activities consisted primarily of bank borrowings to finance our property development, proceeds from the issuance of securities including our IPO in 2009, the 2010 Notes, the Convertible Bonds and the RMB Bonds. Our cash used in financing activities consisted of repayment of borrowings, issuance expense and repurchase of ordinary shares.

In the six months ended June 30, 2012, our net cash used in financing activities was RMB431.5 million, which was primarily attributable to repayment of borrowings of RMB2,170.4 million, partially offset by proceeds of borrowings of RMB972.0 million and proceeds from the PAG Loan of RMB759.0 million.

In 2011, our net cash generated from financing activities was RMB5,712.1 million, which was primarily attributable to proceeds of borrowings of RMB5,652.3 million, net proceeds from issuance of the RMB Bonds of RMB1,911.7 million and net proceeds from issuance of the additional 2010 Notes of RMB1,780.8 million, partially offset by repayment of borrowings of RMB3,633.9 million.

In 2010, our net cash generated from financing activities was RMB1,393.6 million, which was primarily due to (i) proceeds from borrowings of RMB2,619.0 million; (ii) proceeds from issuance of the 2010 Notes of RMB2,333.5 million; and (iii) proceeds from issuance of the Convertible Bonds of RMB1,452.8 million. These cash inflows were partially offset by (i) repayments of borrowings of RMB4,110.9 million; (ii) repayment of loan with detachable warrants of RMB682.8 million; and (iii) repurchase of ordinary shares for RMB218.0 million.

In 2009, our net cash generated from financing activities was RMB2,831.5 million, which was primarily attributable to the net proceeds from our IPO in 2009.

Capital commitment

Commitments for property development expenditure

We incur capital expenditure primarily for our property development. The following table sets forth the commitments for our property development expenditure as of the dates indicated:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions) (unaudited)
Contracted but not provided for	4,247.0	9,181.2	18,395.3	19,832.6

The continued increase in our commitments for property development expenditures from December 31, 2009 to June 30, 2012 was primarily due to our commitments for the construction costs, which were in line with our enlarged scale of property development; and to a lesser extent, our commitments arising from land acquisition activities.

Operating lease commitments

The following table sets forth our future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as of the dates indicated:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions) (unaudited)
No later than one year	12.8	13.8	30.9	9.0
Later than one year and not later than five years	7.8	10.1	27.1	35.8
Later than five years	—	—	—	12.4
Total	20.6	23.9	58.0	57.2

As of December 31, 2009, 2010 and 2011 and June 30, 2012, our operating lease commitments were RMB20.6 million, RMB23.9 million, RMB58.0 million and RMB57.2 million, respectively. Our operating lease commitments as of December 31, 2010 remained fairly stable as compared to those as of December 31, 2009. The increase in the operating lease commitments as of December 31, 2011, as compared with those as of December 31, 2010, was primarily due to our business expansion into new cities and higher rental rates upon leasing renewal of our Hong Kong and PRC offices. Our operating lease commitments as of June 30, 2012 remained fairly stable as compared to those as of December 31, 2011.

Capital resources and cash management

Property development projects require substantial capital expenditure for land acquisition and construction. The financing methods for our projects vary and are subject to limitations imposed by PRC regulations and monetary policies. Historically, we have primarily financed our expenditures and working capital through internal funds, proceeds from pre-sales and sales of properties, borrowings from banks and other funds raised from the capital markets from time to time. Our cash flow and results of operations of our operating subsidiaries affect our liquidity. See the section entitled "Risk Factors — We experienced net cash outflows from operating activities in the past and maintain a significant amount of indebtedness, which may materially and adversely affect our liquidity and our ability to service our indebtedness."

As of December 31, 2009, 2010 and 2011 and June 30, 2012, the carrying amount of our cash and bank deposits was approximately RMB3,727.4 million, RMB4,869.7 million, RMB4,486.4 million and RMB3,880.2 million, respectively. Pursuant to relevant regulations in the PRC, certain of our property development companies are required to place a certain amount of pre-sales proceeds received at designated bank accounts as guarantee deposits for construction of the relevant properties. Such guarantee deposits will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier. Additionally, as of June 30, 2012, some of our cash was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities granted by the banks to the purchasers of the our properties. The aggregate of the above guarantee deposits amounted to approximately RMB422.9 million as of June 30, 2012.

We seek to manage our working capital to ensure collection and deployment of our funds. We use our annual budget, supplemented by our quarterly cash flow projections, to forecast and manage our cash inflows and outflows. In addition, we prepare cash flow projections on a monthly basis to monitor our cash flow in connection with land acquisition, construction cost payments, financings, repayments of loans, taxes and other expenses. Our finance division also prepares daily cash flow summaries for our senior management to monitor and manage daily collection and use of cash. All disbursements of funds for land acquisitions are subject to the final approval of our Chairman.

We seek to manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. In addition, we seek to effectively manage our future cash flows and reduce our exposure to unexpected adverse changes in economic conditions through a number of alternative plans, including adjusting our development schedule to ensure that we have available resources to finance our projects, implementing cost control measures, adopting more flexible approach to pricing for our property sales, and renegotiating payment terms with counterparties in certain land-related contractual arrangements. We will continue to assess these alternative plans on an ongoing basis and may choose to adopt them if necessitated by our then-existing financial conditions and cash requirements.

We monitor our capital and indebtedness levels by reviewing our gearing ratio, which is equal to net debt (total borrowings (which, for the purpose of calculating the balance as of December 31, 2009, also include the amount of loan with detachable warrants) net of cash and cash equivalents and restricted cash) divided by total equity. Our gearing ratio, as of December 31, 2009, 2010 and 2011 and June 30, 2012, was 42.5%, 30.6%, 76.6% and 73.4%, respectively. We also monitor our indebtedness level generally through monthly review of our management accounts including balance sheets, income statements and cash flow statements to assess our financial condition and maintain our indebtedness at a reasonable level.

Indebtedness

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions) (unaudited)
Bank borrowings	5,588.0	4,370.0	6,388.4	5,193.8
Other borrowings	273.9	3,557.4	7,256.1	7,986.7
Loan with detachable warrants	684.7	—	—	—
	6,546.6	7,927.4	13,644.5	13,180.5

We had onshore borrowings in the PRC of RMB5,861.9 million, RMB4,111.7 million and RMB5,402.3 million and RMB4,203.9 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively, representing 32.6%, 15.6%, 13.0% and 8.8% of our total assets as of each respective date. Our offshore borrowings outside the PRC were RMB684.7 million, RMB3,815.7 million, RMB8,242.2 million and RMB8,976.6 million as of December 31, 2009, 2010 and 2011 and June 30, 2012, respectively.

We have, since June 30, 2012, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes. We continue to evaluate our financing requirements and monitor our capital and indebtedness levels and may from time to time retire or refinance some of our existing indebtedness through opportunistic repurchases, tender offers or otherwise, depending on market conditions.

Borrowings

Our bank borrowings are denominated in Renminbi and other borrowings are denominated in Renminbi and U.S. dollars. The following table sets forth our outstanding borrowings as of the dates indicated.

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions) (unaudited)
Borrowings included in non-current liabilities:				
Bank borrowings — secured	2,552.9	2,000.0	3,132.3	2,841.2
Bank borrowings — unsecured	260.0	618.3	1,188.9	1,249.8
Other borrowings — secured	—	3,557.4	7,256.1	7,986.7
	2,812.9	6,175.7	11,577.3	12,077.7
Borrowings included in current liabilities:				
Bank borrowings — secured	1,050.5	808.8	1,904.0	946.7
Bank borrowings — unsecured	1,724.6	942.9	163.2	156.1
Other borrowings — secured	273.9	—	—	—
	3,049.0	1,751.7	2,067.2	1,102.8

Our total borrowings amounted to RMB5,861.9 million, RMB7,927.4 million, RMB13,644.5 million and RMB13,180.5 million, respectively, as of December 31, 2009, 2010 and 2011 and June 30, 2012. The increase in our total borrowings during the three years ended December 31, 2011 was primarily due to additional funds needed for our acquisition of land reserves for future development (excluding payments for land premiums) and financing new development projects. We used the proceeds from these borrowings to finance our property development and for corporate and working capital purposes. As of December 31, 2009, 2010 and 2011 and June 30, 2012, the effective interest rate was approximately 5.7%, 5.6%, 6.5% and 5.8%, respectively, for our bank borrowings, included in non-current liabilities and approximately 5.8%, 6.1%, 11.6% and 7.9%, respectively, for our bank borrowings, which was included in current liabilities; and approximately 8.0% for other borrowings for 2009. Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations.

Commercial banks in China typically require guarantees or security interests for our borrowings. As of December 31, 2009, 2010 and 2011 and June 30, 2012, RMB3,588.9 million, RMB2,808.8 million, RMB5,036.3 million and RMB3,787.9 million, respectively, of our outstanding bank borrowings were jointly secured by certain properties, land use rights, investment properties and properties under development owned by us with carrying amounts totaling RMB5,664.4 million, RMB6,099.3 million, RMB11,539.7 million and RMB9,410.3 million, respectively.

Our bank borrowings are primarily used for our property developments. When applying the bank loans to finance a project, we refer to our property development schedule for the project to determine the maturity date of such loans. During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, most of our property developments were residential projects that were completed or expected to be completed within two and a half years. The table below sets forth the maturity profiles of our borrowings included in non-current liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions) (unaudited)
Between one and two years	635.0	800.0	1,649.3	5,048.8
Between two and five years	1,568.9	4,857.2	9,380.7	6,538.1
Over five years	609.0	518.5	547.3	490.8
Total	2,812.9	6,175.7	11,577.3	12,077.7

As of June 30, 2012, we had total bank borrowings in an aggregate amount of RMB5,193.8 million, which comprised RMB1,102.8 million included in the current liabilities and RMB4,091.0 million included in the non-current liabilities.

As of June 30, 2012, approximately RMB636.0 million of our Trust Financing Loans was outstanding. See "Description of Material Indebtedness and Other Obligations – Trust Financing Loans."

2010 Notes

On 28 April 2010, we issued senior notes due 2015 with a nominal value of US$350 million at a coupon rate of 13.5% per annum for the purpose of debt prepayment, financing property projects and general corporate use. On June 14, 2011, we issued additional 13.5% senior notes due 2015 in the aggregate principal amount of US$300 million for the purpose of financing new land bank in the PRC and real estate projects.

Convertible Bonds

On 20 December 2010, we issued RMB1.5 billion U.S. Dollar settled 8% convertible bonds due 2015 for the purpose of financing the acquisition of new land bank in the PRC and our real estate projects. The initial conversion price is HK$2.82 per share.

RMB Bonds

On March 15, 2011, we issued RMB2.0 billion U.S. Dollar settled senior secured guaranteed bonds due 2014 at a coupon rate of 8.5% per annum for the purpose of financing new land bank in the PRC and real estate projects.

Exchangeable term loan

To refinance our trust loans and to finance our property projects, on May 23, 2012, we entered into a facility agreement with PAG, for an exchangeable term loan in the aggregate principal amount of US$120.0 million at an annual interest rate of 13.5% with a tenor of 27 months, and a call option deed with the lender as the grantee. Upon exercising the call option, the lender will become a minority shareholder of Fenglong Group Co. Ltd. (and/or its subsidiaries), currently a wholly owned subsidiary of us. This exchangeable term loan was fully drawn down as of June 30, 2012. See "Description of Material Indebtedness and Other Obligations."

Gearing ratio

We monitor capital on the basis of the gearing ratio. Our gearing ratio equals net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) and also the amount of loan with detachable warrants for the purpose of calculating the balance as of December 31, 2009 less cash and cash equivalents and restricted cash.

The following table sets out our gearing ratios as of the dates indicated:

	As of December 31,			As of June 30,
	2009	2010	2011	2012
	(RMB in millions)	(RMB in millions)	(RMB in millions)	(RMB in millions) (unaudited)
Total borrowings	5,861.9	7,927.4	13,644.5	13,180.5
Loan with detachable warrants	684.7	—	—	—
Less: cash and cash equivalents	(3,344.5)	(4,339.6)	(3,945.4)	(3,457.3)
Less: restricted cash	(383.0)	(530.1)	(541.0)	(422.9)
Net debt	2,819.1	3,057.7	9,158.1	9,300.3
Total equity	6,628.5	9,993.4	11,949.5	12,668.3
Gearing ratio	42.5%	30.6%	76.6%	73.4%

The decrease in our gearing ratio as of June 30, 2012 as compared to that as of December 31, 2011 was primarily attributable to the increase in total equity as a result of the increase in profit after tax for the period. In 2011, the increase in our gearing ratio as compared to that in 2010 was primarily attributable to the issuance of additional notes under the 2010 Notes and the issuance of the RMB Bonds, as well as increased bank borrowings to finance our property development. In 2010, the decrease in our gearing ratio as compared to that in 2009 was primarily attributable to the increase in profit after tax for the year.

Current ratio

Our current ratio is calculated as current assets divided by current liabilities. As of December 31, 2009, 2010 and 2011 and June 30, 2012, our current ratio was 1.95, 2.20, 2.03 and 1.83, respectively.

Financial Guarantees

We typically arrange for various banks to provide mortgage loans to the purchasers of our properties who require mortgage loans. In accordance with market practice, we make arrangements with various domestic banks to provide mortgage facilities to purchasers of our properties. Furthermore, we are required to provide guarantees to these banks in respect of mortgages offered to our customers. Pursuant to the terms of the guarantees, upon default in mortgage payments by a purchaser, we would be responsible for repaying the outstanding mortgage principal together with accrued interest and penalties owed by the defaulting purchaser to the bank, and we would be entitled to assume legal title to and possession of the related property. These guarantees will be 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 and the completion of the registration of the mortgage, which is generally available within six months to one year after the purchaser takes possession of the relevant property. If a purchaser defaults on the mortgage payment, we may be required to repurchase the underlying property by paying off the mortgage loan. If we fail to do so, the mortgagee bank may auction the underlying property under the relevant PRC laws and regulations and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, we do not conduct independent credit evaluations on our customers but rely on the credit checks conducted by the mortgagee banks.

As of December 31, 2009, 2010 and 2011 and June 30, 2012, the outstanding guarantees for mortgage loans of the purchasers of our properties were equal to RMB2,391.9 million, RMB4,367.0 million, RMB3,679.3 million and RMB5,229.5 million, respectively. The increase in our financial guarantees as of December 31, 2009 to December 31, 2010 was in line with our pre-sales and sales activities and affected by the timing of our property delivery. The decrease in our financial guarantees from December 31, 2010 to December 31, 2011 was primarily attributable to a lower proportion of sales proceeds from mortgage loans. The increase in our financial guarantees from December 31, 2011 to June 30, 2012 was in line with our pre-sales and sales activities and affected by the timing of our property delivery.

Off-Balance Sheet Commitments and Arrangements

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

Market Risks

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

Interest rate risk

We are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings which carry prevailing market interest rates. Our income and operating cash flows are substantially independent of changes in market interest rates. Our interest rate risk primarily arises from interest bearing bank deposits, bank borrowings, Convertible Bonds, 2010 Notes and our RMB Bonds. Bank deposits and bank borrowings issued at variable rates expose the us to cash flow interest-rate risk. Our Convertible Bonds, 2010 Notes and RMB Bonds issued at fixed rates expose us to fair value 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. 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, 2009, 2010 and 2011 and June 30, 2012 were 5.31%, 5.81%, 6.56% and 6.00%, respectively. We cannot assure you that 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. We do not currently use any derivative instruments to modify the nature of our debt so as to manage our interest rate risk. However, our management will consider hedging significant interest rate exposure should the need arise.

Commodities risk

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. Accordingly, rising prices for construction materials will affect our construction costs in the forms of increased fees payable to our contractors. As a result, fluctuations in the prices of our construction materials have a significant impact on our results of operations.

Foreign exchange risk

We are subject to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities such as cash and cash equivalents and loans which are denominated in a currency that is not Renminbi. As of June 30, 2012, our major assets and liabilities that were not denominated in Renminbi were borrowings and bank deposits denominated in Hong Kong dollars and U.S. dollars. Our functional currency is Renminbi, so bank balances and borrowings denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of RMB against foreign currencies could affect the our results of operations.

We currently do not have a foreign currency hedging policy. However, we may choose to use hedging transactions to reduce our exposure to foreign exchange rate fluctuations in the future. 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. Because Renminbi is not freely convertible, our ability to reduce the foreign exchange risk is limited. You should refer to "Risk Factors — Risks Relating to China — Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations" for additional risk disclosure.

Inflation

According to the National Bureau of Statistics of China, China's overall national inflation rate, as represented by the general consumer price index, was approximately -0.7%, 3.3% and 5.4% in the years ended December 31, 2009, 2010 and 2011, respectively. Deflation could negatively affect our business as it would be a disincentive for prospective property buyers to make a purchase.

Non-GAAP Financial Measures

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

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

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

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

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

	As of December 31,				For the six months ended June 30,		
	2009	2010	2011	2011	2011	2012	2012
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(US$ in thousands) (unaudited)	(RMB in thousands) (unaudited)	(RMB in thousands) (unaudited)	(US$ in thousands) (unaudited)
Profit for the year/period	547,857	3,636,656	1,899,278	298,958	917,270	673,631	106,034
Adjustments:							
Change in fair value of investment properties	(289,847)	(2,970,144)	(432,712)	(68,111)	(467,456)	(423,874)	(66,720)
Change in fair value of financial derivatives	85,339	—	—	—	—	(3,798)	(598)
Net finance cost (excluding net exchange gains/losses)	194,782	86,287	48,328	7,607	42,082	6,213	978
Capitalized interest charged to cost of sales	278,700	418,755	492,594	77,537	210,607	78,411	12,342
Income tax expense	405,538	1,709,544	925,690	145,709	485,398	340,509	53,598
Depreciation	13,628	18,281	30,209	4,755	13,645	17,960	2,827
Amortization of intangible assets and land use rights	10,741	419	791	125	417	404	64
Reversal of impairment loss on properties under development to the extent unrealized	—	(6,016)	—	—	—	—	—
Share option expense	4,651	74,343	51,057	8,037	33,652	18,856	2,968
Provision for prepaid project cost	—	15,153	14,000	2,203	—	—	—
EBITDA	1,251,389	2,983,278	3,029,235	476,820	1,235,615	708,312	111,493
EBITDA margin	26.8%	38.5%	28.0%	28.0%	33.3%	30.8%	30.8%

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

The information in the section below has been derived, in part, from various government publications and third party professional databases 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 1970's. China's accession to the World Trade Organization, or the WTO, in 2001 has further accelerated the reform of the PRC economy.

According to the National Bureau of Statistics of the PRC, China's GDP grew at a compound annual growth rate, or CAGR, of approximately 15.7% from 2001 to 2011. China's GDP grew 9.2% during 2011, reaching RMB47,156.4 billion. In the six months ended June 30, 2012, China's GDP was RMB22,709.8 billion, representing a year-on-year growth rate of 11.1% or a real growth rate of 7.8%. According to the Twelfth Five-Year Plan for National Economic and Social Development, the PRC government expects to achieve an annual GDP growth of approximately 7% in the years from 2011 to 2015.[1] The table below sets out certain selected economic statistics of China for the years indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CAGR	First Half 2011	First Half 2012
Nominal GDP (RMB in billions)	10,965.5	12,033.3	13,582.3	15,987.8	18,493.7	21,631.4	26,581.0	31,404.5	34,090.3	40,151.3	47,156.4	15.7%	20,577.5	22,709.8
Real GDP growth rate (%)	8.3%	9.1%	10.0%	10.1%	11.3%	12.7%	14.2%	9.6%	9.2%	10.4%	9.2%		9.5%	7.8%
Per capita GDP (RMB)	8,621.7	9,398.1	10,542.0	12,335.6	14,185.4	16,499.7	20,169.5	23,707.7	25,607.5	29,991.8	35,083.0	15.1%	N/A	N/A

Source: CEIC Data Company Ltd

Notes:
(1) The CAGR between 2000 and 2011.

In line with the nominal GDP growth, China's per capita disposable annual income for urban households increased from RMB6,860 in 2001 to RMB21,810 in 2011, implying increased purchasing power for urban households throughout China. In the first half of 2012, China's per capita disposable annual income for urban households increased to RMB12,509, representing growth of 11.3% from the same period in 2011. The following table illustrates the per capita disposable annual income for urban households and the per capita balance of savings in China.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CAGR	First Half 2011	First Half 2012
Per capita disposable annual income for urban households (RMB)	6,860	7,703	8,472	9,422	10,493	11,759	13,786	15,781	17,175	19,109	21,810	11.8%	11,239	12,509
Per capita balance of saving (RMB)	5,780	6,766	8,018	9,197	10,787	12,293	17,621	16,407	19,548	22,651	26,185	16.3%	N/A	N/A

Source: CEIC Data Company Ltd, National Bureau of Statistics of China

Overview of Greater Shenzhen

Greater Shenzhen is defined as Shenzhen, Dongguan, Huizhou and their surrounding areas. According to recent government initiatives, the economic, infrastructural, social and political developments of the three cities will become increasingly integrated in order to strengthen the overall competitiveness of the region.

The National Development and Reform Commission issued the "Pearl River Delta Region Reform Development Plan Outline" (珠江三角洲地區改革發展計劃綱要) in December 2008 which specified that Greater Shenzhen will be a key area of development and become an integrated region. Shenzhen will serve as the core of the region, with Dongguan and Huizhou as nodal cities.

[1] *Source: National Development and Reform Commission*

Subsequently, the local governments of Shenzhen, Dongguan and Huizhou signed the "Framework Agreement on the Promotion of Close Regional Cooperation in East Coast of the Pearl River Delta Region" (推進珠江口東岸地區緊密合作框架協議) in February 2009 to set out guidelines in areas of cooperation, including economic integration, regional transportation network, city planning, and industry promotion, among others.

The transportation network within the Pearl River Delta region is expected to become further extended and developed, with 3,000 kilometers of highway and 1,100 kilometers of light rail in operation by 2012. In particular, according to the "Shenzhen, Dongguan and Huizhou Boundary Road Construction and Connection Work Plan Agreement" (深圳市、東莞市、惠州市關於邊界道路建設及連接工作計劃的協議) signed by the three local governments in May 2009, Shenzhen, Dongguan and Huizhou will be interconnected with a network of 11 expressways and linked to elsewhere with seven national and inter-provincial expressways, all of which are planned to be constructed by 2013. The transportation time to reach between Shenzhen, Dongguan and Huizhou will be shortened to 1 hour.

Greater Shenzhen will be supported by a backbone network of "five east-west bound and three north-south bound" expressways (五橫三縱). Details of the network can be found in the table below.

	Name	Current distance (meters in thousands)	New developed distance (meters in thousands)	Current Situation	Time of development
East-west bound section 1	He Qing Expressway	0	91	Expressway foundation Completed	2011 to 2015
	Guang He Expressway	156	19	Completed and in operation	In operation
East-west bound section 2	Guang Hui Expressway and Dong Yan Line	109	32	Guang Hui Expressway completed, Dong Yan line under development	Time of completion and operation 2013 (estimated)
East-west bound section 3	Chao Guan Expressway Huizhou section	49.3	0	Completed and in operation	In operation
East-west bound section 4	Shen Shan Expressway Huizhou section	63	0	Completed and in operation	In operation
East-west bound section 5	Hui Shen Coastal Expressway	50	0	Completed and in operation	In operation
North-south bound section 1	Yue Gan Expressway Huizhou section	107	0	Completed and in operation	In operation
North-south bound section 2	Huizhou Port Expressway (also called Hui Da Expressway)	0	55	Under development	2007 to 2015
North-south bound section 3	Yue Xiang Expressway Huizhou section	0	141	Under development	2007 to 2020

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	National constitution amended by the NPC to permit the transfer of state-owned land use rights
1992	Commencement of public housing sales in major cities
1994	Further implementation of reforms by the PRC government, and the establishment of an all-round employer/employee-funded housing fund
1995	Regulations regarding sales and pre-sales of real estate issued by the PRC government, establishing a regulatory framework for real estate sales
1998	State-allocated housing policy abolished by the PRC government Regulations on the administration of pre-sales of commodity buildings in Guangdong Province issued by Guangdong municipal government
1999	The PRC government extends maximum mortgage term to 30 years The PRC government increases maximum mortgage financing from 70% to 80% The PRC government formalizes procedures for the sale of real property in the secondary market
2000	Regulations to standardize the quality of construction projects issued by the PRC government, establishing a framework to administer construction quality
2001	Regulations relating to sales of commodity housing issued by the PRC government
2002	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土地使用權規定) promulgated by the PRC government requiring that land use rights for the purposes of commercial use, tourism, entertainment, commodity housing development and other operational purposes can only be granted by the government through public tender, auction or listing-for-sale The PRC government eliminates 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 State Council issued a notice for sustained and healthy development of the real estate market
2004	The State Council issued a notice requiring that, with respect to property development projects (excluding affordable housing), the proportion of capital funds should be increased from 20% to 35%. The Ministry of Construction amended the Measures for the Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法). CBRC issued the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引) to further strengthen the risk control of commercial banks over their real estate financing

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% on the proceeds from sales that occur within two years of purchase, and prohibiting resale of unfinished properties

2006 . . . . . The PRC government implemented additional land supply, bank financing and other measures to curtail fast increases in property prices, to encourage the development of middle to low-end housing and to promote the healthy development of the PRC real estate industry

2007 . . . . . The PRC government issued regulations to increase the annual land use tax, and also to impose such land use tax on foreign invested enterprises

The Ministry of Land and Resources issued regulations that land use rights certificates may not be issued unless and until all land premium has been paid with respect to the whole land lot under a land grant contract, which has effectively stopped the practice of issuing land use rights certificates in installments

2008 . . . . . The State Council issued the Notice on Promoting the Economic Use of Land (Guo Fa [2008] No. 3) (《國務院關於促進節約集約用地的通知》(國發 [2008]3號)). The notice reinforced the existing policy in respect of idle land by stipulating, among other things, that the disposal policies for idle land shall be implemented strictly. The requirement that not less than 70% of the residential land must be used for developing low-cost rental units, small- to medium-sized units, low-to-medium-cost units and units with a GFA of less than 90 sq.m. is also reinforced in this notice. The notice establishes an additional land premium surcharges on idle land and authorizes the Ministry of Land and Resources to formulate regulations to implement such surcharges

The PBOC and the CBRC jointly issued the Notice on Promoting Economic

Use of Land through Finance (《關於金融促進節約集約用地的通知》). The notice emphasizes that the financial institutions should tighten the management of loans for certain projects and the management of credit for commercial real estate such as prohibiting from granting loans to property projects for which the land that has been held idle for two years or more

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

2010 . . . . . The Ministry of Land and Resources promulgated the Notification on Issues Relating to Strengthening the Supply and Regulation of the Land for Real Estate Development (《關於加強房地產用地供應和監管的有關問題的通知》) on March 8, 2010, to introduce new measures on land supply, including:

- Implement the PRC government's latest land supply plans and prioritize land supply;
- The local governments must allocate 70% of new land supply to the construction of "supportive housing and self-use small-to-medium size housing"; and
- Local governments must closely monitor developers' implementation of the terms regarding the date for commencement of construction and completion of construction in land transaction contracts, and in the case of any violations, local governments must investigate and punish them.

Additionally, the Ministry of Land and Resources announced that land sales in local cities should be halted with immediate effect until local governments submit the details of land supply plan for overall housing and social welfare housing. The local governments must submit the detailed plans before April 5 to the Ministry of Land and Resources, and the Ministry of Land and Resources will release the overall plan to the public and submit the overall plan to the State Council. If a local government cannot timely submit the plan or meet the requirements, the local government should be noticed or deduct the quota of land usage.

On March 18, 2010, SASAC (the State-owned Assets Supervision and Administration Commission) held a public meeting and the directive from SASAC said only 16 state-owned companies (under State Council), whose primary business is real estate, will be allowed to participate in the sector.

The SASAC requested the remaining 78 SOEs to submit their property business exit plans within a certain time frame.

2011 ..... In January 2011, the State Council promulgated the Regulation on Expropriation of and Compensation for Buildings on State-Owned Land (國有土地上房屋徵收與補償條例) (Order of the State Council No. 590) which stipulates that compensation must be paid before the resettlement. Compensation offered by governments at municipal and county levels that makes housing expropriation decision to parties with housing being expropriated includes:

- compensation for the value of the housing being expropriated;
- compensation for relocation and temporary settlement caused by expropriation of housing; and
- compensation for the loss arising from the suspension of production and operation caused by expropriation of housing.

On December 24, 2011, MOFCOM and NDRC, jointly promulgated the Catalog of Guidance on Industries for Foreign Investment (Revised in 2011) (外商投資產業指導目錄), which was effective on January 30, 2012, stipulating the following:

- the development of a whole parcel of land (limited to Sino-foreign joint equity and cooperative ventures) as well as the construction and operation of high-end hotels, villas, premium office buildings, international conference and exhibition centers fall within the category of industries in which foreign investment is restricted;
- the secondary market transactions in real estate sector and real estate intermediaries or brokerage companies agents fall within the category of industries in which foreign investment is restricted; and
- other real estate developments fall within the category of industries in which foreign investment is permitted.

Subject to the approval by the relevant foreign investment regulatory authorities, a foreign investor intending to engage in the development and operation of real estate in China may establish a Sino-foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly foreign owned enterprise in accordance with the PRC laws and regulations governing foreign-invested enterprises.

2012 . . . . . On February 25, 2012, the Ministry of Land and Resources promulgated the Notice on Accomplishment of Real Estate Land Administration and Control in 2012 (國土資源部關於做好2012年房地產用地管理和調控重點工作的通知) which aimed to insist on stabilizing the housing price and guaranteeing the sufficient supply of social security housing.

On July 19, 2012, the Ministry of Land and Resources and MOHURD jointly issued the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property Market (《關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》) to strengthen the enforcement of macroeconomic policy in the real property market, which requires that residential construction projects must commence within one year from the land title delivery date as stipulated in the land allocation decision or land grant contract and must be completed within three years from the date of commencement.

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

Measures affecting the PRC property market

Since 2004, in an effort to reduce the growth rate of China's economy and achieve balanced and sustainable economic growth, the PRC government has taken measures to control money supply, credit availability and fixed assets investment. The PRC government has also taken measures to discourage speculation in the residential property market and to increase the supply of affordable housing. In response to concerns over the scale of the increase in property investment, the PRC government has introduced policies to restrict future development, including:

- limiting the monthly mortgage payment to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of their monthly income;
- increasing the minimum required capital contribution of real estate developers from 20% to 35% of the total projected capital outlay of any property development;
- increasing the reserve requirement ratio of funds that a commercial bank must hold on deposit from 7% to 14.0-17.0%, effectively reducing the amount of money a bank is able to lend; and
- tightening regulations governing mortgage lending and restricting approval of new development zones.

In April 2005, the Ministry of Construction and other relevant Chinese government authorities jointly issued the Opinions on Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) followed by a set of new measures. These measures, which are aimed at directly controlling the growth of the real estate industry, include:

- a business tax levy, starting June 1, 2005, on the sales proceeds subject to the length of holding period and type of properties;
- a ban on onward transfer of uncompleted properties;
- an increase of the minimum required loan payment to 30% of the total purchase price;
- an elimination of the preferential mortgage interest rate for residential housing;
- an imposition of a land idle fee for land which has not been developed for one year starting from the commencement date stipulated in the land grant contract and
- cancellation of land use rights for land which has been idle for two years or more;
- a revocation of projects not in compliance with the planning permits; and
- a ban on land provision for villa construction and a restriction on land provision for high-end residential property construction.

In May 2006, the Ministry of Construction, the NDRC, the PBOC and other relevant 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). The opinions reiterated the existing measures and introduced new measures intended to further curtail rapid increases in property prices in large cities and to promote the healthy development of the PRC property market. Among others, these measures include:

- requiring that at least 70% of the land supplied by a local government for residential property development for any given year must be used for developing small to medium-size units at low to medium cost, offered as low-cost rental properties;
- requiring that at least 70% of residential projects GFA approved or constructed on or after June 1, 2006 must consist of units with a GFA of less than 90 sq.m. per unit and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to conform with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- imposing a business tax levied on the entire sales proceeds of residential properties sold within five years of purchase, effective June 1, 2006, as opposed to two years when such levy was initially implemented in June 2005, and also imposing a business tax levied on the difference between the sale price of a property after five years from the purchase date and the original purchase price if such property is not deemed to be an ordinary residential property;
- increasing the minimum amount of down payment from 20% to 30% of the total purchase price for any underlying property if the underlying property has a residential unit floor area of 90 sq.m. or more, effective June 1, 2006. This applies to all existing units and units yet to be completed. A down payment of 20% is required for residential units purchased for self use with floor area of 90 sq.m. and below; and
- prohibiting commercial banks from lending funds to property developers with an internal capital ratio of less than 35%, calculated by dividing the internal funds by the total project capital required for the project, thereby restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for mortgage loans.

In May 2006, the Ministry of Land and Resources issued the Urgent Notice on Further Tightening Land Administration (關於當前進一步從嚴土地管理的緊急通知). Under this notice, local governments are required (1) to adhere to their annual overall land use planning and land supply plans and tighten the control on land supply for non-agricultural use, (2) to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing and to strictly enforce the regulations regarding penalties on and forfeiture of idle land, and (3) to conduct thorough investigations on illegal use of land and submit a report on such investigations to it by the end of October 2006.

In July 2006, the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market (關於規範房地市場外資准入和管理的意見). The opinions set out the regulations on the investment in property in China by overseas entities or individuals other than for self-use, and include the following:

- an overseas entity or individual investing in property shall apply for the establishment of a FIREE, and may only conduct operations within its authorized business scope;
- the registered capital of a FIREE with a total investment of US$10 million or above shall not be less than 50% of its total investment amount;
- a newly established FIREE can only obtain an approval certificate and business license that is valid for one year. The approval certificate and business license can be obtained by submitting the land use rights certificate to the relevant authorities after the land premium has been paid;

- an equity transfer of a FIREE or the transfer of its projects, as well as the acquisition of a domestic property enterprise by foreign investors, must first be approved by MOFCOM or its local counterpart. Foreign investors acquiring a domestic property enterprise through an equity transfer or acquiring equity interest from a Chinese partner in an equity joint venture shall pay the purchase price in one lump sum from its own capital;
- if the registered capital of a FIREE is not fully paid up, its land use rights 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 the SAFE shall not approve the settlement of any foreign loans;
- 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; and
- 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 December 2006, SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於房地產開發企業土地增值税清算管理有關問題的通知) with effect from February 1, 2007. This notice regulates, among others, (1) the conditions under which LAT must be settled; (2) the methods in which taxable gains are computed; (3) identifying items which are allowable deductible costs; (4) time frame for settlement of the LAT, and (5) requirements for filing of documents. The purpose of the Notice was to regulate the settlement of LAT by property development enterprises more stringently. Pursuant to this notice, effective February 1, 2007, a real property developer must settle the relevant LAT payment of its property development projects with the tax authorities in accordance with the applicable LAT tax rates. LAT must be paid if a project meets any of the following requirements: (1) the property development project has been completed and sold out; (2) the entire uncompleted and unsettled development project is transferred; or (3) the land-use rights of the relevant project are transferred.

In May 2007, the MOFCOM and the SAFE jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Investment in the Real Estate Sector in the PRC (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which provides that:

- foreign investment in the real estate sector in the PRC relating to high-end properties should be strictly controlled;
- prior to obtaining approval for the establishment of FIREEs, either (i) both the land use right certificates and housing title certificates should be obtained, or (ii) contracts for obtaining land use rights or housing title certificates should be entered into;
- enterprises which have been established as foreign-invested enterprises need to obtain approval before expanding their business scope into the real estate sector and foreign-invested enterprises which have been established for real estate development need to obtain approvals to expand their real estate business scope;
- acquisitions of real estate enterprises and foreign investment in the real estate sector by way of round trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- parties to a FIREE may not in any way guarantee a fixed investment return;
- FIREEs approved by local approval authorities must immediately register with the MOFCOM through a filing made by the local approval authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business may not effect foreign exchange settlements of capital account items for those FIREEs which have not completed their filings with the MOFCOM or fail to pass the annual inspections; and

- for those FIREEs approved by local authorities in violation of applicable rules, (i) the MOFCOM will investigate, impose punishments and require corrections, and (ii) foreign exchange administrative authorities will not accept the foreign exchange registrations of such enterprises.

In July 2007, the SAFE issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Property Registered with the 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) 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 filed with the MOFCOM after June 1, 2007. As PRC companies cannot repay any loans or interest associated therewith, under the PRC foreign exchange control system, to persons outside the PRC without registering the foreign debt with the SAFE, this notice effectively prohibits our ability to fund our PRC subsidiaries in the form of loans. Therefore, the proceeds of this offering that will be used for land acquisition and development in China can only be transferred to our PRC subsidiaries as equity investments and not as loans. See the section entitled "Risk Factors — Risks Relating to China — Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations."

On September 27, 2007, the PBOC and the CBRC promulgated 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), which further tightened mortgage lending practice for commodity properties, including:

- increasing the down payment requirement applicable to a purchaser acquiring his second residential property to at least 40% and setting the interest rate for these loans at no less than 110% of the respective PBOC benchmark interest rate for loans of the same kind and the same term, if the purchaser has any outstanding loan with respect to his or her first property; and
- increasing the down payment requirement for commercial properties such as offices and shopping malls from 40% to 50% of the purchase price.

The circular emphasizes that commercial banks must not offer loans to property developers which have been verified by land and resource and construction authorities to hoard land and buildings. In addition, commercial banks are banned from offering loans to projects that have less than 35% of the necessary capital funds (proprietary interests), or that fail to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction works commencement permits. Commercial banks are also prohibited from accepting commercial properties that have been vacant for more than three years as security for any loans. In principle, property development loans provided by commercial banks should only be used for the projects in the areas where the commercial banks are located. Otherwise, commercial banks should carry out effective risk control measures and make filings with the PRC supervisory authorities before disbursement of the loans.

On December 5, 2007, the PBOC and the CBRC jointly issued the Supplemental 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補充通知), which clarifies that the terms of property mortgage loans should be calculated on a family basis, including the borrower, his spouse and minor child.

On January 3, 2008, the State Council issued the Notice on Promoting Economizing Land Use (關於促進節約集約用地的通知) with respect to the collection of additional land premiums, 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 urges the full and effective use of existing construction land and the preservation of farming land. The notice 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 premium. The notice also establishes an additional land premium surcharges on idle land and authorizes the Ministry of Land and Resources to formulate regulations to implement such surcharges. The notice further urges financial institutions to exercise caution when processing loan applications from property developers that have failed (i) to commence construction; (ii) to complete development of at least one-third of the land area; or (iii) 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 the relevant governmental authorities will formulate and issue further rules and regulations on such requirements.

On June 18, 2008, the MOFCOM issued the Notice on Properly Archiving the Filings for Foreign Investment in Real Estate Sector (關於做好外商投資房地產業備案工作的通知). According to the notice, since July 1, 2008, the MOFCOM entrusts its provincial level branches to review the filing materials with respect to foreign investment in real estate sector and check and confirm the legality, authenticity and accuracy of the materials. The MOFCOM will archive the filing after receiving the archival form duly completed and submitted by the provincial level branches.

On July 29, 2008, the PBOC and the CBRC jointly issued the Notice on Promoting Economic Use of Land through Finance (關於金融促進節約集約用地的通知). The Notice emphasizes that the financial institutions should tighten the management of loans for certain projects, including construction projects, municipal infrastructures and industrial land use projects, rural collective construction land use projects, and should tighten the management of credit for commercial real estate. The commercial banks are prohibited from granting loans to the property developers for payment of land premium and to the property projects including but not limited to the followings:

- the construction projects for which the relevant land falls into the catalog of banned land use projects;
- the property development projects for which the relevant land is supposed to be developed for rural collective construction land use; and
- the property development projects for which the relevant land has been idle for two years or more.

On May 25, 2009, the State Council issued the Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets (國務院關於調整固定資產投資項目資本金比例的通知), Pursuant to which, the minimum capital ratio of ordinary commodity housing projects and social security housing projects has been reduced to 20%, while that for other real estate projects has been decreased to 30%.

On September 21, 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the Notice of Further Strengthening Control and Regulation of Land and Construction of Property Development (關於進一步加強房地產用地和建設管理調控的通知), which stipulated, among other things, that:

- at least 70% of land designated for construction of urban housing must be used for economically affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased;
- developers and their controlling shareholders (as defined under PRC laws) are prohibited from participating in land tenders before the rectification of certain misconduct, including (i) illegal transfer of land use rights; (ii) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (iii) noncompliance with the land development requirements specified in land grant contracts; and (iv) crimes such as swindling land by forging official documents and illegal land speculation;
- developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years since commencement of the construction;
- development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and
- the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

On September 29, 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), according to which, the minimum down-payment has been raised to

30% of the purchase price of the commodity residential property, and commercial banks shall suspend granting mortgage loans to families that purchase a third or further residential property or non-local residents who fail to provide one-year or longer tax payment certificates or social insurance payment certificates. For a mortgage on the second residential property, the minimum down-payment must be 50% of the purchase price and the interest rate must be no less than 1.1 times that of the corresponding benchmark interest rate over the same corresponding period released by the PBOC.

On January 26, 2011, the State Council issued the Notice on Further Adjustment and Control of Property Markets (《關於進一步做好房地產市場調控工作有關問題的通知》) which requires, among other restrictive measures:

- a minimum down-payment of 60% of the total purchase price with a minimum mortgage interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and
- in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are exceedingly high or increasing at an excessively high rate, local residents with two or more residential properties, non-local residents with one or more residential properties and non-local residents that are unable to provide documentation certifying payment of local tax or social insurance payment for a specified time period, are not permitted to purchase any residential properties located in the local administrative area.

On February 25, 2012, the Ministry of Land and Resources promulgated the Notice on Accomplishment of Real Estate Land Administration and Control in 2012 (《國土資源部關於做好2012年房地產用地管理和調控重點工作的通知》) which stipulates the following:

- The real estate control policy shall be firmly performed and the key tasks shall be clarified;
- The real estate land supply shall be properly managed for the purpose of the welfare of the masses;
- The land supply for social security housing projects shall be guaranteed;
- Unlawful acts shall be strictly punished and development and construction shall be vigorously encouraged; and
- Supervision analysis and media propaganda shall be strengthened to provide positive guidance towards the market.

In May 2012, the Ministry of Land and Resources issued a Circular on the Distribution of the Catalogue for Restricted Land Use Projects (2012 Version) and the Catalogue for Prohibited Land Use Projects (2012 Version) (關於印發《限制用地項目目錄(2012年本)》和《禁止用地項目目錄(2012年本)的通知》), as a supplement to its 2006 version. In this Circular, the Ministry of Land and Resources has set forth a ceiling for the land granted by local governments for development of commodity housing of 7 hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

On July 19, 2012, the Ministry of Land and Resources and MOHURD jointly issued the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property Market (《關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》) to strengthen the enforcement of macroeconomic policy in the real property market. Local governments must secure the supply of residential land, especially land used for development of government-subsidized residential units. Local governments must strictly implement the macroeconomic control policies for the real property market. Residential construction projects must commence within one year from the land title delivery date which is stipulated in the land allocation decision or land grant contract, and must be completed within three years from the date of commencement.

For additional information on measures affecting the PRC real estate market, please see "Regulations."

From 2001 to 2011, according to the CEIC Data Company Ltd, China's urbanization rate (i.e. the proportion of population residing in urban areas) increased from 37.7% to 51.3%, and the urban population increased from 481 million to 691 million during the same period, representing a CAGR of 3.7%.

The following table sets forth China's urbanization rate for the years indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CAGR
Urban population (millions)	481	502	524	543	562	583	606	624	645	670	691	3.7%
Total population (millions)	1,276	1,285	1,292	1,300	1,308	1,314	1,321	1,328	1,335	1,341	1,347	0.5%
Urbanization rate (%)	37.7	39.1	40.5	41.8	43.0	44.3	45.9	47.0	48.3	49.9	51.3	3.1%
Per capita disposable income for urban households (RMB)	6,860	7,703	8,472	9,422	10,493	11,759	13,786	15,781	17,175	19,109	21,810	12.3%

Source: CEIC Data Company Ltd

Commodity Property Sales

The continuous upward trend in the China real estate industry is backed by rising prices and strong demand. According to CEIC, a total GFA of 892.4 million sq.m. was completed in the PRC in 2011, representing a 13.3% increase from 2010. In the six months ended June 30, 2012, total GFA completed was 332.6 million sq.m., which represented a year-on-year increase of 20.7% from the same period in 2011.

The table below sets forth certain information on the major supply and demand indicators for the years indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CAGR	First Half 2011	First Half 2012
Investment in real estate (RMB in billions)	634.4	779.1	1,015.4	1,315.8	1,590.9	1,942.3	2,528.9	3,120.3	3,624.2	4,825.9	6,174.0	25.6%	2,625.2	3,061.0
Total GFA completed (sq.m. in millions)	298.7	349.8	414.6	526.4	534.2	558.3	606.1	665.4	726.8	787.4	892.4	11.6%	275.6	332.6
Total GFA sold (sq.m. in millions)	224.1	268.1	337.2	453.6	554.9	618.6	773.5	659.7	947.6	1,047.6	1,099.5	17.2%	444.2	399.6
Residential GFA sold (sq.m. in millions)	199.4	237.0	297.8	397.2	495.9	554.2	701.4	592.8	861.8	933.8	970.3	17.1%	398.0	353.5
Average price of properties per sq.m. (RMB)	2,170.0	2,250.0	2,359.0	2,778.0	3,167.7	3,366.8	3,863.9	3,800.0	4,681.0	5,032.0	5,377.0	9.5%	5,536.0	5,834.0
Average price of residential properties per sq.m. (RMB)	2,017.0	2,092.0	2,197.0	2,608.0	2,937.0	3,119.3	3,645.2	3,576.0	4,459.0	4,725.0	5,011.0	9.5%	5,190.0	5,467.0

Source: CEIC Data Company Ltd

Prices for real estate in China also increased from 2001 to 2011. According to CEIC Data Company Ltd, the average price per sq.m. for the overall property market, including both commercial (which includes retail, office and hotel properties) and residential properties, increased from RMB2,170 per sq.m. in 2001 to RMB5,377 per sq.m. in 2011, representing a CAGR of 9.5%. As of June 30, 2012, the average property price in China continued to increase to RMB5,834 per sq.m., representing a year-on-year increase of 5.4% from June 30, 2011.

Property Revenue

The upward trend in the China property industry is evidenced by the growth of the revenue from the sale of properties in the PRC. According to CEIC Data Company Ltd, the total revenue from property sales in the PRC grew from approximately RMB393.5 billion in 2000 to approximately RMB5,911.9 billion in 2011. Total GFA sold in the PRC increased from approximately 224.1 million sq.m. in 2001 to approximately 1,099.5 million sq.m. in 2011.

The Real Estate Market in Guangdong Province

Guangdong Province is located in southern China. It occupies a total area of approximately 179,800 square kilometers. In 2011, Guangdong Province had a population of approximately 105.5 million. The real GDP growth rate of Guangdong Province exceeded the national growth rate in each of the past ten years and the per capita GDP of Guangdong Province was significantly higher than the national average. The table below sets out selected economic statistics for Guangdong Province for the periods indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	1,203.9	1,350.2	1,584.5	1,886.5	2,255.7	2,658.8	3,177.7	3,679.7	3,948.3	4,601.3	5,267.4
Real GDP growth rate (%)	10.5	12.4	14.8	14.8	14.1	14.8	14.9	10.4	9.7	12.4	10.0
Per capita GDP (RMB)	13,851.6	15,365.3	17,798.2	20,875.6	24,646.6	28,533.7	33,271.6	37,637.9	39,435.9	44,735.6	50,295
Per capita disposable income for urban households (RMB)	10,415.2	11,137.2	12,380.4	13,627.7	14,769.9	16,015.6	17,699.3	19,732.9	21,574.7	23,897.8	26,897

Source: CEIC Data Company Ltd

According to CEIC Data Company Ltd, properties with a total GFA of 58.0 million sq.m. were completed in Guangdong Province in 2011, of which 46.1 million sq.m. was residential property. Total GFA sold was 77.6 million sq.m. in 2011, of which 69.7 million sq.m. was residential property.

The Real Estate Market in Greater Shenzhen

Shenzhen

Shenzhen is located in southern Guangdong Province and is directly adjacent to Hong Kong. It is the first special economic zone in China. It occupies a total area of approximately 1,953 square kilometers and had a population of approximately 10.5 million as of December 31, 2011. Shenzhen's GDP reached approximately RMB1,150.2 billion in 2011. In 2011, Shenzhen's per capita GDP was RMB110,387. The table below sets out selected economic statistics for Shenzhen for the periods indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	248.2	297.0	358.6	428.2	495.1	581.4	680.2	778.7	820.1	958.2	1,150.2
Real GDP growth rate (%)	14.3	15.8	19.2	17.3	15.1	16.6	14.8	12.1	10.7	10.7	10.0
Per capita GDP (RMB)	34,822.1	40,368.9	47,029.3	54,236.3	60,801.4	68,441.0	76,273.0	83,431.0	84,147.0	106,880.0	110,387
Per capita disposable income for urban households (RMB)	22,672.6	24,938.5	23,885.4	25,874.5	28,664.6	32,014.5	33,592.8	26,729.3	29,244.5	32,380.9	36,505.0

Source: CEIC Data Company Ltd

According to CEIC Data Company Limited, a total GFA of approximately 5.1 billion sq.m. was sold in Shenzhen in 2011, which represented an increase of approximately 10.0% from 2010. Building sales increased 21.6% from RMB89.3 billion in 2010 to approximately RMB108.5 billion in 2011.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GFA completed (sq.m. in millions)	7.3	8.9	10.2	6.8	9.5	8.5	6.4	6.3	4.0	3.4	3.4
GFA sold (sq.m. in millions)	3.8	3.8	4.1	3.8	11.2	7.5	5.6	4.7	7.6	4.7	5.1
Average price of residential properties (RMB/sq.m.)	5,507	5,267	5,793	6,385	6,996	8,848	13,370	12,823	14,389	18,954	N/A
Revenue (RMB in millions)	22,394	22,119	25,758	25,788	85,135	70,303	77,991	59,109	111,388	89,255	108,497

Source: CEIC Data Company Ltd

Dongguan

Dongguan is located in the mid-eastern region of Guangdong Province. It occupies a total area of approximately 2,465 square kilometers and had a population of approximately 1.8 million as of December 31, 2010. Dongguan's GDP reached approximately RMB473.5 billion in 2011, representing a per capita GDP of approximately RMB57,470. The table below sets out selected economic statistics for Dongguan for the periods indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	57.9	67.3	94.8	115.5	218.2	262.7	315.2	370.3	376.4	424.6	473.5
Real GDP growth rate (%)	18.0	18.5	19.5	19.6	19.4	19.2	18.2	14.0	5.3	10.3	8.0
Per capita GDP (RMB)	37,777.1	43,401.0	60,158.0	71,997.0	33,263.0	39,468.0	46,027.0	53,285.0	56,601.0	66,351.0	57,470.0
Per capita disposable income for urban households (RMB)	16,938	16,949.0	18,471.0	20,526.0	22,882.0	25,320.0	28,209.0	30,275.0	33,044.6	36,349.6	39,513.0

Source: CEIC Data Company Ltd

According to the Statistics Bureau of Guangdong Province and the Statistics Bureau of Dongguan, a total GFA of approximately 6.0 million sq.m. was sold in Dongguan in 2011, which represented an approximately 16.5% decrease from 2010. Building sales increased 23% from RMB37.4 billion in 2010 to approximately RMB46.0 billion in 2011.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GFA completed (sq.m. in millions)	1.0	1.1	1.3	2.6	1.4	1.3	1.7	1.4	1.0	3.1	3.0	2.4
GFA sold (sq.m. in millions)	0.6	0.8	1.0	1.6	1.6	3.2	3.8	5.7	5.1	6.0	5.1	6.0
Average price of residential properties (RMB/sq.m.)[(1)]	2,215	2,512	2,906	3,341	3,297	4,914	4,138	5,058	5,259	5,775	7,111	7,645
Revenue (RMB in millions)	1,670	2,125	2,875	5,424	5,918	16,124	16,124	29,499	28,860	35,300	37,377	45,961

Source: Dongguan Bureau of Statistics, CEIC Data Company Ltd

Huizhou

Huizhou is located in southeastern Guangdong Province. It occupies a total area of approximately 11,158 square kilometers and had a population of approximately 3.4 million as of December 31, 2011. Huizhou's GDP reached approximately RMB209.7 billion in 2011, and it had a per capita GDP of approximately RMB43,000. The table below sets out selected economic statistics for Huizhou for the periods indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	48.0	52.5	59.1	68.5	80.3	93.5	110.5	129.0	141.5	173.0	209.7
Real GDP growth rate (%)	10.3	11.1	13.9	15.1	15.8	16.6	17.4	11.5	13.2	18.0	14.6
Per capita GDP (RMB)	14,590.0	15,529.0	16,860.0	19,189.0	21,896.0	25,043.0	28,945.0	33,077.0	35,819.0	43,397.0	44,000
Per capita disposable income for urban households (RMB)	10,014	10,691.0	12,673.0	13,822.0	14,884.0	15,991.0	18,770.0	19,481.0	21,278.0	23,565.2	26,609

Source: CEIC Data Company Ltd

According to the Statistics Bureau of Guangdong Province, a total GFA of approximately 8.0 million sq.m. was sold in Huizhou in 2011, which represented an increase of approximately 27.2% from 2010. The average selling price of residential properties experienced an increase of approximately 17.2% from RMB4,817 per sq.m. in 2010 to RMB5,480 per sq.m. in 2011. Building sales rose by 42.0%, from approximately RMB31.1 billion in 2010 to approximately RMB44.2 billion in 2011.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GFA completed (sq.m. in millions)	0.6	0.9	1.0	0.9	1.3	1.7	2.1	2.4	5.5	5.6	5.0
GFA sold (sq.m. in millions)	0.5	0.6	0.9	1.0	1.5	2.5	3.9	3.0	5.4	6.3	8.0
Average price of residential properties[(1)] (RMB/sq.m.)	1,683	1,992	1,836	2,076	2,227	2,840	3,771	3,931	4,111	4,817	5,480
Revenue (RMB in millions)	788	1,324	1,670	2,288	3,797	7,580	15,618	12,194	23,201	31,117	44,180

Source: CEIC Data Company Ltd

The Real Estate Market in Guangzhou

Guangzhou is situated at the southern part of the Pearl River Delta region and is the capital of Guangdong Province. It occupies a total area of approximately 7,434 square kilometers and had a population of approximately 8.1 million as of December 31, 2010. In 2011, Guangzhou's nominal GDP reached approximately RMB1,230.3 billion, while real GDP grew approximately 11.0% in 2011.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	268.6	300.1	349.7	411.6	515.4	607.4	710.9	821.6	913.8	1,074.8	1,230.3
Real GDP growth rate (%)	12.7	13.2	15.2	15.0	12.9	14.8	14.9	12.3	11.7	13.2	11.0
Per capita GDP (RMB)	38,007.4	41,884.0	48,372.0	56,271.0	69,268.0	63,100.0	71,808.0	81,233.0	89,082.0	103,625.0	N/A
Per capita disposable income for urban households (RMB)	14,416.2	13,361.0	14,764.9	16,881.7	18,288.4	19,850.4	22,469.2	25,316.7	27,609.6	30,658.5	34,438

Source: CEIC Data Company Ltd

In line with the growth in the economy and population of Guangzhou, housing demand in Guangzhou experienced an upward trend in recent years. According to CEIC Data Company Ltd, total real estate investment amounted to approximately RMB130.7 billion in 2011, representing an increase of 32.8% as compared to approximately RMB98.4 billion in 2010.

According to CEIC Data Company Limited, the total GFA of completed properties in 2011 in Guangzhou was approximately 12.6 million which represented an approximately 15.6% increase from 2010. The average selling price per sq.m. of residential properties in Guangzhou in 2011 was approximately RMB11,383.0, representing an increase of approximately 7.2% from 2010. The table below sets out key statistics relating to the real estate market in Guangzhou for the periods indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GFA completed (sq.m. in millions)	8.5	10.8	11.4	9.5	10.6	9.9	8.8	10.6	10.8	10.9	12.6
GFA sold (sq.m. in millions)	5.6	7.3	8.2	8.7	12.7	13.2	13.5	10.2	13.8	14.1	12.5
Average price of residential properties (RMB/sq.m.)	4,047	3,995	3,999	4,356	5,041	6,152	8,439	8,781	8,988	10,615	11,383
Revenue (RMB in millions)	23,796	30,579	34,338	39,593	68,271	86,229	117,202	93,507	128,615	167,499	158,319

Source: CEIC Data Company Limited

The Real Estate Market in Zhuhai

Zhuhai is one of the special economic zones of Guangdong Province and is directly adjacent to Macau. It occupies a total area of approximately 1,701 square kilometers and had a registered population of approximately 1.1 million as of December 31, 2011. Zhuhai's GDP reached approximately RMB140.3 billion in 2011. The table below sets out selected economic statistics for Zhuhai for the periods indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	36.7	40.6	47.3	54.6	63.5	74.8	89.6	99.2	103.9	120.9	140.3
Real GDP growth rate (%)	12.1	12.3	17.5	13.8	13.4	16.4	16.7	9.0	6.6	12.9	11.3
Per capita GDP (RMB)	29,222.0	32,682.0	58,924.0	64,960.0	45,284.0	52,185.0	61,693.0	67,591.0	69,890.0	80,697.0	N/A
Per capita disposable income for urban households (RMB)	15,879.0	15,320.0	16,602.0	18,347.0	18,908.0	17,671.0	20,516.0	20,949.0	22,858.6	25,381.6	28,730.7

Source: CEIC Data Company Ltd

According to Statistics Bureau of Guangdong Province, the total GFA of completed properties in 2011 in Zhuhai was approximately 3.5 million sq.m, which represented an increase of approximately 65.5% from 2010. The average selling price per sq.m. of commodity properties was RMB11,679, representing a 9.2% increase from 2010. The total buildings sales value in 2011 was RMB28.1 billion, representing an increase of 2.2% from 2010.

The Real Estate Market in Sichuan Province

The Real Estate Market in Chengdu

Chengdu is the capital of Sichuan Province, located in the Western China region. It occupies a total area of approximately 12,121 square kilometers and had a population of approximately 11.5 million as of December 31, 2011. Chengdu's GDP reached approximately RMB685.5 billion in 2011, representing a per capita GDP of approximately RMB48,755. The table below sets out selected economic statistics for Chengdu for the periods indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	149.2	166.7	187.1	218.6	237.1	275.0	332.4	390.1	450.3	555.1	685.5
Real GDP growth rate (%)	13.1	13.1	13.0	13.6	13.5	13.8	15.3	12.1	14.7	15.0	15.2
Per capita GDP (RMB)	14,676.5	16,277.0	18,051.0	20,777.0	19,627.0	25,171.0	26,525.0	30,855.0	35,215.0	48,510.0	48,755
Per capita disposable income for urban households (RMB)	N/A	8,972.0	9,641.0	10,394.0	11,359.0	12,789.0	14,849.2	15,580.0	17,589.0	20,835.3	23,932.1

Source: CEIC Data Company Ltd

According to CEIC Data Company Ltd, the total GFA of completed properties in 2011 in Chengdu was approximately 15.7 million sq.m, which represented an approximately 0.3% decrease from 2010. The average selling price per sq.m. of residential commodity properties was RMB6,311 in 2011, representing a 8.3% increase from 2010. The total buildings sales value in 2011 was RMB181.1 billion, representing an increase of 19.2% from 2010.

The Real Estate Market in Hunan Province

The Real Estate Market in Changsha

Changsha is the provincial capital of Hunan Province, located in the Central China region with an area of 11,820 square kilometers. As of December 31, 2011, Changsha had a population of approximately 7.1 million. Changsha's GDP reached approximately RMB561.9 billion in 2011, representing a per capita GDP of approximately RMB79,530. The table below sets out selected economic statistics for Changsha for the years indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	72.8	81.3	92.9	113.4	152.0	179.9	219.0	300.1	374.5	454.7	561.9
Real GDP growth rate (%)	12.1	12.7	14.0	15.0	14.9	14.8	16.0	15.1	14.7	15.5	14.5
Per capita GDP (RMB)	12,442.8	13,747.0	14,810.0	18,036.0	23,968.0	27,982.0	33,711.0	45,765.0	56,620.0	66,443.0	79,530
Per capita disposable income for urban households (RMB)	8,704	8,868.0	9,943.0	11,029.0	12,434.0	13,924.0	16,153.2	17,891.0	20,238.1	22,284.4	25,481.3

Source: CEIC Data Company Ltd

According to CEIC Data Company Ltd, the total GFA of completed properties in 2011 in Changsha was approximately 14.5 million sq.m, which represented an approximately 6.0% increase from 2010. The average selling price per sq.m. of residential commodity properties was RMB5,484 in 2011, representing a 26.9% increase from 2010. The total buildings sales value in 2011 was RMB88.2 billion, representing an increase of 18.8% from 2010.

The Real Estate Market in Shanghai

Shanghai is located in the eastern part of China. It occupies a total area of approximately 6,341 square kilometers. As of December 31, 2011, Shanghai had a population of approximately 23.5 million. Shanghai's GDP reached approximately RMB1,919.6 billion in 2011, representing a per capita GDP of approximately RMB82,560. The table below sets out selected economic statistics for Shanghai for the periods indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	521.0	574.1	669.4	807.3	915.4	1,036.6	1,218.9	1,369.8	1,504.6	1,716.6	1,919.6
Real GDP growth rate (%)	10.5	11.3	12.3	14.2	11.4	12.7	15.2	9.7	8.2	10.3	8.2
Per capita GDP (RMB)	31,799.0	33,958.0	38,486.0	44,839.0	49,649.0	54,858.0	62,041.0	66,932.0	69,164.0	76,074.5	82,560
Per capita disposable income for urban households (RMB)	12,883.5	13,249.8	14,867.5	16,682.8	18,645.0	20,667.9	23,622.7	26,674.9	28,837.8	31,838.1	36,230.5

Source: CEIC Data Company Ltd

According to CEIC Data Company Ltd, the total GFA of completed properties in 2011 in Shanghai was approximately 22.4 million sq.m, which represented an approximately 15.4% increase from 2010. The average selling price per sq.m. of residential properties was RMB13,448 in 2011, representing a 5.9% increase from 2010. The total buildings sales value in 2011 was RMB256.9 billion, representing a decrease of 13.8% from 2010.

The Real Estate Market in Liaoning Province

The Real Estate Market in Shenyang

Shenyang is the capital city of Liaoning Province in the north-eastern part of China. It has an area of approximately 12,980 square kilometers. As of December 31, 2011, Shenyang had a population of approximately 7.2 million. Shenyang's GDP reached approximately RMB591.5 billion in 2011, representing a per capita GDP of approximately RMB72,637. The table below sets out selected economic statistics for Shenyang for the periods indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	123.6	140.0	160.3	190.1	208.4	252.0	322.1	386.0	426.9	501.8	591.5
Real GDP growth rate (%)	10.1	13.1	14.2	15.5	16.0	16.7	22.8	16.3	14.1	14.1	12.3
Per capita GDP (RMB)	16,257.0	18,266.0	20,575.0	24,156.0	28,241.0	33,798.0	41,767.0	49,166.0	54,654.0	62,357	72,637
Per capita disposable income for urban households (RMB)	6,386	7,050.0	7,961.0	8,924.0	10,098.0	11,651.4	14,606.5	17,013.0	18,475.0	20,541.2	23,326.2

Source: CEIC Data Company Ltd

According to CEIC Data Company Ltd, the total GFA of completed properties in 2011 in Shenyang was approximately 20.2 million sq.m, which represented an approximately 7.7% increase from 2010. The average selling price per sq.m. of residential commodity properties was RMB5,614, representing a 9.9% increase from 2010. The total buildings sales value in 2011 was RMB128.2 billion, representing an increase of 35.6% from 2010.

Macroeconomic Conditions in Yingkou

Yingkou is a city in Liaoning Province in the Northeastern China region. As of December 31, 2011, Yingkou had a population of approximately 2.4 million. Yingkou's GDP reached approximately RMB122.3 billion in 2011, representing a per capita GDP of approximately RMB50,220. The table below sets out selected economic statistics for Yingkou for the years indicated.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	19.2	21.8	25.3	31.8	38.0	45.7	57.0	70.4	79.9	100.2	122.3
Real GDP growth rate (%)	11.6	12.5	16.1	21.2	20.4	18.8	21.3	20.3	20.3	17.8	13.9
Per capita GDP (RMB)	8,480.8	9,549.0	11,074.0	13,867.0	16,487.0	19,810.0	24,597.0	30,177.0	34,104.0	41,452.0	50,220
Per capita disposable income for urban households (RMB)	N/A	6,454.0	7,318.0	8,128.0	9,009.0	10,135.0	12,143.0	14,352.0	15,858.0	18,054.6	20,893.7

Source: CEIC Data Company Ltd

Macroeconomic Conditions in Anshan

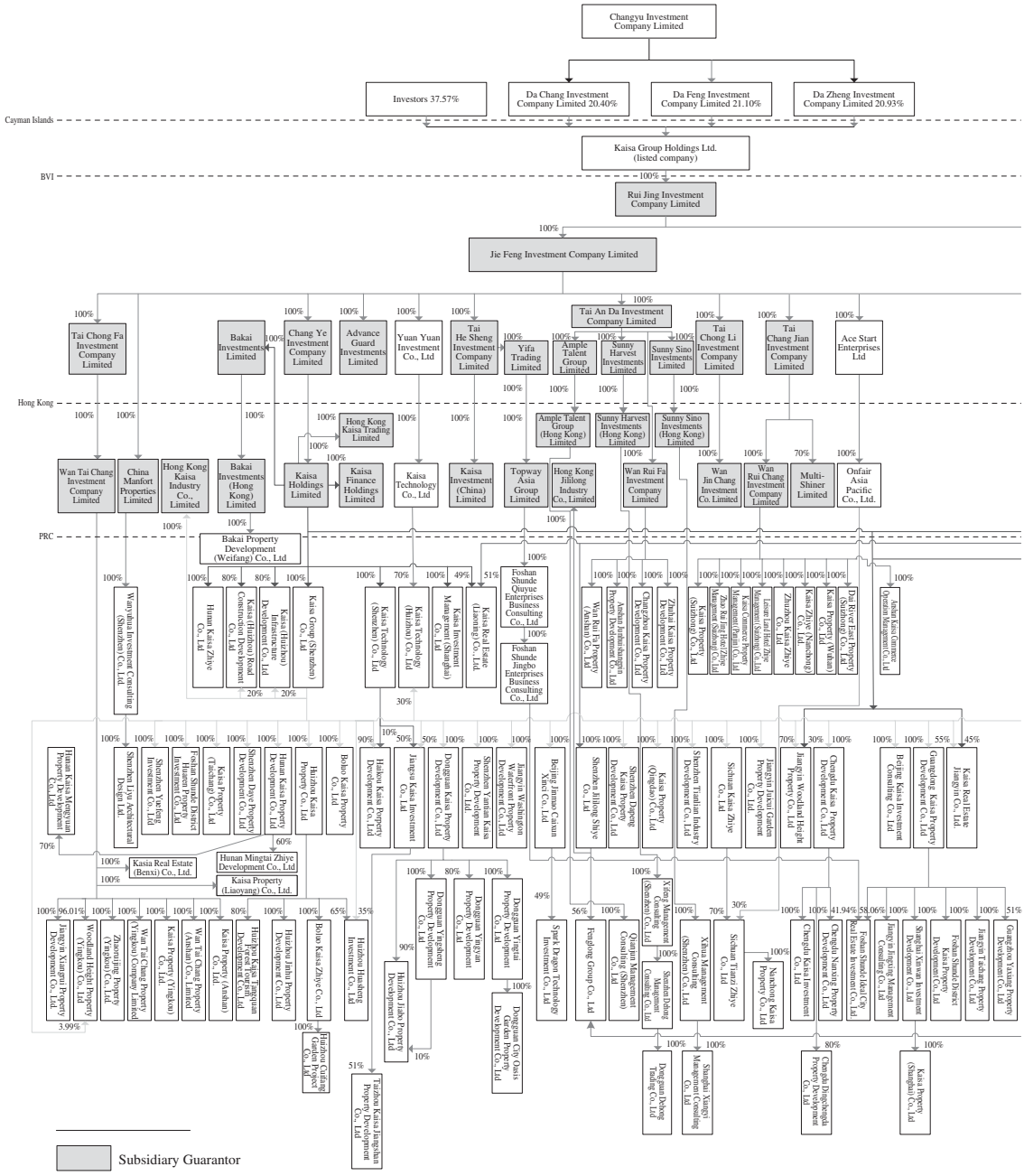
Anshan is a city in Liaoning Province in the Northeastern China region. As of December 31, 2011, Anshan had a population of approximately 3.5 million. Anshan's GDP reached approximately RMB242.0 billion in 2011, representing a per capita GDP of approximately RMB68,818. The table below sets out selected economic statistics for Anshan for the years indicated.

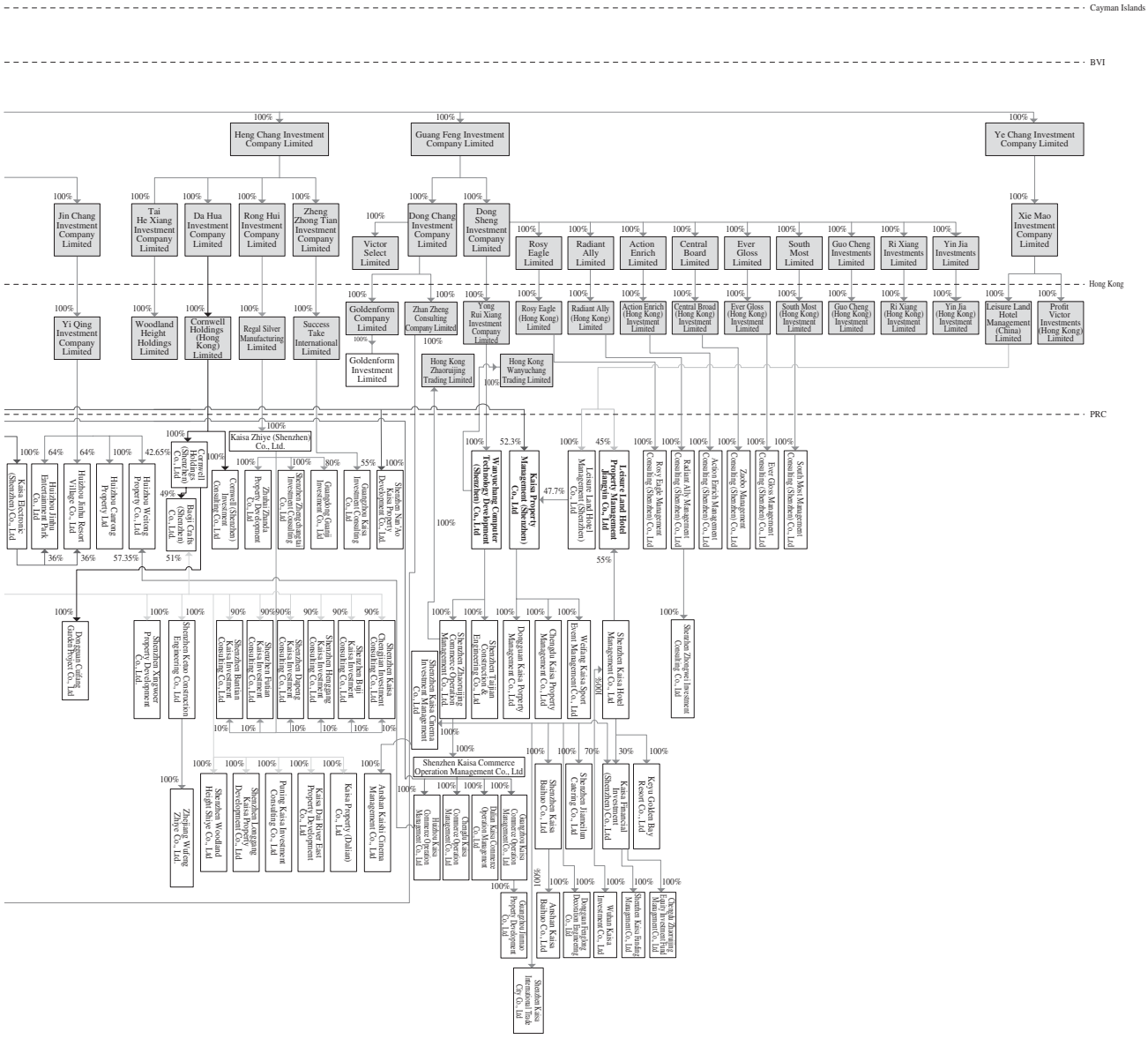
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nominal GDP (RMB in billions)	64.2	70.9	79.0	100.6	101.8	113.6	134.4	160.8	173.0	212.5	242.0
Real GDP growth rate (%)	10.0	11.0	13.1	16.1	16.2	15.6	16.3	16.6	17.2	16.0	12.0
Per capita GDP (RMB)	18,636.2	20,609.0	22,909.0	28,900.0	29,338.0	32,644.0	38,387.0	45,830.0	49,301.0	58,426.0	68,818
Per capita disposable income for urban households (RMB)	N/A	6,851.0	7,434.0	8,262.0	9,463.0	10,761.0	12,857.0	15,074.0	16,530.2	18,423.1	21,297.1

Source: CEIC Data Company Ltd

CORPORATE STRUCTURE

The following chart shows our corporate structure as of the date of this offering memorandum:




Cayman Islands
BVI
Hong Kong
PRC
Heng Chang Investment Company Limited
Guang Feng Investment Company Limited
Ye Chang Investment Company Limited
Jin Chang Investment Company Limited
Tai He Xiang Investment Company Limited
Da Hua Investment Company Limited
Rong Hui Investment Company Limited
Zheng Zhong Tian Investment Company Limited
Victor Select Limited
Dong Chang Investment Company Limited
Dong Sheng Investment Company Limited
Xie Mao Investment Company Limited
Rosy Eagle Limited
Radiant Ally Limited
Action Enrich Limited
Central Board Limited
Ever Gloss Limited
South Most Limited
Guo Cheng Investments Limited
Ri Xiang Investments Limited
Yin Jia Investments Limited
Yi Qing Investment Company Limited
Woodland Height Holdings Limited
Cornwell Holdings (Hong Kong) Limited
Regal Silver Manufacturing Limited
Success Take International Limited
Goldenform Company Limited
Zhan Zheng Consulting Company Limited
Yong Rui Xiang Investment Company Limited
Rosy Eagle (Hong Kong) Limited
Radiant Ally (Hong Kong) Limited
Action Enrich (Hong Kong) Investment Limited
Central Broad (Hong Kong) Investment Limited
Ever Gloss (Hong Kong) Investment Limited
South Most (Hong Kong) Investment Limited
Guo Cheng (Hong Kong) Investment Limited
Ri Xiang (Hong Kong) Investment Limited
Yin Jia (Hong Kong) Investment Limited
Leisure Land Hotel Management (China) Limited
Profit Victor Investments (Hong Kong) Limited
Goldenform Investment Limited
Hong Kong Zhaorujing Trading Limited
Hong Kong Wanyuchang Trading Limited
Kaisa Zhiye (Shenzhen) Co., Ltd.
Wanyuchang Computer Technology Development (Shenzhen) Co., Ltd
Kaisa Property Management (Shenzhen) Co., Ltd
Leisure Land Hotel Property Management Jiangyin Co., Ltd
Shenzhen Kaisa Commerce Operation Management Co., Ltd
Shenzhen Kaisa Cinema Investment Management Co., Ltd
Zhejiang Wufeng Zhiye Co., Ltd.
Dongguan Cidong Garden Project Co., Ltd
Shenzhen Kaisa Construction Engineering Co., Ltd
Kaisa Property (Dalian) Co., Ltd
Anshan Kaisai Cinema Management Co., Ltd
Shenzhen Kaisa Hotel Management Co., Ltd
Kaisa Financial Investment (Shenzhen) Co., Ltd
Keyu Golden Bay Resort Co., Ltd
Shenzhen Jiameilun Catering Co., Ltd
Shenzhen Kaisa Baihao Co., Ltd
Anshan Kaisa Baihao Co., Ltd
Shenzhen Kaisa Property Development Co., Ltd
Shenzhen Kaisa Investment Consulting Co., Ltd
Shenzhen Kaisa Property Development Co., Ltd
Puning Kaisa Investment Consulting Co., Ltd
Kaisa Dai River East Property Development Co., Ltd
Shenzhen Kaisa Property Management Co., Ltd
Shenzhen Kaisa Property Management Co., Ltd
Shenzhen Kaisa Property Management

Overview

We are a leading PRC property developer with a sizable and diversified land bank of approximately 23.9 million sq.m. GFA in 24 cities across five regions. According to "Top 50 Real Estate Enterprise Property Developers by Sales in 2011" and "Top 50 Real Estate Enterprise Property Developers by Sales in the first half of 2012" both jointly compiled and issued by CRIC and China Real Estate Appraisal Center, Kaisa was ranked 12th nationwide in terms of GFA sold in 2011 and 16th nationwide in terms of GFA sold in the six months ended June 30, 2012. We focus on mass market housing demand and are primarily engaged in the development of large-scale residential properties as well as integrated commercial properties.

Headquartered in Shenzhen, the Special Economic Zone adjacent to Hong Kong, we have historically focused our property development in the Pearl River Delta region. Our well-established position in the Pearl River Delta region is supported by our geographically diversified development portfolio, including projects in Greater Shenzhen, Foshan, Guangzhou and Zhuhai. Leveraging our success in the Pearl River Delta region, we have also expanded into other areas in China, including Shanghai, Hangzhou, Taicang, Changzhou and Jiangyin in the Yangtze River Delta region, Chengdu and Nanchong in the Western China region, Changsha, Wuhan and Zhuzhou in the Central China region, and Shenyang, Yingkou, Benxi, Panjin, Anshan, Weifang, Liaoyang and Huludao in the Pan-Bohai Bay Rim. In 2007, we derived all our revenue from sales of properties in the Greater Shenzhen area, including Shenzhen and the adjacent cities of Huizhou and Dongguan. For the six months ended June 30, 2012, our revenue from sales of properties in the Greater Shenzhen area was RMB1.2 billion, accounting for 54.2% of our total revenue from sales of properties for that period. In July 2009, April 2010, August 2010 and November 2010, we completed Jiangyin Lake View Place Phase 1, Chengdu Lijing Harbour Phases 1 and 2, Shanghai Shanhuwan Garden and Changsha Lake View Place Phase 1, respectively, which became milestones in our expansion into the Yangtze River Delta region, the Western China region and the Central China region. With our in-depth property development experience and the dedication that we have demonstrated throughout our operational history, we intend to expand into other regions in China.

We focus primarily on development of the following:

- Residential properties. Our large-scale residential properties are generally located in suburban areas with access to public transport and other urban facilities in select cities in China. These properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities. The principal target customers for our residential properties are middle to upper-middle income households. We often develop our residential properties in a number of phases. We believe our multi-phased approach has enabled us to manage our capital resources efficiently and has increased our returns through the higher average selling prices which we expect to achieve at subsequent development phases.
- Commercial properties. Our integrated commercial properties are generally located in CBDs in select cities in China. Since 2005, we have increased the commercial property development in our portfolio. Guangzhou Jinmao, our completed commercial project, is located in a prime location within Guangzhou's CBD and consists of a premium grade office building and retail space. In December 2010, we completed Guangzhou Kaisa Plaza, a commercial project which comprises primarily one high-rise office building with retail space, located in Guangzhou's Tianhe CBD. In March 2011, the Shenzhen Municipal Government announced its landmark projects in response to the Central Government's 12th Five-Year Plan, and included in the landmark project list is a trophy project in the heart of Shenzhen CBD - Shenzhen Kaisa Global Center. Our other commercial projects are expected to consist of a mixture of office buildings and retail spaces.

As of June 30, 2012, we had a total of 62 property development projects, including completed properties, properties under development and properties for future development, in 24 cities in China. As of June 30, 2012, we had completed properties with a total GFA of approximately 5,348,746 sq.m., and had a land bank with an estimated total GFA of

approximately 23,932,215 sq.m., including completed properties held for sale with a total GFA of approximately 274,044 sq.m., properties under development with an estimated total GFA of approximately 8,469,436 sq.m. and properties for future development with an estimated total GFA of approximately 15,188,731 sq.m. Our contracted sales were RMB6,020.0 million, RMB10,090.6 million and RMB15,289.1 million in 2009, 2010 and 2011, respectively. Our contracted sales were RMB4,489.2 million and RMB6,458.5 million in the six months ended June 30, 2011 and 2012, respectively. Our GFA sold was approximately 688,000 sq.m., 876,000 sq.m., 2,177,000 sq.m. and 1,103,000 sq.m. in 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively.

Our revenue was RMB4,672.2 million, RMB7,755.9 million, RMB10,834.7 million and RMB2,300.2 million in 2009, 2010 and 2011 and the six months ended June 30, 2012, respectively and the profit attributable to equity holders of our Company was RMB547.9 million, RMB3,636.7 million, RMB1,901.0 million and RMB674.8 million, respectively.

We have historically contracted out construction works of all our development projects to construction contractors, and intend to continue to outsource substantially all of our construction works. We cooperate with Centaline, our primary sales partner, to jointly promote our developed properties in different regional markets in China. Going forward, we will continue to improve the management of our sales through our dedicated sales team and intend to continue to engage Centaline and other professional property sales agencies to provide marketing and sales services for our properties in China.

We intend to continue to focus on developing residential and commercial properties in the Pearl River Delta region and further diversify geographically through expansion into other promising markets in China, including the Yangtze River Delta region, the Western China region, the Central China region and the Pan-Bohai Bay Rim. In addition to our focus on residential and commercial development projects, we also aim to increase our investment properties and consequentially our rental income. We intend to retain certain of our commercial properties for long-term investment purposes. In managing our investment property portfolio, we will take into account the estimated long-term growth potential, overall market conditions and our cash flows and financial conditions.

In December 2009, we completed our IPO with our shares listed on the Hong Kong Stock Exchange. As of September 10, 2012, our market capitalization was approximately HK$6,769 million.

Recent Developments

Subsequent to June 30, 2012, we acquired parcels of land as set forth in the table below.

Time of Acquisition	Location	Attributable interest (%)	Number of land parcels	Site area (sq.m.)	Attributable GFA per maximum allowed plot ratio (sq.m.)	Consideration (RMB in millions)	Type
July 2012	Huludao	100%	4	260,718	573,580	195.6	Residential and commercial
July 2012	Taizhou	51%	2	192,505	196,355	132.0	Residential and commercial
July 2012	Dalian	100%	1	26,610	119,700	814.0	Residential and commercial
August 2012.	Jiangyin	100%	1	41,440	74,592	109.4	Residential
August 2012.	Jiangyin	100%	1	35,801	114,563	161.1	Residential
Total.			9	557,074	1,267,445	1,412.1	

Our Competitive Strengths

We believe we have the following competitive strengths:

Market leadership in the Pearl River Delta region with a national footprint

We are a leading property developer in the Pearl River Delta region and have an increasing presence in other select strategic cities with high economic growth potential in China.

We are well-recognized in the Pearl River Delta region with a proven track record of successfully bringing to market reputable residential properties. In 2010, we were ranked number two in terms of number of units sold and GFA sold in Shenzhen according to the "China Real Estate Index System — Shenzhen Residential Property Sales Index" issued by the China Index Academy. Leveraging our success in the Pearl River Delta region, we have expanded into other areas in China, including Shanghai, Hangzhou, Taicang, Changzhou and Jiangyin in the Yangtze River Delta region, Chengdu and Nanchong in the Western China region, Changsha, Wuhan and Zhuzhou in the Central China region, and Shenyang, Yingkou, Benxi, Panjin, Anshan, Weifang, Liaoyang and Huludao in the Pan-Bohai Bay Rim. According to "Top 50 Real Estate Enterprise Property Developers by Sales in 2011" and "Top 50 Real Estate Enterprise Property Developers by Sales in the first half of 2012" both jointly compiled and issued by CRIC and China Real Estate Appraisal Center, Kaisa was ranked 12th nationwide in terms of GFA sold in 2011 and 16th nationwide in terms of GFA sold in the six months ended June 30, 2012.

We believe that "Kaisa" evokes our high standard of industry practice and that the market recognition of "Kaisa" is further supplemented by our award winning property management services for properties we developed. We customize services to meet the particular needs and requirements of the community and focus particularly on maintaining customer satisfaction. We believe that by providing quality property management services, we will be able to improve the appeal of our products to customers and distinguish our products from those of our competitors.

We believe that our well-established position and operating expertise will enable us to successfully capture market share and mass market housing demand nationwide.

Quality land bank at relatively low cost and supplemented by acquisition by redevelopment

Our land acquisition team adopts a coordinated approach during the land acquisition process. We believe our insight into development trends in our target regions has enabled us to acquire large tracts of land at relatively low cost. We acquired our land reserves at relatively low cost as our reserves consist mostly of parcels of land located in select cities where, we believe, the value of acquired land had not been fully recognized at the time of acquisition.

We intend to leverage our extensive experience, in-depth local knowledge and business and technical expertise in managing urban redevelopment projects to take advantage of the incentives and preferential policies for promoting urbanization and redevelopment announced by the Shenzhen Municipal Government in October 2009. In March 2011, we were the winning bidder in a tender for resettlement and redevelopment of three villages located in Yantian District, Shenzhen, covering an aggregate GFA of approximately 1.1 million sq.m., primarily due to our established track record and execution capabilities in urban redevelopment. In June 2011, we were granted the approval for the urban development plans of the Shenzhen Kaisa City Plaza and Dapeng project by the Shenzhen Municipal Government. These projects have GFA of approximately 1.3 million sq.m. and 141,000 sq.m., respectively.

We also have experience building our land reserves through acquiring and renovating distressed and uncompleted properties. While certain distressed properties present potential for achieving profitability at relatively low cost, this land acquisition approach requires the ability to resolve the numerous problems that rendered the properties distressed, to perform an evaluation and complete the property acquisition on a timely basis, and to devise and execute a comprehensive turn-around solution. Regardless, we have been able to acquire parcels of land by acquiring uncompleted distressed property developments at relatively low cost. We believe that the relatively low cost of our land reserves has enhanced our ability to respond to changing market conditions by adjusting prices while maintaining profitability.

Responsiveness to market trends and prudent financial management

Our knowledge of real estate markets and our understanding of market trends in China enable us to respond effectively to market conditions and changes. Our business model incorporates the key market factors that influence housing growth in China, particularly in the cities and regions where we operate or into which we intend to expand. In selecting sites for our residential developments, we focus on identifying suburban areas with access to road networks, public transport and urban facilities. We conduct in-depth internal market analysis, together with our site research and additional market information provided by third-party sources, which enable us to better assess the risks, costs and potential returns associated with potential sites for development. By being proactive and responsive, we believe that we have been able to utilize our understanding of market fundamentals to guide our land reserve strategy. In addition, we closely monitor our cash flows and financial position with a view to achieving a balanced capital structure. We manage and seek to improve our liquidity profile by taking advantage of capital

efficient projects, such as redevelopment of old urban areas and primary land development, implementing proactive cost controls and adopting conservative budgeting procedures.

We have also exploited new market opportunities by identifying and acquiring distressed and uncompleted residential and commercial properties in Shenzhen and Guangzhou. We generally develop plans to achieve profitability through an analysis of various factors pertaining to the properties, including their valuation, execution, market repositioning and promotion. With our responsiveness to market conditions and innovative approach, as well as our growing track record of bringing such properties to market, we believe we have the ability to take advantage of similar market opportunities in the future.

Experienced and long-serving senior management team and continuous recruitment of management talent

Our senior management team members have extensive experience in the PRC real estate industry and expertise in strategic planning and business management. Certain of our core management members, including our founder and Chairman, Mr. Kwok Ying Shing, have led the growth of our business since our inception in 1999. To retain management talent and align their interests with those of us, we offer competitive compensation, stock option plans and a cohesive team-based working environment. We believe that our highly experienced senior management members will enable us to maintain the growth of our business. In recent years, we have attracted and hired, through a selective recruitment process, a number of seasoned managers and professionals from the real estate industry in China. We continually seek to attract and retain management talent in accordance with our aim to further expand our business operations.

Our Business Strategies

We aim to continue to grow as a leading property developer with a national presence in key economic regions in China. We have developed the following business strategies to pursue our growth objectives:

Continue to enhance profit margin from urban redevelopments in Shenzhen and the rest of the Pearl River Delta region and achieve further geographical diversification in China

We intend to continue to consolidate our leading market position in Shenzhen and the rest of the Pearl River Delta region. We believe that the Pearl River Delta region will remain one of the most economically dynamic regions in China, and that we will be able to continue to capitalize on the mass market housing demand for residential property as well as other types of property we develop in this region. In particular, we intend to leverage our extensive experience, in-depth local knowledge and business and technical expertise in managing urban redevelopment projects to take advantage of the incentives and preferential policies on promoting urbanization and redevelopment announced by the Shenzhen government in October 2009. We also intend to continue to enhance profit margin from urban redevelopment and capture the growth opportunities of the Pearl River Delta region in light of the continuing improvement and expansion of the metro network and successive completion of the inter-city high speed railways, including the Guangzhou-Shenzhen section, which was completed in 2011, and the Shenzhen-Hong Kong section, which is scheduled for completion by the end of 2015.

In addition, we intend to further geographically diversify our revenue portfolio by expanding our business operation into lower tier cities. We entered into select cities beyond the Pearl River Delta region including Taicang, Yingkou, Nanchong, Changzhou, Anshan, Zhuzhou Huludao in 2010, and Hangzhou, Benxi, Panjin, Weifang, Liaoyang and Wuhan in 2011. We plan to pursue further revenue geographical diversification through expansion into other select high-growth areas in China.

Further enhance asset turnover and cost efficiency through standardized product lines and a scalable business model

We have been focusing on an asset-turnover business model in order to capture the robust housing demand in China. We have leveraged our accumulated knowledge and experience in property development in the Pearl River Delta region to expand into other regions in China, including the Yangtze River Delta region, the Western China region, the Central China region and the Pan-Bohai Bay Rim. In 2011, we achieved strong sales results in a number of major cities in the PRC. According to statistics compiled by CRIC, Kaisa was ranked number two both in terms of GFA sold and number of units sold in Chengdu. Our project Changsha Lake View Place was ranked number three in terms of GFA sold and number two in number of units sold in Changsha, according to China Real Estate Index System ("CREIS").

We intend to continue to develop standardized product lines to achieve rapid asset turnover and expand the scale of our development while keeping costs competitive. For example, certain of our product lines have been implemented in cities across China and are designed to offer comfortable and convenient community lifestyles and a portfolio of standard architectural plans and designs. We believe standardized product lines and development processes will allow us to achieve efficient use of capital and other resources and develop new projects on a timely basis.

We segment the development process into various stages and maintain a systematic approach to manage and control the major steps of our developments, including site selection and land acquisition, detailed project planning and design work, development management and construction, sales and pre-sale, and after-sale services. Our turnover time from land acquisition to pre-sales in many lower-tier cities range from six and a half months to nine months. We intend to further standardize our scalable property development model and optimize our development process by establishing certain standard criteria and operational guidelines that may be replicated across projects. We believe that by replicating standardized and scalable practices and methodologies in strategically selected cities, we will be able to effectively expand our business and enter into new geographic markets as attractive opportunities arise.

Continue to focus on residential and commercial property development while enhancing property diversification and selectively expanding our land bank

We will continue to focus on residential and commercial property developments. We have since 2005 increased the commercial property development projects in our portfolio. We also intend to continue to develop mixed-use and multifunctional complexes comprising high-end office space, hotels, shopping centers, entertainment facilities and restaurants. We believe demand for office buildings, retail space and other types of commercial properties will continue to increase as commercial activities grow in China. We seek to achieve and maintain a balanced development structure by further diversifying into commercial property markets, while continuing to develop residential properties.

We intend to increase our holdings of the commercial properties which we develop for long-term investment purposes so as to enhance the overall value of our property portfolio and to increase the proportion of recurring rental income. The commercial properties we intend to develop and retain include office space, retail space and hotels. We intend to enter into tenancy agreements with reputable international and local tenants to secure recurring rental income. We believe the diversification of our property portfolio will reduce our reliance on one particular sector of the market.

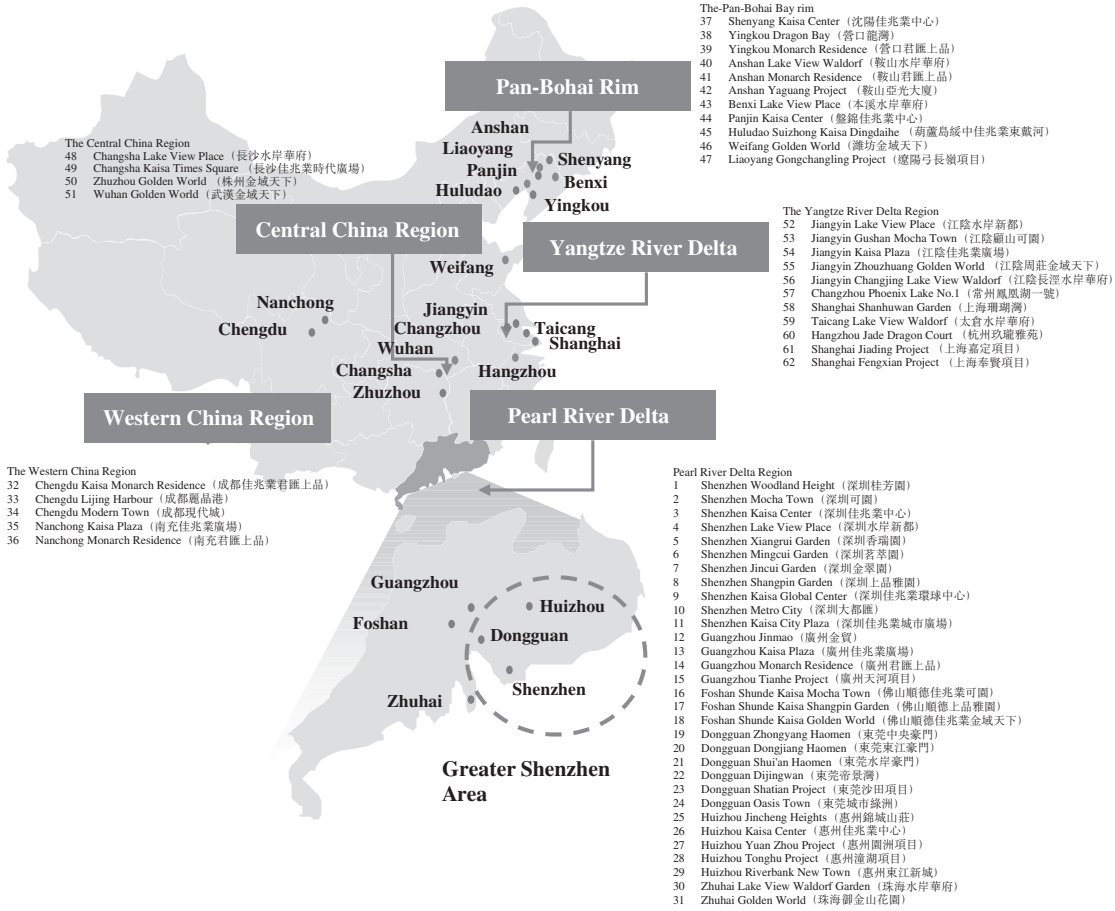
We will continue to selectively expand our land reserves for new property developments in order to sustain our continued growth and to execute our business expansion plan. We will continue to acquire land through acquisitions of controlling equity interests in parties that hold land use rights. In addition to building our land reserves through the public tender, auction and listing-for-sale process, we intend to take advantage of our experience in revamping distressed properties and continue to acquire distressed properties with good development potential. Furthermore, we intend to continue to participate in the redevelopment projects for old urban areas and villages in Shenzhen to gain access to land that is suited for our property development plans.

Further enhance our brand recognition

We intend to enhance the brand awareness of "Kaisa" not only in the Pearl River Delta region, but in other selected cities and regions in China. We intend to continue to promote our brand, "Kaisa," by focusing on product quality, site planning, layout and architectural design and customer service. We seek to distinguish ourselves by continuing to provide value-added products that meet the needs of our local middle to upper-middle income target mass market customers, and to continue to build our product reliability through "risk announcement" practices. We have a branding team to promote recognition of our brand and products, and we also engage a professional company to promote and enhance awareness of our brand. In addition, we will continue to advertise "Kaisa" across a variety of media, including newspapers, the Internet, television, radio and outdoor advertisements, and by participating in property exhibitions and organizing promotional events. Our goal is to further enhance "Kaisa" as a national brand.

Description of Our Property Developments

The map below shows the geographical distribution of our property development projects as of June 30, 2012:



As of June 30, 2012, the total GFA of our land bank was 23.9 million sq.m., located in the five regions shown in the below table:

City / Region	GFA sq.m. (in thousands)	Total GFA (%)
Pearl River Delta	**10,390**	**43.4**
Greater Shenzhen	8,656	36.2
– Shenzhen[(1)]	1,457	6.1
– Huizhou	5,986	25.0
– Dongguan	1,213	5.1
Guangzhou[(1)]	102	0.4
Foshan[(1)]	824	3.4
Zhuhai	807	3.4
Western Region	**2,184**	**9.1**
Chengdu	1,593	6.7
Nanchong	591	2.5

City / Region	GFA sq.m. (in thousands)	Total GFA (%)
Pan-Bohai Bay Rim	**7,342**	**30.7**
Shenyang[(1)]	292	1.2
Yingkou	2,282	9.5
Anshan	2,362	9.9
Benxi	357	1.5
Panjin	380	1.6
Huludao	1,165	4.9
Weifang	247	1.0
Liaoyang	257	1.1
Central Region	**2,550**	**10.7**
Changsha	1,605	6.7
Zhuzhou	439	1.8
Wuhan[(1)]	506	2.1
Yangtze River Delta	**1,466**	**6.1**
Jiangyin	805	3.4
Changzhou	256	1.1
Shanghai[(1)]	155	0.6
Taicang	151	0.6
Hangzhou[(1)]	98	0.4
Total	**23,932**	**100.0**

(1) Cities subject to purchase restrictions.

As of June 30, 2012, we had a total of 62 property development projects in the following three categories:

- completed properties, comprising completed properties sold, each property held for sale and each investment property for which we have completed construction and received a construction works acceptance and compliance certificate from the relevant governmental authorities;
- properties under development, comprising each property for which we hold a land use rights certificate and a construction works commencement permit; and
- properties for future development, comprising properties for which (i) we have obtained land use rights certificates but have not received a construction works commencement permit; (ii) we have not obtained land use rights certificates but have entered into a land grant contract or obtained confirmation from the relevant land and resources bureau that we have been selected as the winner of the public listing-for-sale process; and (iii) we are developing with third parties that hold the land use rights but have not received a construction works commencement permit.

Our classification of projects reflects the basis on which we operate our business and may differ from classifications employed for other purposes or by other developers. Each property project or project phase may involve multiple land use rights certificates, construction permits, pre-sale permits, completion certificates and other permits and certificates which may be issued at different stages of their developments.

The table below sets forth project-by-project information for our 62 property development projects as of June 30, 2012:

No.	Project	Location	Type[1]	Project phase	Site Area	Total GFA	Total GFA			Interest attributable to us
							Completed properties	Under development	Future development	
					(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
The Pearl River Delta Region										
1 . .	Shenzhen Woodland Height (深圳桂芳園)	Shenzhen	Residential	1–8	160,514	580,135	580,135[6]	—	—	100%
2 . .	Shenzhen Mocha Town (深圳可園)	Shenzhen	Residential	1–7	185,724	735,299	735,299	—	—	100%
3 . .	Shenzhen Kaisa Center[2] (深圳佳兆業中心)	Shenzhen	Residential	—	5,966	98,241	98,241[6]	—	—	100%
4 . .	Shenzhen Lake View Place (深圳水岸新都)	Shenzhen	Residential	1–5	182,064	388,626	388,626	—	—	100%
5 . .	Shenzhen Xiangrui Garden (深圳香瑞園)	Shenzhen	Residential	—	57,984	143,796	143,796	—	—	100%
6 . .	Shenzhen Mingcui Garden (深圳茗萃園)	Shenzhen	Residential	1–4	102,439	394,663	379,574	15,089	—	100%
7 . .	Shenzhen Jincui Garden (深圳金翠園)	Shenzhen	Residential	—	9,066	105,830	105,830	—	—	100%
8 . .	Shenzhen Shangpin Garden (深圳上品雅園)	Shenzhen	Residential	—	45,829	231,572	231,572	—	—	100%
9 . .	Shenzhen Kaisa Global Center (深圳佳兆業環球中心)	Shenzhen	Commercial	—	14,411	142,000	—	—	142,000[8]	89%
10 .	Shenzhen Metro City[2] (深圳大都匯大廈)	Shenzhen	Residential	—	5,241	124,479	124,479	—	—	100%
11 .	Shenzhen Kaisa City Plaza (深圳佳兆業城市廣場)	Shenzhen	Residential	1–4	321,824	1,283,430	—	—	1,283,430	100%
12 .	Guangzhou Jinmao[2] (廣州金貿)	Guangzhou	Commercial	—	14,192	233,322	233,322[7]	—	—	100%
13 .	Guangzhou Kaisa Plaza (廣州佳兆業廣場)	Guangzhou	Commercial	—	7,106	117,522	117,522	—	—	100%
14 .	Guangzhou Monarch Residence (廣州君匯上品園)	Guangzhou	Residential	—	7,707	56,644	—	56,644	—	100%
15 .	Guangzhou Tianhe Project (廣州天河項目)	Guangzhou	Residential	—	15,178	45,534	—	—	45,534[4]	51%
16 .	Foshan Shunde Kaisa Mocha Town (佛山順德佳兆業可園)	Foshan	Residential	1–2	71,200	233,229	—	233,229	—	100%
17 .	Foshan Shunde Kaisa Shangpin Garden (佛山順德佳兆業上品雅園)	Foshan	Residential	—	32,819	97,287	—	97,287	—	100%
18 .	Foshan Shunde Kaisa Golden World (佛山順德佳兆業金域天下)	Foshan	Residential	1–4	197,584	493,961	—	337,919	156,042	100%
19 .	Dongguan Zhongyang Haomen (東莞中央豪門)	Dongguan	Residential	1–4	82,742	377,481	244,234	133,247	—	100%
20 .	Dongguan Dongjiang Haomen (東莞東江豪門)	Dongguan	Residential	1–3	86,324	243,658	64,351	122,112	57,195	100%
21 .	Dongguan Shui'an Haomen (東莞水岸豪門)	Dongguan	Residential	1–3	70,734	200,386	—	200,386	—	80%
22 .	Dongguan Dijingwan (東莞帝景灣)	Dongguan	Residential	—	46,474	155,432	155,432	—	—	100%
23 .	Dongguan Le Grand Bleu (東莞碧海雲天花園)	Dongguan	Residential	1–5	239,050	525,934	—	—	525,934	100%
24 .	Dongguan Oasis Town (東莞城市綠洲花園)	Dongguan	Residential	—	65,021	120,531	—	—	120,531	100%
25 .	Huizhou Jincheng Heights (惠州錦城山莊)	Huizhou	Residential	—	89,998	267,995	—	—	267,995	100%
26 .	Huizhou Kaisa Center (惠州佳兆業中心)	Huizhou	Commercial	1–3	70,859	734,076	104,644[6]	450,720[8]	178,712	100%
27 .	Huizhou Yuan Zhou Project (惠州園洲項目)	Huizhou	Residential	—	20,400	61,200	—	—	61,200[4]	100%
28 .	Huizhou Tonghu Project (惠州潼湖項目)	Huizhou	Residential	1–4	731,487	731,487	—	—	731,487[4]	100%
29 .	Huizhou Riverbank New Town (惠州東江新城)	Huizhou	Residential	1–10	1,663,969	4,326,318	36,489	427,204	3,862,625[4]	100%

No.	Project	Location	Type[1]	Project phase	Site Area	Total GFA	Total GFA			Interest attributable to us
							Completed properties	Under development	Future development	
					(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
30 .	Zhuhai Lake View Waldorf Garden (珠海水岸華都花園)	Zhuhai	Residential	1–3	164,354	550,431	—	180,316	370,115	100%
31 .	Zhuhai Golden World (珠海禦金山)	Zhuhai	Residential	1–4	192,711	256,305	—	159,521	96,784	100%
The Western Region										
32 .	Chengdu Kaisa Monarch Residence (成都佳兆業君匯上品)	Chengdu	Residential	1–6	182,666	1,041,531	—	1,041,531	—	100%
33 .	Chengdu Lijing Harbour (成都麗晶港)	Chengdu	Residential	1–7	150,071	761,542	456,505	305,037	—	100%
34 .	Chengdu Modern Town (成都現代城)	Chengdu	Commercial	1–2	133,269	365,813	198,345	167,468	—	100%
35 .	Nanchong Kaisa Plaza (南充佳兆業廣場)	Nanchong	Residential	—	29,541	116,634	—	116,634	—	100%
36 .	Nanchong Monarch Residence (南充君匯上品)	Nanchong	Residential	1–4	188,246	474,261	—	365,174	109,087	100%
Pan-Bohai Bay Rim										
37 .	Shengyang Kaisa Center (瀋陽佳兆業中心)	Shenyang	Commercial	—	30,983	292,331	—	292,331[8]	—	100%
38 .	Yingkou Dragon Bay (營口龍灣)	Yingkou	Residential	1–3	469,552	1,408,656	—	347,443	1,061,213[4]	100%
39 .	Yingkou Monarch Residence (營口君匯上品)	Yingkou	Residential	1–3	249,470	873,145	—	233,745	639,400[4]	100%
40 .	Anshan Lake View Waldorf (鞍山水岸華府)	Anshan	Residential	1–3	477,463	1,359,251	—	267,627	1,091,624[4]	100%
41 .	Anshan Monarch Residence (鞍山君匯上品)	Anshan	Residential	1–3	308,956	926,868	—	—	926,868[4]	100%
42 .	Anshan Yaguang Project[2] (鞍山亞光大廈項目)	Benxi	Commercial	—	9,783	76,200	—	—	76,200[4]	100%
43 .	Benxi Lake View Place (本溪水岸新都)	Benxi	Residential	—	122,200	356,824	—	323,120	33,704	100%
44 .	Panjin Kaisa Center (盤錦佳兆業中心)	Panjin	Residential	1–2	52,812	380,092	—	170,717	209,375[4]	100%
45 .	Huludao Suizhong Kaisa Dongdaihe (葫蘆島綏中佳兆業東戴河)	Huludao	Commercial	1–2	853,773	1,165,293	—	439,575	725,718[4]	100%
46 .	Weifang Kaisa Golden World (濰坊佳兆業金域天下)	Weifang	Residential	1–4	164,469	246,704	—	—	246,704	100%
47 .	Liaoyang Gongchangling Project (遼陽弓長嶺區項目)	Liaoyang	Residential	—	372,427	256,975	—	—	256,975[4]	100%
The Central Region										
48 .	Changsha Lake View Place (長沙水岸新都)	Changsha	Residential	1–4	673,536	1,683,840	185,729	458,282	1,039,829	100%
49 .	Changsha Kaisa Times Square (長沙佳兆業時代廣場)	Changsha	Residential	1–3	21,770	87,079	—	—	87,079	100%
50 .	Zhuzhou Golden World (株洲金域天下)	Zhuzhou	Residential	1–3	222,177	509,708	80,125	292,437	137,146[4]	100%
51 .	Wuhan Golden World (武漢金域天下)	Wuhan	Residential	1–3	182,840	505,576	—	—	505,576[4]	100%
The Yangtze River Delta Region										
52 .	Jiangyin Lake View Place (江陰水岸新都)	Jiangyin	Residential	1–3	225,530	272,274	272,274	—	—	100%

No.	Project	Location	Type[1]	Project phase	Site Area	Total GFA	Total GFA			Interest attributable to us
							Completed properties	Under development	Future development	
					(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	(sq. m.)	
53 .	Jiangyin Gushan Mocha Town (江陰顧山可園)	Jiangyin	Residential	1–4	76,465	132,849	67,970	64,879	—	100%
54 .	Jiangyin Kaisa Plaza (江陰佳兆業廣場)	Jiangyin	Residential	1–3	158,241	424,359	104,745	319,614[8]	—	100%
55 .	Jiangyin Zhouzhuang Golden World (江陰周莊金域天下)	Jiangyin	Residential	1–3	103,589	245,681	25,135	220,546	—	100%
56 .	Jiangyin Changjing Lake View Waldorf (江陰長涇水岸華府)	Jiangyin	Residential	1–2	93,275	149,763	—	149,763	—	100%
57 .	Changzhou Phoenix Lake No.1 (常州鳳凰湖一號)	Changzhou	Residential	1–2	101,819	256,342	—	256,342	—	100%
58 .	Shanghai Shanhuwan Garden (上海珊瑚灣雅園)	Shanghai	Residential	1–4	104,796	140,151	140,151	—	—	100%
59 .	Taicang Lake View Waldorf (太倉水岸華府)	Taicang	Residential	1–3	87,741	199,676	74,220	125,456	—	100%
60 .	Hangzhou Jade Dragon Court (杭州玖瓏雅苑)	Hangzhou	Residential	—	39,376	98,041	—	98,041	—	100%
61 .	Shanghai Jiading Project (上海嘉定項目)	Shanghai	Residential	—	23,307	58,268	—	—	58,268[4]	100%
62 .	Shanghai Fengxian Project (上海奉賢項目)	Shanghai	Residential	—	70,318	84,381	—	—	84,381[4]	100%
	Total (inclusive)[4][6]				**10,941,432**	**29,006,912**	**5,348,745[9]**	**8,469,436**	**15,188,731**	
	Total (exclusive)[3]				**8,332,843**	**22,431,785**	**5,348,745**	**8,469,436**	**8,613,605**	

Notes:

(1) Residential properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities.

(2) The projects are renovation developments of once distressed assets and partially completed properties.

(3) Excluding (i) Shenzhen Kaisa Global Center, (ii) Guangzhou Tianhe Project, (iii) a portion of land with a site area of 750,842 sq.m. for Huizhou Riverbank New Town, (iv) a portion of land with a site area of 248,883 sq.m. for Yingkou Dragon Bay, (v) a portion of land with a site area of 177,548 sq.m. for Yingkou Monarch Residence, (vi) a site area of 366,775 sq.m. for Anshan Lake View Waldorf, (vii) Anshan Monarch Residence, (viii)Anshan Yaguang Project, (ix) a portion of land with a site area of 22,244 sq.m. for Panjin Kaisa Center, (x) a site area of 99,705 sq.m. for Huludao Suizhong Kaisa Dongdaihe, (xi) Liaoyang Gongchangling Project, (xii) a site area of 64,122 sq.m. for Zhuzhou Golden World, (xiii) a portion of land with a site area of 64,090 sq.m. for Wuhan Golden World, (xiv) Shanghai Jiading Project, (xv) Shanghai Fengxian Project, for which as of June 30, 2012, we have not obtained the land use rights certificates, but have entered into land grant contracts or obtained confirmation from the relevant land and resources bureau that we have been selected as the winner of the public listing-for-sale process.

(4) Based on our internal project plans but subject to the governmental approval.

(5) Including completed properties sold.

(6) Including certain commercial spaces held for investment. Such commercial spaces are held either under long term lease (for Shenzhen Woodland Height, with GFA of approximately 12,886 sq.m.) or medium term lease (for Shenzhen Kaisa Center and Phase 1 of Huizhou Kaisa Center, with GFA attributable to the Group of approximately 19,170 sq.m. and 12,008 sq.m., respectively).

(7) Including certain commercial spaces and car parks held for investment under medium term lease, with an aggregate GFA of approximately 43,503 sq.m.

(8) Including certain office and commercial spaces held for investment. Such office and commercial spaces are held either under long term lease (for Phase 2 of Huizhou Kaisa Center and Shenzhen Kaisa Global Center, with GFA of approximately 146,278 sq.m.and 125,705 sq.m.) or medium term lease (for Jiangyin Kaisa Plaza and Shenyang Kaisa Center, with GFA of approximately 67,915 sq.m.and 113,219 sq.m., respectively).

(9) As of June 30, 2012, completed properties held for sale had a total GFA of approximately 274,044 sq.m.

Completed Properties

The table below sets forth certain information of our completed property projects or project phases as of June 30, 2012.

No.[1]	Project	Location	Type	Project phase	Site Area	Total GFA	Completed properties	Interest attributable to us
					(sq. m.)	(sq. m.)	(sq. m.)	
1. .	Shenzhen Woodland Heightm (深圳桂芳園)	Shenzhen	Residential	1–8	160,514	580,135	580,135	100%
2. .	Shenzhen Mocha Town (深圳可園)	Shenzhen	Residential	1–7	185,724	735,299	735,299	100%
3. .	Shenzhen Kaisa Center (深圳佳兆業中心)	Shenzhen	Residential	—	5,966	98,241	98,241	100%
4. .	Shenzhen Lake View Place (深圳水岸新都)	Shenzhen	Residential	1–5	182,064	388,626	388,626	100%
5. .	Shenzhen Xiangrui Garden (深圳香瑞園)	Shenzhen	Residential	—	57,984	143,796	143,796	100%
7. .	Shenzhen Jincui Garden (深圳金翠園)	Shenzhen	Residential	—	9,066	105,830	105,830	100%
8. .	Shenzhen Shangpin Garden (深圳上品雅園)	Shenzhen	Residential	—	45,829	231,572	231,572	100%
10 .	Shenzhen Metro City (深圳大都匯大廈)	Shenzhen	Residential	—	5,241	124,479	124,479	100%
12 .	Guangzhou Jinmao (廣州金貿)	Guangzhou	Commercial	—	14,192	233,322	233,322	100%
13 .	Guangzhou Kaisa Plaza (廣州佳兆業廣場)	Guangzhou	Commercial	—	7,106	117,522	117,522	100%
22 .	Dongguan Dijingwan (東莞帝景灣)	Dongguan	Residential	—	46,474	155,432	155,432	100%
52 .	Jiangyin Lake View Place (江陰水岸新都)	Jiangyin	Residential	1–3	225,530	272,274	272,274	100%
58 .	Shanghai Shanhuwan Garden (上海珊瑚灣雅園)	Shanghai	Residential	1–4	104,796	140,151	140,151	100%

Note:

(1) Numbering for each project corresponds to the numbering for such project in the table setting forth our 62 property development projects as of June 30, 2012.

Properties Under Development

The table below sets forth certain information of our property projects or project phases under development as of June 30, 2012. We have obtained land use rights certificates and construction works commencement permits for all of our properties under development.

Project	City	Project Phase	Total GFA or estimated total GFA	Saleable GFA or Estimated saleable GFA	Commencement Time	Status of presale permit	Estimated completion time	Interest attributable to us
			(sq.m.)	(sq.m.)				
Shenzhen Mingcui Garden	Shenzhen	4	15,089	15,089	June 2011	Not yet obtained	2012 4th quarter	100%
Guangzhou Monarch Residence	Guangzhou	—	56,644	36,637	December 2010	Yes	2012 4th quarter	100%
Foshan Shunde Kaisa Mocha Town	Foshan	1	82,747	70,335	January 2011	Yes	2012 3rd quarter	100%
Foshan Shunde Kaisa Mocha Town	Foshan	2	150,482	127,910	January 2011	Yes	2012 3rd quarter	100%
Foshan Shunde Kaisa Shangpin Garden	Foshan	—	97,287	82,694	February 2011	Yes	2012 3rd quarter	100%
Foshan Shunde Kaisa Golden World	Foshan	1	145,390	123,581	May 2011	Yes	2012 4th quarter	100%
Foshan Shunde Kaisa Golden World	Foshan	2	75,173	63,897	August 2011	Yes	2013 3rd quarter	100%
Foshan Shunde Kaisa Golden World	Foshan	3	117,355	99,752	October 2011	Not yet obtained	2014 2nd quarter	100%
Dongguan Zhongyang Haomen	Dongguan	4	133,247	113,260	September 2011	Not yet obtained	2013 2nd quarter	100%
Dongguan Dongjiang Haomen	Dongguan	2	122,112	103,795	December 2010	Yes	2012 4th quarter	100%
Dongguan Shui'an Haomen	Dongguan	1	107,281	91,189	January 2011	Yes	2012 4th quarter	80%
Dongguan Shui'an Haomen	Dongguan	2	93,105	79,140	March 2012	Not yet obtained	2013 3rd quarter	80%
Huizhou Kaisa Center	Huizhou	2	450,720	383,112	April 2011	Yes	2013 3rd quarter	100%
Huizhou Riverbank New Town	Huizhou	1	10,877	9,246	November 2010	Yes	2012 3rd quarter	100%
Huizhou Riverbank New Town	Huizhou	2	95,254	80,966	April 2011	Yes	2012 4th quarter	100%
Huizhou Riverbank New Town	Huizhou	3	321,073	272,912	October 2011	Not yet obtained	2013 1st quarter	100%
Zhuhai Lake View Waldorf Garden	Zhuhai	1	180,316	153,268	March 2011	Not yet obtained	2013 2nd quarter	100%
Zhuhai Golden World	Zhuhai	1	106,369	90,414	March 2011	Yes	2012 4th quarter	100%
Zhuhai Golden World	Zhuhai	2	53,152	45,179	August 2011	Not yet obtained	2013 2nd quarter	100%
Chengdu Lijing Harbour	Chengdu	5	78,475	67,659	November 2011	Yes	2012 3rd quarter	100%
Chengdu Lijing Harbour	Chengdu	6	117,742	82,419	October 2010	Yes	2012 4th quarter	100%
Chengdu Lijing Harbour	Chengdu	7	108,820	80,207	April 2011	Yes	2012 4th quarter	100%
Chengdu Kaisa Monarch Residence	Chengdu	1	259,981	188,814	April 2011	Yes	2012 4th quarter	100%
Chengdu Kaisa Monarch Residence	Chengdu	2	149,887	108,857	March 2011	Yes	2013 1st quarter	100%
Chengdu Kaisa Monarch Residence	Chengdu	3	149,845	109,998	August 2011	Yes	2013 2nd quarter	100%
Chengdu Kaisa Monarch Residence	Chengdu	4	149,856	117,764	August 2011	Yes	2014 2nd quarter	100%
Chengdu Kaisa Monarch Residence	Chengdu	5	185,750	157,888	May 2012	Not yet obtained	2014 3rd quarter	100%

Project	City	Project Phase	Total GFA or estimated total GFA	Saleable GFA or Estimated saleable GFA	Commencement Time	Status of presale permit	Estimated completion time	Interest attributable to us
			(sq.m.)	(sq.m.)				
Chengdu Kaisa Monarch Residence	Chengdu	6	146,213	124,281	June 2012	Not yet obtained	2014 4th quarter	100%
Chengdu Modern Town	Chengdu	2	167,468	117,209	July 2011	Yes	2013 1st quarter	100%
Nanchong Monarch Residence	Nanchong	1	132,626	112,732	September 2011	Yes	2013 2nd quarter	100%
Nanchong Monarch Residence	Nanchong	2	119,153	89,702	September 2011	Yes	2013 2nd quarter	100%
Nanchong Monarch Residence	Nanchong	3	113,395	96,386	December 2011	Yes	2013 4th quarter	100%
Nanchong Kaisa Plaza	Nanchong	—	116,634	116,395	July 2011	Yes	2012 4th quarter	100%
Shengyang Kaisa Center	Shengyang	—	292,331	248,481	May 2012	Not yet obtained	2014 4th quarter	100%
Yingkou Dragon Bay	Yingkou	1	347,443	295,327	July 2011	Yes	2012 3rd quarter	100%
Yingkou Monarch Residence	Yingkou	1	233,745	198,683	June 2011	Yes	2012 4th quarter	100%
Anshan Lake View Waldorf	Anshan	1	267,627	227,483	October 2011	Yes	2012 4th quarter	100%
Benxi Lake View Place	Benxi	—	323,120	274,652	September 2011	Yes	2013 2nd quarter	100%
Panjin Kaisa Center	Panjin	1	170,717	122,338	March 2012	Yes	2013 4th quarter	100%
Huludao Suizhong Kaisa Dongdaihe	Huludao	1	439,575	395,618	October 2011	Yes	2013 3rd quarter	100%
Changsha Lake View Place	Changsha	1	121,678	106,999	August 2009	Yes	2012 4th quarter	100%
Changsha Lake View Place	Changsha	2	234,935	199,695	January 2011	Yes	2013 2nd quarter	100%
Changsha Lake View Place	Changsha	3	101,669	86,419	November 2011	Not yet obtained	2013 4th quarter	100%
Zhuzhou Golden World	Zhuzhou	2	292,437	221,097	October 2011	Yes	2012 4th quarter	100%
Jiangyin Gushan Mocha Town	Jiangyin	3	10,372	10,078	August 2010	Yes	2012 3rd quarter	100%
Jiangyin Gushan Mocha Town	Jiangyin	4	54,507	45,367	February 2011	Yes	2012 4th quarter	100%
Jiangyin Kaisa Plaza	Jiangyin	1	112,131	95,312	January 2011	Yes	2013 3rd quarter	100%
Jiangyin Kaisa Plaza	Jiangyin	3	207,483	176,360	October 2011	Yes	2013 4th quarter	100%
Jiangyin Zhouzhuang Golden World	Jiangyin	2	220,546	187,464	May 2011	Yes	2012 4th quarter	100%
Jiangyin Changjing Lake View Waldorf	Jiangyin	1	55,349	41,512	August 2011	Yes	2012 3rd quarter	100%
Jiangyin Changjing Lake View Waldorf	Jiangyin	2	94,414	80,252	June 2012	Not yet obtained	2014 3rd quarter	100%
Changzhou Phoenix Lake No.1	Changzhou	1	100,494	85,420	June 2011	Yes	2012 3rd quarter	100%
Changzhou Phoenix Lake No.1	Changzhou	2	155,848	132,471	June 2011	Yes	2012 4th quarter	100%
Taicang Lake View Waldorf	Taicang	2	81,897	77,461	April 2011	Yes	2012 3rd quarter	100%
Taicang Lake View Waldorf	Taicang	3	43,559	35,513	April 2011	Yes	2012 4th quarter	100%
Hangzhou Jade Dragon Court	Hangzhou	—	98,041	83,335	February 2012	Not yet obtained	2013 3rd quarter	100%
			8,469,436					

Properties Held for Future Development

The table below sets forth certain information of our property projects held for future development as of June 30, 2012:

Project	City	Project phase	Estimated total GFA	Estimated completion time[1]
			(sq. m.)	
Shenzhen Kaisa Global Center[2][3]	Shenzhen	—	142,000	2016
Shenzhen Kaisa City Plaza	Shenzhen	1–4	1,283,430	2013
Guangzhou Tianhe Project	Guangzhou	—	45,534	2014
Foshan Shunde Kaisa Golden World	Foshan	4	156,042	2014
Dongguan Dongjiang Haomen	Dongguan	3	57,195	2013
Dongguan Le Grand Bleu	Dongguan	1–5	525,934	2014
Dongguan Oasis Town	Dongguan	—	120,531	2014
Huizhou Jincheng Heights	Huizhou	1–2	267,995	2014
Huizhou Kaisa Center	Huizhou	3	178,712	2015
Huizhou Yuan Zhou Project	Huizhou	—	61,200	2014
Huizhou Tonghu Project	Huizhou	1–4	731,487	2014
Huizhou Riverbank New Town[2][3]	Huizhou	4–10	3,862,625	2014
Zhuhai Lake View Waldorf Garden	Zhuhai	2–3	370,115	2014
Zhuhai Golden World	Zhuhai	3–4	96,784	2013
Nanchong Monarch Residence	Nanchong	4	109,087	2014
Yingkou Dragon Bay[2][3]	Yingkou	2–3	1,061,213	2014
Yingkou Monarch Residence[2][4]	Yingkou	2–3	639,400	2013
Anshan Lake View Waldorf[2][4]	Anshan	2–3	1,091,624	2013
Anshan Monarch Residence[2][3]	Anshan	1–3	926,868	2014
Anshan Yaguang Project[2][5]	Anshan	—	76,200	2013
Benxi Lake View Place	Benxi	—	33,704	2014
Panjin Kaisa Center[2][3]	Panjin	2	209,375	2013
Huludao Suizhong Kaisa Dongdaihe[2][3]	Huludao	1–2	725,718	2014
Weifang Kaisa Golden World	Weifang	1–4	246,704	2013
Liaoyang Gongchangling Project[2][3]	Liaoyang	—	256,975	2014
Changsha Lake View Place	Changsha	3–4	1,039,829	2013
Changsha Kaisa Times Square	Changsha	—	87,079	2013
Zhuzhou Golden World[2][3]	Zhuzhou	3	137,146	2013
Wuhan Golden World[2][4]	Wuhan	1–3	505,576	2014
Shanghai Jiading Project[2][3]	Shanghai	—	58,268	2014
Shanghai Fengxian Project[2][3]	Shanghai	—	84,381	2013
Total			15,188,731	

Notes:

(1) For projects with multiple phases, the estimated time for completing the first phase of the project.

(2) We have not obtained land use rights certificates for these projects, except for the site area of 913,127 sq.m. for Huizhou Riverbank New Town, the site area of 220,669 sq.m. for Yingkou Dragon Bay, the site area of 71,922 sq.m. for Yingkou Monarch Residence, the site area of 110,689 sq.m. for Anshan Lake View Waldorf, the site area of 30,568 sq.m. for Panjin Kaisa Center, the site area of 754,068 sq.m. for Huludao Suizhong Kaisa Dongdaihe, the site area of 158,055 sq.m. for Zhuzhou Golden World, the site area of 118,750 sq.m. for Wuhan Golden World.

(3) We have signed a land grant contract with the relevant government authority. We will pay the land premium in full and apply to the relevant government authority for the land use rights certificates.

(4) We have not signed certain land grant contracts with the relevant government authority. We have obtained confirmation from the relevant land and resources bureau that we have been selected as the winner in the public listing-for-sale process. We will enter into a land contract with the relevant government authority and apply for the land use rights certificate after the conditions under the land grant contract have been satisfied.

(5) We have signed the state-owned asset transfer agreement with the relevant government authority. We intend to pay the land premium in full and apply to the relevant government authority for the property ownership certificate.

The site area information in this offering memorandum is derived on the following basis:

- before a land use rights certificate has been issued, the site area information in respect of the related development or phase is derived from figures set out in the relevant land grant contract or the preliminary approval documents (excluding the areas earmarked for public infrastructure and facilities); and
- if a land use rights certificate has been issued, the site area information relating to the relevant development or phase of the development is derived from the land use rights certificate.

The commencement time for each project or project phase refers to the date or estimated date for beginning construction of the first building.

The completion time for each project or project phase refers to the date on which the completion certificate is duly issued.

If no pre-sale permit has been issued, the pre-sale commencement time is estimated based on our management's best belief and knowledge. These estimates do not represent commitments and are subject to change.

If no completion certificate has been issued, the completion time is estimated based on our management's best belief and knowledge. Theses estimates do not represent commitments and are subject to change.

A property is considered sold when the risks and rewards of property are transferred to the purchasers, which occurs when the construction of relevant property has been completed, the property has been delivered to the purchasers and collectability of related receivables is reasonably assured.

Description Of Our Property Development Projects

The following are detailed descriptions of our 62 property development projects.

Projects in Greater Shenzhen — Shenzhen

(1) Shenzhen Woodland Height (深圳桂芳園)

Shenzhen Woodland Height is located in Buji Town, Shenzhen. This project occupies an aggregate site area of approximately 160,514 sq.m. with a total GFA of approximately 580,135 sq.m. It is an integrated residential complex which comprises eight low-rise and 25 medium-rise apartment buildings with comprehensive ancillary facilities. Shenzhen Woodland Height also includes one mixed-use commercial building, one clubhouse and one kindergarten.

As of June 30, 2012, we had completed development of all eight phases of Shenzhen Woodland Height. We completed Shenzhen Woodland Height Phase 8 in September 2006. Our Shenzhen Woodland Height project comprised 5,772 residential units with a saleable GFA of approximately 471,279 sq.m., 1,997 commercial units with a saleable GFA of approximately 34,677 sq.m. and 976 car parking spaces. We have retained 12,886 sq.m. retail space for long-term investment purposes.

(2) Shenzhen Mocha Town (深圳可園)

Shenzhen Mocha Town is located in Buji Town, Shenzhen. This project occupies an aggregate site area of approximately 185,724 sq.m. with a total GFA of approximately 735,299 sq.m. It is an integrated residential complex which comprises primarily two low-rise apartment buildings, two medium-rise apartment buildings and 17 medium-rise apartment buildings with comprehensive ancillary facilities. It also includes complementary commercial facilities and two clubhouses, one of which is for commercial use. In addition, the complex has two kindergartens and one primary-to-middle school. The project is divided into seven phases.

As of June 30, 2012, we had completed seven phases of Shenzhen Mocha Town. We completed Shenzhen Mocha Town Phase 7 in November 2008. Our seven completed project phases comprise 5,407 residential units with a saleable GFA of approximately 545,231 sq.m., 836 commercial units with a saleable GFA of approximately 19,639 sq.m. and 3,474 car parking spaces.

(3) Shenzhen Kaisa Center (深圳佳兆業中心)

Shenzhen Kaisa Center is located in the CITIC business area in Futian District, Shenzhen. This project occupies an aggregate site area of approximately 5,966 sq.m. with a total GFA of approximately 98,241 sq.m. It is a residential-commercial integrated project which comprises one high-rise building which includes serviced apartments and commercial properties such as retail stores and restaurants.

We commenced development of Shenzhen Kaisa Center in November 2005 and completed it in August 2006. Shenzhen Kaisa Center project comprises 1,564 serviced apartments with a saleable GFA of approximately 61,932 sq.m., commercial space with a saleable GFA of approximately 22,819 sq.m. and 260 car parking spaces. We have retained 19,170 sq.m. commercial space for long term investment purposes.

(4) Shenzhen Lake View Place (深圳水岸新都)

Shenzhen Lake View Place is located in Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 182,064 sq.m. with a total GFA of approximately 388,626 sq.m. It is an integrated residential complex which comprises low-rise and high-rise apartment buildings, townhouses, stacked townhouses and commercial facilities. The project is divided into five phases.

As of June 30, 2012, we had completed all five phases of Shenzhen Lake View Place. We completed Shenzhen Lake View Place Phase 1 in October 2006, Phase 2 in October 2007, Phase 3 in October 2008 and Phase 4 and 5 in December 2008. The completed project phases comprise townhouses and stacked townhouses with a saleable GFA of approximately 33,023 sq.m., apartment units with a saleable GFA of approximately 237,870 sq.m., commercial space with a saleable GFA of approximately 26,356 sq.m. and 2,526 car parking spaces.

(5) Shenzhen Xiangrui Garden (深圳香瑞園)

Shenzhen Xiangrui Garden is located in Nanshan District, Shenzhen. This project occupies an aggregate site area of approximately 57,984 sq.m. with a total GFA of approximately 143,796 sq.m. Shenzhen Xiangrui Garden is an integrated residential complex which comprises three low-rise and eight high-rise apartment buildings and townhouses with ancillary facilities.

We commenced development of Shenzhen Xiangrui Garden in November 2007 and completed a portion of this project with a total GFA of 67,294 sq.m. in December 2008 and the remaining portion with a total GFA of 76,502 sq.m. in February 2009. The project comprises residential space with a total GFA of approximately 98,523 sq.m. and commercial space with a total GFA of approximately 2,511 sq.m.

(6) Shenzhen Mingcui Garden (深圳茗萃園)

Shenzhen Mingcui Garden is located in Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 102,439 sq.m. with a total GFA of approximately 394,663 sq.m. Shenzhen Mingcui Garden is a residential-commercial integrated project which comprises 14 high-rise apartment buildings with commercial facilities. The project is divided into four phases.

We commenced development of Shenzhen Mingcui Garden Phase 1 in July 2007, Phase 2 in November 2007 and Phase 3 in February 2009, and completed them in November 2008, August 2009 and January 2011, respectively. These three phases comprise residential space with a saleable GFA of approximately 253,716 sq.m. and commercial space with a saleable GFA of approximately 28, 371 sq.m.

As of June 30, 2012, Shenzhen Mingcui Garden Phase 4 is a planned hotel under development. We commenced development of Shenzhen Mingcui Garden Phase 4 in June 2011 and expect to complete it in December 2012.

(7) Shenzhen Jincui Garden (深圳金翠園)

Shenzhen Jincui Garden is located in Luohu District, Shenzhen. This project occupies an aggregate site area of approximately 9,066 sq.m. with a total GFA of approximately 105,830 sq.m. The project is a residential-commercial integrated project which comprises primarily four high-rise buildings.

We commenced development of Shenzhen Jincui Garden in September 2008 and completed it in November 2010.

(8) Shenzhen Shangpin Garden (深圳上品雅園)

Shenzhen Shangpin Garden is located in Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 45,829 sq.m. with a total GFA of approximately 231,572 sq.m. The project comprises primarily high-rise apartment buildings with retail space. It also includes one kindergarten.

We commenced development of Shenzhen Shangpin Garden in June 2008 and completed it in November 2010.

(9) Shenzhen Kaisa Global Center (深圳佳兆業環球中心)

Shenzhen Kaisa Global Center is located at Shennan Avenue in Futian District, Shenzhen. Shenzhen Science Museum, Shenzhen Commercial Bank Building and the Shenzhen Metro are in the vicinity of this project. Shenzhen Kaisa Global Center occupies an aggregate site area of approximately 14,411 sq.m. with a total GFA of approximately 142,000 sq.m. Shenzhen Kaisa Global Center is expected to comprise one high-rise office building with retail space and public parks.

As of June 30, 2012, Shenzhen Kaisa Global Center was held for future development. This project will be jointly developed by our wholly owned subsidiary, Fenglong Group and Shenzhen City Construction Development (Group) Co., Ltd. (深圳市城市建設開發(集團)公司) ("Shenzhen Chengjian"), an independent third party. Under the relevant cooperation agreements, Fenglong Group has agreed to provide funds for construction. Shenzhen Chengjian has undertaken substantial preparatory work in connection with the land acquisition and, in consideration of a joint profit sharing arrangement, has agreed to contribute its interest in the parcel of land for this project. The joint profit sharing arrangement was determined with reference to the total GFA of Fenglong Center, under which Fenglong Group will hold an 88.5% interest and Shenzhen Chengjian will hold the remaining 11.5% interest in the project. Fenglong Group was responsible for the total demolition fee. If the land use rights certificate is duly issued, we will hold an 88.5% attributable interest in this project.

As of June 30, 2012, the parties are in the process of obtaining the relevant land use rights certificates. We plan to retain all of the project for long term investment purposes after we complete it.

(10) Shenzhen Metro City (深圳大都匯大廈)

Shenzhen Metro City is located at Buji Metro Station, Shenhui Road, Buji Town, Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 5,241 sq.m. with a total GFA of approximately 124,479 sq.m. It is a residential complex which comprises 792 apartment units with a saleable GFA of approximately 69,276.48 sq.m. and commercial space with a saleable GFA of approximately 8,975 sq.m.

We commenced development of this project in October 2010 and completed it in December 2011.

(11) Shenzhen Kaisa City Plaza (深圳佳兆業城市廣場)

Kaisa City Plaza is a redevelopment project and is located at Banxuegang Avenue, Longgang District, Shenzhen. This project occupies an aggregate site area of approximately 321,824 sq.m. with a total GFA of approximately 1,283,430 sq.m. We completed the acquisition of the site in January 2010, and obtained the approval to re-zone the site for residential and commercial purposes in December 2011.

As of June 30, 2012, this project is held for future development. This project is expected to be an integrated residential-commercial project with a kindergarten, a nine-year integrated curriculum school and other ancillary facilities. and it is divided into four phases.

Projects in the City of Guangzhou in the Pearl River Delta region

(12) Guangzhou Jinmao (廣州金貿項目)

Guangzhou Jinmao is located in a prime location within Guangzhou's CBD in Tianhe District. It is close to a station for the No. 1 and No. 3 lines of the Guangzhou Metro and the Guangzhou East Railway Station. This project occupies an aggregate site area of approximately 14,192 sq.m. with a total GFA of approximately 233,322 sq.m. Guangzhou Jinmao is a commercial project which comprises primarily one 51-floor twin office building with retail space.

We commenced development of Guangzhou Jinmao in July 2006 and completed it in May 2008. Guangzhou Jinmao comprises office space with a saleable GFA of approximately 100,974 sq.m., retail space with a saleable GFA of approximately 38,202 sq.m. and 674 car parking spaces. We have retained a total GFA of 43,504 sq.m., including retail space with a total GFA of approximately 38,202 sq.m. and 449 car parking spaces with a total GFA of approximately 5,302 sq.m. for long-term investment purposes.

(13) Guangzhou Kaisa Plaza (廣州佳兆業廣場)

Guangzhou Kaisa Plaza is located in Guangzhou's CBD in Tianhe District, Guangzhou. This project occupies an aggregate site area of approximately 7,106 sq.m. with a total GFA of approximately 117,522 sq.m. Guangzhou Kaisa Plaza is a commercial project and comprises primarily one high-rise office building with retail and car parking spaces.

We commenced development of Guangzhou Kaisa Plaza in July 2008 and completed it in December 2010. On August 26, 2010, we entered into an equity transfer agreement to dispose of a 100% equity interest of China Agriculture Technology Limited, our wholly-owned subsidiary, to Shengyu (BVI) Limited, a subsidiary of Evergrande Real Estate Group Limited, the shares of which are listed on The Hong Kong Stock Exchange Limited. The principal underlying assets of China Agriculture Technology Limited is its indirect 100% interest in the Guangzhou Kaisa Plaza. The consideration for the transaction was RMB1 billion, and we were also reimbursed RMB900 million of project-related expenditures. The transaction was completed on December 20, 2010.

(14) Guangzhou Monarch Residence (廣州君匯上品園)

Guangzhou Monarch Residence is located at Jiangnan Avenue Central, Haizhu District. This project occupies an aggregate site area of approximately 7,707 sq.m. with a total GFA of approximately 56,644 sq.m. This project is an integrated residential complex comprising high-rise apartment buildings and commercial facilities.

As of June 30, 2012, Guangzhou Monarch Residence was under development. We commenced the development in December 2010 and expect to complete it in November 2012. We obtained the pre-sale permit for Guangzhou Monarch Residence in December 2011.

(15) Guangzhou Tianhe Project (廣州天河專案)

Guangzhou Tianhe Project is located at the intersection of Huangpu Avenue and Chebei Road in Tianhe District in Guangzhou. The project occupies an aggregate site area of approximately 15,178 sq.m. with a total GFA of approximately 45,534 sq.m., including residential space of approximately 41,350 sq.m. and commercial space of 4,184 sq.m. As of June 30,2012, the project was held for future development.

Projects in Greater Shenzhen — Foshan

(16) Foshan Shunde Kaisa Mocha Town (佛山順德佳兆業可園)

Foshan Shunde Kaisa Mocha Town is located at the junction of Xinglong Road and Second Ring Road, Xingtan Town, Foshan. This project occupies an aggregate site area of approximately 71,200 sq.m. with a total GFA of approximately 233,229 sq.m., and is expected to comprise 24 high-rise properties. This project is expected to be divided into two phases.

We commenced the development of Foshan Shunde Kaisa Mocha Town in January 2011 and expect to complete it in the third quarter of 2012. We obtained the pre-sale permit for the project in June 2011.

(17) Foshan Shunde Kaisa Shangpin Garden (佛山順德佳兆業上品雅園)

Foshan Shunde Kaisa Shangpin Garden is located at Linshan Road, Beijiao New Town, Shunde District, Foshan. This project occupies an aggregate site area of approximately 32,819 sq.m. with a total GFA of approximately 97,287 sq.m. This project is expected to be a residential complex.

We commenced the development of Foshan Shunde Kaisa Mocha Town in February 2011 and expect to complete it in September 2012. We obtained the pre-sale permit for the project in June 2011.

(18) Foshan Shunde Kaisa Golden World (佛山順德佳兆業金域天下)

Foshan Shunde Kaisa Golden World is located at West Waihuan Road, Ronggui Town, Shunde District, Foshan. This project occupies an aggregate site area of approximately 197,584 sq.m. with a total GFA of approximately 493,961 sq.m. This project is expected to be a residential complex and is divided into four phases.

We commenced the development of Phase 1 in May 2011, Phase 2 in August 2011 and Phase 3 in October 2011, and the phases are expected to complete in December 2012, the third quarter of 2013, and the second quarter of 2014, respectively. As of June 30, 2012, the remainder of approximately 156,042 sq.m. was held for future development.

Projects in Greater Shenzhen — Dongguan

(19) Dongguan Zhongyang Haomen (東莞中央豪門)

Dongguan Zhongyang Haomen is located in Shilong Town, Dongguan. This project occupies an aggregate site area of approximately 82,742 sq.m. with an estimated total GFA of approximately 377,481 sq.m. It is expected to be an integrated residential project which comprises high-rise residential buildings with retail space. The project is divided into four phases.

We are jointly developing Dongguan Zhongyang Haomen with Dongguan Shilong, an independent third party. There are six parcels of land for this project. As of June 30, 2012, we had land use rights certificates for two parcels of land and our joint developer had land use rights certificates for the remaining four parcels of land. Under the arrangement for our cooperative development with Dongguan Shilong, (a) we and Dongguan Shilong agreed to contribute our respective land use rights for the parcels of land for the development of Zhongyang Haomen, (b) we are obligated to pay a fixed amount of RMB136.3 million to Dongguan Shilong for the right to develop the project and an additional amount of RMB6.9 million as a management fee for its participation in the development, (c) we will provide the funding for the development, and (d) we are entitled to 100% of the profits derived from the project and are responsible for payment of LAT arising from the sales of the properties in Zhongyang Haomen.

We completed Dongguan Zhongyang Haomen Phase 1 in June 2009. Dongguan Zhongyang Haomen Phase 1 comprises residential space with a total GFA of approximately 70,148 sq.m. We completed Dongguan Zhongyang Haomen Phase 2 in December 2009. Dongguan Zhongyang Haomen Phase 2 comprises residential space with a total GFA of approximately 61,487 sq.m. and commercial space with a total GFA of approximately 4,230 sq.m. We commenced pre-sale of Dongguan Zhongyang Haomen Phase 2 in October 2008. We completed Dongguan Zhongyang Haomen Phase 3 in June 2012. Dongguan Zhongyang Haomen Phase 3 comprises residential space with a total GFA of approximately 70,462 sq.m. and commercial space with a total GFA of approximately 2,612 sq.m. We commenced presale of Dongguan Zhongyang Haomen Phase 3 in May 2010.

As of June 30, 2012, Dongguan Zhongyang Haomen Phase 4 was under development. Dongguan Zhongyang Haomen Phases 4 is expected to be residential-commercial integrated projects with a total GFA of approximately 133,247 sq.m..

Dongguan Zhongyang Haomen Phase 4 commenced development in September 2011, and is expected to complete development in June 2013.

(20) Dongguan Dongjiang Haomen (東莞東江豪門)

Dongguan Dongjiang Haomen is located in Qishi Town, Dongguan. This project occupies an aggregate site area of approximately 86,324 sq.m. with a total GFA of approximately 243,658 sq.m. Dongguan Dongjiang Haomen is expected to be an integrated residential complex which comprises high-rise apartment buildings, townhouses and commercial facilities. The project is divided into three phases.

We completed Dongguan Dongjiang Haomen Phase 1 in September 2011. Dongguan Dongjiang Haomen Phase 1 comprises residential space with a total GFA of approximately 60,558 sq.m. and commercial space with a total GFA of approximately 3,793 sq.m.

As of June 30, 2012, Dongguan Dongjiang Haomen Phase 2 was under development. We commenced development of Dongguan Dongjiang Haomen Phase 2 in December 2010 and expect to complete it in October 2012. Dongguan Dongjiang Haomen Phase 2 is expected to be a residential-commercial integrated project with a total GFA of approximately 122,112 sq.m. We commenced pre-sale of Dongguan Dongjiang Haomen Phase 2 in June 2011.

As of June 30, 2012, Dongguan Dongjiang Haomen Phase 3 was held for future development.

(21) Dongguan Shui'an Haomen (東莞水岸豪門)

Dongguan Shui'an Haomen is located at Fengshen Avenue, Fenggang Town, Dongguan. This project occupies an aggregate site area of approximately 70,734 sq.m. with a total GFA of approximately 200,386 sq.m. This project is expected to be an integrated residential complex which comprises high-rise apartment buildings and commercial facilities. The project is expected to be divided into three phases.

We will jointly develop Dongguan Shui'an Haomen with Dongguan Fenggang Yantian Enterprise Development Company (東莞市鳳崗雁田企業發展公司) ("Dongguan Fenggang"). Dongguan Fenggang is a collectively owned company. In July 2008, we and Dongguan Fenggang jointly established Dongguan Yingyan Property Development Co., Ltd. ("Dongguan Yingyan") as the project company to develop this project. For more details of Dongguan Fenggang and Dongguan Yingyan, see the section entitled "Substantial Shareholders." Under the relevant cooperative arrangements, we will bear 80% of the total development costs and liabilities and Dongguan Fenggang will bear the remaining 20% in proportion to the respective shareholdings of Dongguan Yingyan. Also, we are entitled to 80% of the profits derived from the project and Dongguan Fenggang is entitled to 20% of the profits according to the respective shareholdings of Dongguan Yingyan.

We commenced the development of Phase 1 in January 2011 and Phase 2 in March 2012 and expect to complete them in the fourth quarter of 2012 and the third guarter of 2013, respectively.

(22) Dongguan Dijingwan (東莞帝景灣)

Dijingwan is located in Shilong Town, Dongguan. This project occupies an aggregate site area of approximately 46,474 sq.m. with an estimated total GFA of approximately 155,432 sq.m. This project is an integrated residential project which comprises primarily 18 garden apartments and 12 villas, supplemented by retail spaces.

We are jointly developing Dijingwan with Dongguan Shilong. Dongguan Shilong holds the land use rights certificates for the land. Under the relevant cooperative arrangements, (a) Dongguan Shilong agreed to contribute the relevant land use rights for the development of the project, (b) we are obligated to pay a fixed amount of RMB93.9 million to Dongguan Shilong for the right to develop the project, (c) we will provide the funding for the development, and (d) we are entitled to 100% of the profits derived from the project and are responsible for payment of LAT arising from the sales of the properties in Dijingwan. The arrangement for our cooperative development with Dongguan Shilong has been approved by the Dongguan Development and Reform Bureau (東莞市發展與改革局). We and Dongguan Shilong have jointly obtained the construction land planning permit, the construction works planning permit and the construction works commencement permit.

We commenced the project in August 2008 and completed it in March 2010.

(23) Dongguan Le Grand Bleu (東莞沙田碧海雲天花園)

Dongguan Le Grand Bleu is a redevelopment project and is located at Qisha Village, Shatian Town, Dongguan. This project occupies an aggregate site area of approximately 239,050 sq.m. with a total GFA of approximately 525,934 sq.m. This project is expected to be a residential complex and is divided into five phases.

We obtained the land use rights in August 2011. As of June 30, 2012, the project was held for future development.

(24) Dongguan Oasis Town (東莞城市綠洲花園)

Dongguan Oasis Town is located at Xiping Community, Nancheng District, Dongguan. This project occupies an aggregate site area of approximately 65,021 sq.m. with a total GFA of approximately 120,531 sq.m. This project is expected to be a residential complex.

As of June 30, 2012, the project was held for future development.

Projects in Greater Shenzhen — Huizhou

(25) Huizhou Jincheng Heights (惠州錦城山莊)

Huizhou Jincheng Heights is located in Huicheng District, Huizhou. This project occupies an aggregate site area of approximately 89,998 sq.m. with a total GFA of approximately 267,995 sq.m. Jincheng Heights is expected to be an integrated residential project which comprises primarily high-rise apartment buildings and complementary commercial properties. The project is expected to be divided into two phases.

As of June 30, 2012, Huizhou Jincheng Heights was held for future development.

(26) Huizhou Kaisa Center (惠州佳兆業中心)

Huizhou Kaisa Center is located in Jiangbei District, Huizhou. It is close to the Huizhou Municipal Government building. This project occupies an aggregate site area of approximately 70,859 sq.m. with a total GFA of approximately 734,076 sq.m. Huizhou Kaisa Center is expected to be a residential-commercial integrated project which comprises primarily high-rise apartment buildings and complementary commercial properties, office building and a hotel. The project is divided into three phases.

We commenced development of Huizhou Kaisa Center Phase 1 in August 2009 and complete it in April 2011. As of June 30, 2012, Huizhou Kaisa Center Phase 2 was under development. We commenced development of Phase 2 in April 2011 and completed it in September 2013. As of June 30, 2012, Huizhou Kaisa Center Phase 3 was held for future development. We have retained 12,008 sq.m. of commercial space for long term investment purposes, and 146,278 sq.m. of office and commercial space for medium term investment purposes.

(27) Yuan Zhou Project (園洲項目)

Yuan Zhou Project is located in Yuan Zhou Town, Huizhou. This project occupies an aggregate site area of approximately 20,400 sq.m. with a total GFA of approximately 61,200 sq.m. Yuan Zhou Project is expected to be a residential project.

As of June 30, 2012, Yuan Zhou Project was held for future development.

(28) Tonghu Project (惠州潼湖項目)

Tonghu Project is located in Tonghu Town, Huizhou. This project occupies an aggregate site area of approximately 731,487 sq.m. with a total GFA of approximately 731,487 sq.m. Tonghu is expected to be a residential project. The project is expected to be divided into four phases.

As of June 30, 2012, Tonghu Project was held for future development.

(29) Huizhou Riverbank New Town (惠州東江新城)

Huizhou Riverbank New Town is located in Boluo County, Huizhou. This project occupies an aggregate site area of approximately 1,663,969 sq.m. with a total GFA of approximately 4,326,318 sq.m. This project is expected to be a residential-commercial integrated project. The project is expected to be divided into 10 phases.

We have acquired the land use rights with respect to a portion of the land for this project with a site area of approximately 913,127 sq.m. With respect to the remaining portion of the land, we entered into a land grant contract with the relevant government authority. As of June 30, 2012, we had not received the land use rights certificate for the remaining portion of the land. As of June 30, 2012, the total amount of outstanding land premium was approximately RMB239 million for the remaining portion of the project land with a site area of approximately 750,842 sq.m.

We commenced the development of Huizhou Riverbank New Town Phase 1, Phase 2 and Phase 3 in November 2010, April 2011 and October 2011, respectively, with a total GFA of approximately 463,694 sq.m. We completed a portion of Phase 1 with a total GFA of approximately 36,489 sq.m. in December 2011, and the remaining portion with a total GFA of 10,877 sq.m. is expected to complete in the third quarter of 2012. We commenced pre-sale of Huizhou Riverbank New Town Phase 1 in September 2011. Phases 2 and 3 which have a respective total GFA of approximately 95,254 sq.m. and 321,073 sq.m., respectively, are expected to be completed in October 2012 and the first quarter of 2013, respectively.

As of June 30, 2012, the remainder of approximately 3,862,625 sq.m. was held for future development.

Projects in the City of Zhuhai in the Pearl River Delta region

(30) Zhuhai Lake View Waldorf Garden (珠海水岸華都花園)

Zhuhai Lake View Waldorf Garden is located at Shangsha Street, Wanzai District, Zhuhai. This project occupies an aggregate site area of approximately 164,354 sq.m. with a total GFA of approximately 550,431 sq.m. This project is expected to be a residential complex and is divided into three phases.

We commenced the development of Phase 1 in March 2011, of which approximately 180,316 sq.m. is expected to be completed in the second quarter of 2013. As of June 30, 2012, the remainder of approximately 370,115 sq.m. was held for future development.

(31) Zhuhai Golden World (珠海御金山花園)

Zhuhai Golden World is located north of Huangyang Avenue, south of Wangbao Reservoir, Jintaisi. Doumen Town, Doumen District, Zhuhai. This project occupies an aggregate site area of approximately 192,711 sq.m. with a total GFA of approximately 256,305 sq.m. This project is expected to be a residential complex and is divided into four phases.

We commenced the development of Phases 1 and 2 in March 2011 and November 2011, of which approximately 106,369 sq.m. and 53,152 sq.m., respectively, are expected to be completed in November 2012 and May 2013, respectively.

As of June 30, 2012, the remainder of approximately 96,784 sq.m. was held for future development.

Projects in the City of Chengdu in the Western China region

(32) Chengdu Kaisa Monarch Residence (成都佳兆業君匯上品) (previously Shuangliu Project (華陽項目 (雙流)))

Chengdu Kaisa Monarch Residence is located in Huayang Town, Shuangliu County, Chengdu. This project occupies an aggregate site area of approximately 182,666 sq.m. with a total GFA of approximately 1,041,531 sq.m. This project is expected to be a residential project which comprises primarily 39 high-rise apartment buildings. It is also expected to include one clubhouse and one kindergarten. This project is expected to be divided into six phases.

As of June 30, 2012, Chengdu Kaisa Monarch Residence Phases 1, 2, 3, 4, 5 and 6 were under construction with a total GFA of approximately 1,041,531 sq.m. We commenced the development of Phase 1 in April 2011, Phase 2 in March 2011, Phase 3 and Phase 4 in August 2011, Phase 5 in May 2012 and Phase 6 in June 2012. These phases are expected to complete in the fourth quarter of 2012, first quarter of 2013, second quarter of 2013, second quarter of 2014, third quarter of 2014 and fourth quarter of 2014, respectively. We commenced pre-sale of Chengdu Kaisa Monarch Residence Phases 1, 2, 3 and 4 in June 2011, July 2012, September 2011 and April 2012, respectively.

(33) Chengdu Lijing Harbor (成都麗晶港)

Chengdu Lijing Harbor is located in Wenjiang District, Chengdu. This project occupies an aggregate site area of approximately 150,071 sq.m. with a total GFA of approximately 761,542 sq.m. Chengdu Lijing Harbor is expected to be a residential project which comprises primarily apartment buildings. It will also include one clubhouse and one kindergarten. This project is expected to be divided into seven phases.

We commenced development of Chengdu Lijing Harbor Phase 1 in August 2008 and completed it in April 2010. Chengdu Lijing Harbor Phase 1 comprises residential space with a total GFA of approximately 121,775 sq.m. We commenced pre-sale of Chengdu Lijing Harbor Phase 2 in July 2009. We commenced development of Phase 2 in May 2008 and completed it in December 2010. We commenced the development of Chengdu Lijing Harbor Phase 3 in December 2009 and expect to complete it in June 2012. We commenced pre-sale of Phase 3 in April 2010. We commenced the development of Chengdu Lijing Harbour Phase 4 in May 2010 and expect to complete it in December 2012. We commenced pre-sale of Phase 4 in November 2010.

As of June 30, 2012, the completed GFA of Chengdu Lijing Harbor Phases 1, 2, 3 and 4 was approximately 456,505 sq.m. As of June 30, 2012, Phases of 5, 6 and 7 were under construction with a total GFA of approximately 305,037 sq.m., and are expected to be completed in July 2012, November 2012 and November 2012, respectively.

(34) Chengdu Modern Town (成都現代城) (previously Chengdu Shangmao Garden (成都商貿園))

Chengdu Modern Town is located in Shangmao Garden District, Chengdu. This project occupies an aggregate site area of approximately 133,269 sq.m. with a total GFA of approximately 365,813 sq.m. The project is expected to be an integrated commercial complex which comprises a 39-meter high building which will include office and retail space. The project is expected to be divided into two phases.

We commenced the development of Phase 1 in December 2010, of which approximately 198,345 sq.m. have been completed in December 2011. The remainder of approximately 167,468 sq.m. is under construction and expected to be completed in January 2013.

Projects in the City of Nanchong in the Western China region

(35) Nanchong Kaisa Plaza (南充佳兆業廣場)

Nanchong Kaisa Plaza is located at the junction of Binjiang Central Road and Zhengyang East Road, Shunqing District, Nanchong. This project occupies an aggregate site area of approximately 29,541 sq.m. with a total GFA of approximately 116,634 sq.m. This project is expected to be a residential complex.

We commenced the development of this project in July 2011 and expect it to be completed in December 2012. We commenced pre-sale of this project in August 2011.

(36) Nanchong Monarch Residence (南充君匯上品)

Nanchong Monarch Residence is located at Baitubei Road, Wangtianba, Shunqing District, Nanchong. This project occupies an aggregate site area of approximately 188,246 sq.m. with a total GFA of approximately 474,261 sq.m. This project is expected to be a residential complex and is divided into four phases.

As of December 31, 2011, Phases of 1, 2 and 3 were under construction with a total GFA of approximately 365,174 sq.m., and are expected to be completed in April 2013, April 2013 and November 2013, respectively.

As of December 31, 2011, the remainder of approximately 109,087 sq.m. was held for future development.

Projects in the Pan-Bohai Bay Rim

(37) Shenyang Kaisa Center (瀋陽佳兆業中心)

Shenyang Kaisa Center is located in Shenyang Shenhe District in the city of Shenyang, the capital of Liaoning Province. This project occupies an aggregate site area of approximately 30,983 sq.m. with a total GFA of approximately 292,331 sq.m. This project is expected to be a residential-commercial project which comprises residential properties, office building and commercial properties.

As of December 31, 2011, Shenyang Kaisa Center was under construction and is expected to be completed in December 2014. We intent to retain a total GFA of 113,219 sq.m., including retail space with a total GFA of approximately 67,295 sq.m. and office space with a total GFA of approximately 45,924 sq.m. for long-term investment purposes after it is completed.

(38) Yingkou Dragon Bay (營口龍灣)

Yingkou Dragon Bay is located at the junction of Xinxin Road and Bohai Street, Laobian District, Yingkou, Liaoning Province. This project occupies an aggregate site area of approximately 469,552 sq.m. with a total GFA of approximately 1,408,656 sq.m. This project is expected to be a high-end residential project which comprises townhouses, duplex villas and garden apartments. It is expected to be developed in three phases.

We commenced the development of Phase 1 in July 2011 and expect to complete it in the fourth quarter of 2012. Phase 1 is approximately 347,443 sq.m. with saleable GFA of approximately 295,327 sq.m. We commenced the pre-sale of Phase 1 in August 2011. As of June 30, 2012, the remainder of approximately 1,061,213 sq.m. was held for future development.

(39) Yingkou Monarch Residence (營口君匯上品)

Yingkou Monarch Residence is located west of Xuefu Road, east of Shifu Road, south of New Donghai Street, in Laobian District, Yingkou, Liaoning Province. This project occupies an aggregate site area of approximately 249,470 sq.m. with a total GFA of approximately 873,145 sq.m. This project is expected to be a residential complex and is divided into three phases.

We commenced the development of Phase 1 in June 2011 and expect to complete it in November 2012. Phase 1 is approximately 233,745 sq.m. with saleable GFA of approximately 198,683 sq.m. We commenced the pre-sale of Phase 1 in August 2011. As of June 30, 2012, the remainder of approximately 639,400 sq.m. was held for future development.

(40) Anshan Lake View Waldorf (鞍山水岸華府)

Anshan Lake View Waldorf is located at Shengli North Road, Lishan District, Anshan, Liaoning Province. This project occupies an aggregate site area of approximately 477,463 sq.m. with a total GFA of approximately 1,359,251 sq.m. This project is expected to be an integrated commercial-residential project and will be developed in four phases. It will primarily comprise apartments, low-rise and high-rise buildings, and will also include commercial properties such as office buildings, furnished apartments and commercial streets.

We commenced the development of Phase 1 in October 2011 and expect to complete it in December 2012. Phase 1 is approximately 267,672 sq.m. with saleable GFA of approximately 135,904 sq.m. We commenced the pre-sale of Phase 1 in September 2011. As of June 30, 2012, the remainder of approximately 1,091,624 sq.m. was held for future development.

(41) Anshan Monarch Residence (鞍山君匯上品)

Anshan Monarch Residence is located south of Ziyou East Street, east of Anqian Road, in Lishan District, Anshan, Liaoning Province. This project occupies an aggregate site area of approximately 308,956 sq.m. with a total GFA of approximately 926,868 sq.m. This project is expected to be a residential complex and is divided into three phases. As of June 30, 2012, this project was held for future development.

(42) Anshan Yaguang Project (鞍山亞光大廈項目)

Anshan Yaguang Project was a distressed asset, which is located at Renmin Road, Tiexie District, Anshan, Liaoning Province. This project occupies an aggregate site area of approximately 9,783 sq.m. with a total GFA of approximately 76,200 sq.m. This project will be transformed into a high-end commercial complex. As of December 31, 2011, Anshan Yaguang was held for future development.

(43) Benxi Lake View Place (本溪水岸新都)

Benxi Lake View Place is located at Binhe North Road, Mingshan District, Benxi, Liaoning Province. This project occupies an aggregate site area of approximately 122,200 sq.m. with a total GFA of approximately 356,824 sq.m. This project is expected to be a residential complex.

We commenced the development of this project in September 2011 and expect to complete it in May 2013. This project is approximately 323,120 sq.m. with saleable GFA of approximately 206,946 sq.m. We commenced the pre-sale in November 2011. As of June 30, 2012, the remainder of approximately 33,704 sq.m. was held for future development.

(44) Panjin Kaisa Center (盤錦佳兆業中心)

Panjin Kaisa Center is located at the junction of Huibin Street, South Shuangxing Road and Shifu Street, Xinglongtai District, Panjin, Liaoning Province. This project occupies an aggregate site area of approximately 52,812 sq.m. with a total GFA of approximately 380,092 sq.m. This project is expected to be a residential complex and is divided into two phases. We commenced the development of Phase 1 in March 2012 and expect to complete it in December 2013. We commenced pre-sale of this project in June 2012. As of June 30, 2012, the remainder of approximately 209,375 sq.m was held for future development.

(45) Huludao Suizhong Kaisa Dongdaihe (葫蘆島綏中佳兆業東戴河)

Huludao Suizhong Kaisa Dongdaihe is located at the junction of Binhai Road and Dongdaihe Street, Binhai Economic Zone, Suizhong County, Huludao, Liaoning Province. This project occupies an aggregate site area of approximately 853,773 sq.m. with a total GFA of approximately 1,165,293 sq.m. This project is expected to be a commercial complex and is divided into two phases.

We commenced the development of Phase 1 in October 2011, of which approximately 439,575 sq.m. are under construction and expected to be completed in August 2013. As of June 30, 2012, the remainder of approximately 725,718 sq.m. was held for future development.

(46) Weifang Kaisa Golden World (濰坊佳兆業金域天下)

Weifang Kaisa Golden World is located north of Bailanghe Reservoir Dam, south of Weijiao Road, in Weifang, Shandong Province. This project occupies an aggregate site area of approximately 164,469 sq.m. with a total GFA of approximately 246,704 sq.m. This project is expected to be a residential complex and is divided into four phases. As of June 30, 2012, this project was held for future development.

(47) Liaoyang Gongchangling Project (遼陽市弓長嶺區項目)

Liaoyang Gongchangling Project is located at Gongchangling District, Liaoyang, Liaoning Province. This project occupies an aggregate site area of approximately 372,427 sq.m. with a total GFA of approximately 256,975 sq.m. This project is expected to be a residential complex. As of June 30, 2012, this project was held for future development.

Projects in the Central China region

(48) Changsha Lake View Place (長沙水岸新都)

Changsha Lake View Place is located in Changsha County in the city of Changsha. This project occupies an aggregate site area of approximately 673,536 sq.m. with a total GFA of approximately 1,683,840 sq.m. Changsha Lake View Place is expected to be a residential project which comprises low-rise and high-rise apartment buildings, townhouses and stacked townhouses. This project is divided into four phases.

We commenced development of Changsha Lake View Place Phase 1 in September 2009 and commenced pre-sale of Phase 1 in May 2010, of which approximately 84,450 sq.m. have been completed and the remainder of approximately 121,678 sq.m. is expected to be completed in the fourth quarter of 2012. We commenced development of Phase 2 in January 2011 and commenced pre-sale of Phase 2 in April 2011, of which approximately 101,279 sq.m. have been completed and the remainder of approximately 234,935 sq.m. is expected to be completed in June 2013. We commenced development of Phase 3 in November 2011 and expect to complete it in December 2013. As of June 30, 2012, Changsha Lake View Place Phase 4 was held for future development.

(49) Changsha Kaisa Times Square (長沙佳兆業時代廣場)

Changsha Kaisa Times Square is located at Yingpan Road, Furong District in Changsha. The project occupies an aggregate site area of approximately 21,770 sq.m. with a total GFA of approximately 87,079 sq.m. This project will be developed into a residential project with commercial space. As of June 30, 2012, the project was held for future development.

(50) Zhuzhou Golden World (株洲金域天下)

Zhuzhou Golden World is located at Liyu Central Business Area, Tianyuan District, Zhuzhou. This project occupies an aggregate site area of approximately 222,177 sq.m. with a total GFA of approximately 509,709 sq.m. This project is expected to be a residential complex and is divided into three phases.

We commenced the development of Phases 1 and 2 in June 2011 and October 2011, respectively, of which approximately 80,125 sq.m. have been completed and approximately 292,437 sq.m. are under construction and expected to be completed in the fourth quarter of 2012. As of June 30, 2012, the remainder of approximately 137,146 sq.m. was held for future development. We commenced pre-sale of Phases 1 and 2 in July and October 2011, respectively.

(51) Wuhan Golden World (武漢金域天下)

Wuhan Golden World is located at the junction of Baisha Road and Qingling East Road, Qingling County, Hongshan District, Wuhan. This project occupies an aggregate site area of approximately 182,840 sq.m. with a total GFA of approximately 505,576 sq.m. This project is expected to be a residential complex and is divided into three phases. As of June 30, 2012, the project was held for future development.

Projects in the Yangtze River Delta region

(52) Jiangyin Lake View Place (江陰水岸新都)

Jiangyin Lake View Place is located in the city of Jiangyin, Jiangsu Province. This project occupies an aggregate site area of approximately 225,530 sq.m. with a total GFA of approximately 272,274 sq.m. Jiangyin Lake View Place is expected to be a residential project which comprises primarily high-rise apartment buildings and townhouses. The project is divided into three phases.

We commenced development of Jiangyin Lake View Place in June 2008 and completed it in December 2011.

(53) Jiangyin Gushan Mocha Town (江陰顧山可園)

Jiangyin Gushan Mocha Town is located in Gushan town in the city of Jiangyin, Jiangsu Province. This project occupies an aggregate site area of approximately 76,465 sq.m. with a total GFA of approximately 132,849 sq.m.

We completed Phase 1 in December 2010, which comprises residential space of approximately 8,622.3 sq.m. and commercial space of approximately 1,449.19 sq.m. We commenced pre-sale of Phase 1 in October 2010. We completed Phase 2 in November 2011, which comprises residential space of 50,290.63 sq.m. We commenced pre-sale of Phase 2 in

February 2011. As of June 30 2012, Phases 3 and 4 were under construction which are expected to be completed in the third quarter of 2012 and the fourth quarter of 2012, respectively. We commenced pre-sale of Phase 3 in April 2011.

(54) Jiangyin Kaisa Plaza (江陰佳兆業廣場)

Jiangyin Kaisa Plaza is located at East of Lake View Place, South of Mingxian Road, West of Dongwai Huang Road and North of Renmin Dong Road, Chengjiang Village, Jiangyin, Jiangsu Province. This project occupies an aggregate site area of approximately 158,241 sq.m. with a total GFA of approximately 424,359 sq.m. This project is expected to be a residential complex and is divided into three phases.

We commenced the development of Jiangyin Kaisa Plaza Phases 1 and 2 in January 2011 and Phase 3 in October 2011, of which approximately 104,745 sq.m. have been completed and the remainder of approximately 319,614 sq.m. is under construction. Phases 1 and 3 are expected to be completed in the third quarter and the fourth quarter of 2013, respectively.

We intend to retain a total GFA of 92,334 sq.m., including retail space with a total GFA of approximately 27,216 sq.m., office space with a total GFA of approximately 40,699 sq.m. for long-term investment after Phase 2 is complete.

(55) Jiangyin Zhouzhuang Golden World (江陰周莊金域天下花園)

Jiangyin Zhouzhuang Golden World is located east of Zhouxi East Road, in Zhouzhuang Town, Jiangyin, Jiangsu Province. This project occupies an aggregate site area of approximately 103,589 sq.m. with a total GFA of approximately 245,681 sq.m. This project is expected to be a residential complex and is divided into three phases.

We commenced the development of Jiangyin Zhouzhuang Golden World Phases 1, 2 and 3 in May 2011, of which approximately 25,135 sq.m. were completed and the remainder of approximately 220,546 sq.m. was under construction as of June 30, 2012 and expected to be completed in November 2012.

(56) Jiangyin Changjing Lake View Waldorf (江陰長涇水岸華府)

Jiangyin Changjing Lake View Waldorf is located at East of Xinglong Road, South of Dongshun Road, Changjing Town, Jiangyin. This project occupies an aggregate site area of approximately 93,275 sq.m. with a total GFA of approximately 149,763 sq.m. This project is expected to be a residential complex and is divided into two phases.

We commenced the development of Jiangyin Changjing Lake View Waldorf Phase 1 in August 2011, of which approximately 55,349 sq.m. are under construction, and expected to be completed in the third quarter of 2012. We commenced the development of Phase 2 in June 2012 and expect to complete it in September 2014.

(57) Changzhou Phoenix Lake No. 1 (常州鳳凰湖一號)

Changzhou Phoenix Lake No. 1 is located at South of Qingyang Road, Xuejia Town, Xinbei District, Changzhou, Jiangsu Privnce. This project occupies an aggregate site area of approximately 101,819 sq.m. with a total GFA of approximately 256,342 sq.m. This project is expected to be a residential complex and is divided into two phases.

As of June 30, 2012, Changzhou Phoenix Lake No. 1 Phases 1 and 2 were under construction. We commenced the development of Changzhou Phoenix Lake No. 1 Phases 1 and 2 in June 2011, of which approximately 100,494 sq.m. and 155,848 sq.m., respectively, are expected to be completed in the third quarter and the fourth quarter of 2012, respectively. We commenced pre-sale of Changzhou Phoenix Lake No. 1 Phases 1 and 2 in June and August 2011, respectively.

(58) Shanghai Shanhuwan Garden (上海珊瑚灣雅園)

Shanghai Shanhuwan Garden is located in Fengxian District, Shanghai. This project occupies an aggregate site area of approximately 104,796 sq.m. with a total GFA of approximately 140,151 sq.m. Shanghai Shanhuwan Garden is a residential project which comprises primarily high-rise apartment buildings and townhouses. The project is divided into four phases. This project was completed in November 2011.

(59) Taicang Lake View Waldorf (太倉水岸華府)

Taicang Lake View Waldorf is located at No. 1 Queqiao Road, Science-Education New Town, Taicang, Jiangsu Province. This project occupies an aggregate site area of approximately 87,741 sq.m. with a total GFA of approximately 199,676 sq.m. This project is expected to be a residential complex and is divided into three phases. We entered into an agreement to acquire the relevant land use rights in November 2010. We completed Taicang Lake View Waldorf Phase 1 in March 2012.

As of June 30, 2012, Taicang Lake View Waldorf Phases 2 and 3 were under construction. We commenced the development of Taicang Lake View Waldorf Phase 1 in February 2011, and Phases 2 and 3 in April 2011, of which approximately 81,897 sq.m. and 43,559 sq.m., respectively, are expected to be completed in September 2012 and November 2013, respectively. We commenced pre-sale of Taicang Lake View Waldorf Phases 1 and 2 in May 2011.

(60) Hangzhou Jade Dragon Court (杭州玖瓏雅苑)

Hangzhou Jade Dragon Court is located south of Zhennan Road, Zhijiang Holiday Resort Area in Hangzhou. This project occupies an aggregate site area of approximately 39,376 sq.m. with a total GFA of approximately 98,041 sq.m. This project is expected to be a residential complex. We commenced construction of the project in February 2012 and expect to complete it in September 2013.

(61) Shanghai Jiading Project (上海嘉定項目)

Shanghai Jiading Project is located at Chongfu Road, Malu Town, Jiading District in Shanghai. The project occupies an aggregate site area of approximately 23,307 sq.m. with a total GFA of approximately 58,268 sq.m. As of June 30, 2012, the project was held for future development.

(62) Shanghai Fengxian Project (上海奉賢項目)

Shanghai Fengxian Project is located at Nanting Road, Zhuanghang Town, Fengxian District in Shanghai. The project occupies an aggregate site area of approximately 70,318 sq.m., with a total GFA of approximately 84,381 sq.m. As of June 30, 2012, the project was held for future development.

Contractual Arrangements

In China, land use rights can be obtained in the primary market or the secondary market. See "— Land Acquisition." Land acquisitions in the secondary market are usually not subject to the public tender, auction and listing-for-sale requirements and can be completed by agreements among the relevant parties through private negotiation. In particular, under existing rules and regulations in Shenzhen, land use rights may be acquired through redevelopment programs without going through the public tender, auction and listing-for-sale process. From time to time, we may enter into contractual arrangements to participate in land acquisitions or development in the secondary market. In most cases, we are required to prepay deposits, advances or other consideration under these contractual arrangements. These deposits, down payments or other consideration are unsecured obligations and have been accounted for as prepayment for proposed development projects in our consolidated financial statements. As of June 30, 2012, our total contracted commitment for our 39 contractual arrangements was approximately RMB2,539.0 million.

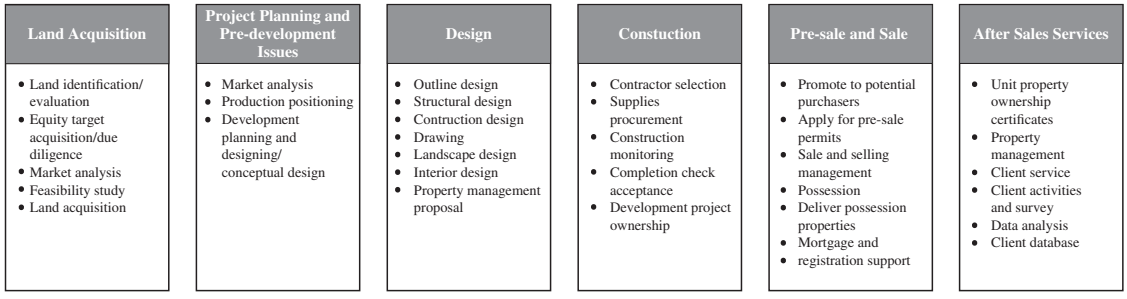
Our contractual arrangements for land acquisition and development can be broadly divided into the following five categories (a project may fall under more than one category):

- *Redevelopment* — we enter into agreements with the local government or government-affiliated entities to provide demolition and resettlement services and secure the required financing in specified old urban areas, such as old industrial areas, old business districts, old residential areas and old villages, with an aim to eventually acquire land use rights to land that we redevelop. The local government or government affiliated entities are mainly responsible for the required government filings and applications for the redevelopment project to ensure that such project is approved as an old urban area redevelopment project. As of June 30, 2012, we had 22, 3 and 1 redevelopment projects in Shenzhen, Guangzhou and Dongguan, respectively, for which we have not yet obtained the underlying land use rights.

- *Project transfers* — as of June 30, 2012, we had conducted nine project transfers through purchasing land or equity interests in the project companies from independent third parties in Shenzhen, Dongguan, Huizhou and Dalian.
- *Cooperative or joint development* — we enter into cooperative or joint development contractual arrangements with independent third parties to jointly develop projects. In such arrangements, we may not hold 100% of the rights and interests in such projects. We typically are responsible for sourcing the development funds required for the joint development, preparation, planning and development of the properties and the additional facilities. As of June 30, 2012, we had two cooperative/joint development projects, located in Dongguan and Huizhou.
- *Infrastructure development* — as of June 30, 2012, we only had one infrastructure development in construction project of the Huidong section of the Fu Kun Route of Highway G324. We engage qualified independent construction companies to carry out the related infrastructure work in certain projects. Under the agreement with the Huidong County government, we have exclusive rights to invest in and construct the highway during the construction period. The Huidong County government agreed to pay us fees upon completion of the project in such an amount that includes our total investment in the project plus a 10% return on our actual investment in each year during the life of the project.
- *Primary land development* — as of June 30, 2012, we had one primary land development in Shenyang. Our work primarily includes funding the clearing and preparation of the land, design and consultation for the overall project, relocation and resettlement of incumbent residents and installation of infrastructure. We are entitled to share with the Shenyang government the profit from the sale of the land use rights for the parcel of land that we developed.

Property Development

We maintain a systematic development approach although each project development is designed to cater to the preferences of the specific target market. The diagram below summarizes the major stages typically involved in our development of a property project:



Going forward, we intend to further standardize our scalable property development model and optimize our development process by establishing certain standard criteria and operational guidelines that may be replicated across our property projects.

Site Selection And Market Evaluation

We believe site selection and market evaluation are major determining factors for the success of our property development business. Prior to acquiring a parcel of land, our management will consider key market factors that influence housing growth in the local area and make an informed decision based on market analyses and site research performed by our land acquisition team as well as the additional market information provided by Centaline and other third-party sources. These pre-acquisition measures help us acquire land prudently and develop our projects with clear market positioning from the outset. The key factors we consider in site selection are the following:

- size and population of the city;
- general economic condition and development prospect in the private business sector;

- infrastructure, urban planning and the development plan of the city by the local government;
- anticipated demand for private residential and commercial properties;
- purchasing power of the residents;
- income levels;
- site area and suitability for a large-scale residential property development or for an integrated commercial property development;
- location within the city, proximity to the city center, access to transport and commercial facilities;
- surrounding environment;
- existing and potential property developments in the area and historical property demand in that area;
- overall competitive landscape; and
- overall cost structure.

We typically select sites for our residential developments in suburban areas with access to public transport and other urban facilities. We typically select sites for our commercial developments in prime locations of CBDs in select cities.

Land Acquisition

Under current PRC laws and regulations, land use rights for the purpose of industrial use, commercial use, tourism, entertainment and commodity housing development must be granted by the government through public tender, auction or listing-for-sale. When deciding to whom to grant the land use rights, the relevant authorities will consider not only the tender price, but also the credit history and qualifications of the tenderer and its development proposal. When land use rights are granted by way of a tender, an evaluation committee consisting of no fewer than five members (including a representative of the grantor and other experts) evaluates and selects the tenders that have been submitted. If 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.

Under current PRC laws and regulations, original grantees of land use rights may sell, assign or transfer the land use rights granted to them in the secondary markets. The "primary market" commonly refers to the grant of state-owned land use rights by relevant government authorities, and the "secondary market" commonly refers to the acquisition of land use rights from entities or persons which hold granted land use rights. PRC laws allow grantees of land use rights to dispose of the land use rights granted to them through secondary market sales, subject to the terms and conditions of the land use rights grant contracts and relevant laws and regulations. Unless otherwise required by relevant PRC laws and regulations, land acquisition in the secondary market is not subject to mandatory public tender, auction or listing-for-sale and can be accomplished by agreement among the relevant parties.

During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we have successfully acquired land through the following means:

- public tender, auction and listing-for-sale organized by the relevant government authorities;
- acquisition of controlling equity interests in companies that possess the land use; and
- rights for targeted land.

We intend to continue to expand our land reserves for new property developments through the primary market as well as the secondary market.

Financing of Property Developments

Historically our main sources of funding for our property developments are internal funds, proceeds from pre-sales and sales of properties and borrowings from banks and other financial institutions. During the three years ended December 31, 2009, 2010 and 2011 and the six months

ended June 30, 2012, all of our payments of land premiums have been funded by internal funds and proceeds from the pre-sales of properties and equity and debt financing. We typically use internal funds, proceeds from pre-sales and loans from PRC commercial banks to finance the construction costs for our property developments. From time to time, we also seek to obtain further funding to finance our project developments by accessing the international capital markets. We plan to use bank borrowings, internal funds, proceeds from the pre-sales and sales of our properties, and other cash generated from our operation to finance our future payments of property developments.

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies.

Project Planning and Design Work

We have an engineering and procurement division and a design management division which work with our project managers as well as external designers and architects in project planning and design phases. Our senior management is regularly involved in our land acquisition and development process, especially in the master planning and architectural design of our projects. We have established written procedures to manage our planning and design process. By implementing these procedures, we can unify planning and overall coordination. We also implement a series of review and design guidelines for our planned projects.

We engage external design firms to carry out design work for our projects according to our design standards and guidelines. We select the design firm based on an evaluation of their proposed concept designs, technical capacities and track record in developing similar projects. Our design management division coordinates and works with the selected design firms in major aspects of the design process, including product positioning, master planning, concept design, layout and architectural design, landscape design and interior design.

Our design contracts generally include a price list and basis for calculating the design fees such as price per sq.m. of GFA and dispute resolution provisions. We generally make payments in installments according to the progress of a project and settle the balance of the contract amounts after the project has passed the requisite government inspections and acceptances. We adopt procedures for project monitoring and quality control during the construction process to ensure that the project construction complies with design drawings, regulations, technical standards and contract requirements.

Project Management

We maintain a systematic development approach even though each project is specifically designed to cater to the target market. We have established various centralized divisions to oversee and control the major steps of our developments. These centralized divisions include the investment and development division, the engineering and procurement division, the design management division, the cost management division, the finance division and the customer services and sales division. Our investment and project development division is responsible for performing market and site analysis on the feasibility of potential projects and preparing the preliminary budget for each new project. Our engineering and procurement management division manages our material procurement and project construction. Our design management division is responsible for ensuring that construction is conducted in accordance with our planning, project design and construction drawings. Our cost management division focuses on cost control in our project development process, particularly land acquisition, project planning and design, construction and finance. Our finance division is responsible for providing senior management with the relevant cost and other financial information in relation to our operations. Our customer service and sales division works with our other centralized divisions throughout the development process to ensure that our products meet market trends and regional preferences. The involvement of these centralized divisions in the process of a project development enables us to achieve consistency in project management and synergies across our various projects.

In order to effectively carry out daily development functions in projects in various cities and regions, we have established project companies in the respective cities or regions to implement the significant strategic decisions by our centralized divisions. Our engineering and procurement division is principally responsible for managing these project companies and coordinating among the centralized divisions and regional project companies at each stage of a development project.

Procurement

We directly purchase certain major building materials and equipment such as aluminum alloys and elevators from suppliers and engage them for the installation of such materials and equipment. The amount paid for materials directly procured by us constitutes only a small portion of our total costs of materials because most construction materials are procured through our construction contractors. We have established a screening and bidding process to select material suppliers. We make decisions in selecting suppliers based on a set of factors including product quality, production capacity, management and implementation capability, track record and after-sales services. Our construction contractors are responsible for procuring most construction materials. For procurement of key construction materials, we typically designate a few brands which the contractors are required to procure.

Project Construction

We have historically contracted out all of our construction work to independent construction companies. These construction companies carry out various work including foundation leveling, civil engineering construction, equipment installation, internal decoration, landscaping and various engineering work. Under relevant PRC laws and regulations, a construction company is required to hold the relevant construction qualification certificate for the type of construction it undertakes. We have guidelines for selecting construction companies and typically invite at least three qualified construction companies to bid through a tender process. We limit our selection of construction contractors to those which have obtained the relevant construction certificates and necessary licenses, including construction enterprise qualification certificates, safety permits and permits for production of industrial products. When selecting construction contractors, we consider various factors including quality and safety, reputation, track record in similar-size projects, technical and construction capabilities and proposed construction schedule and price.

The construction contracts we enter into with construction companies typically provide for the completion date of the construction projects, quality and safety requirements mandated by relevant PRC laws and regulations and our quality standards and other specifications. Our construction contracts generally provide progressive payment arrangements according to construction phases until approximately 95% of the total contract price is paid. We typically withhold 5% of the contract sum for one to two years after the completion of construction as the additional quality warranty retention. During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we did not experience any material problems with services provided by our third-party construction contractors.

Quality Control And Construction Supervision

We emphasize quality control and adopt our quality control procedures to ensure that our properties and services comply with relevant rules and regulations relating to quality, safety and total permitted GFA and meet market standards. We adopt written selection and specification requirements for procurement of each type of material and equipment, including brand requirements, quality, technical standards, sample inspection and random quality inspection. We impose ingredient specifications for certain important construction materials such as cement. In addition, construction materials must go through the procedures of submission, sampling and testing before they are used in our projects.

We have adopted a construction plan design manual, which sets out the general classifications and illustrative guidelines for the quality specifications and parameters of our construction projects. It contains various aspects of design requirements, including construction and decoration, structural design, power supply, drainage and air conditioning systems, as well as environmental protection matters. In addition, we have adopted a manual for the general design of residential projects, which sets out the guidelines and requirements for our residential developments by classes and standards in terms of applications, environmental and economic functions, safety, and durability.

We have formulated internal control standards and procedures to regulate all major processes and procedures in our construction works. We require external contractors to adhere to the guidelines in respect of our standards and procedures, comply with relevant PRC laws and regulations in carrying out their work, and report any deviations and instances of non-compliance. Our project engineers perform on-site supervision during our construction process and conduct progressive inspections at each construction phase. We assign evaluation

teams to perform on-site evaluation reviews of our existing contractors periodically with respect to construction quality, safety control and their compliance with the relevant PRC regulations and standards relating to building materials and workmanship. We also prepare detailed quality evaluation reports for each unit of our projects after construction completion.

In addition, we engage independent third-party supervisory companies to monitor, control and manage the construction progress of our projects, including quality, cost control, safety, quality control of construction materials and equipment, and to conduct on-site inspection. Our contracts with supervisory companies generally set out payment terms, fee calculation methods and dispute resolution provisions. The supervisory fees are generally determined either at a negotiated percentage of the total construction cost of the construction project, or according to the number of supervisory personnel persons deployed. We generally make progressive payments to our supervisory companies according to construction phases until they complete the relevant services.

We are not responsible for any labor problems in respect of workers employed by our contractors or accidents and injuries that may be incurred by those workers on our construction sites if such accidents or injuries were not caused by us. These risks are borne by our contractors as provided for in our contracts with them. During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we were not aware of any non-compliance by the construction contractors of the PRC laws and regulations relating to environmental protection, health and safety or labor disputes raised by our contractors or subcontractors.

We provide our customers with a warranty for the quality of the structure of the construction pursuant to the Measures on the Sales of Commodity Housing (商品房銷售管理辦法) and Regulations for the Operations of Urban Property Development (城市房地產開發經營管理條例). In addition, we also provide a quality warranty on certain fittings and fixtures, if applicable, usually for a period of two years according to the published national standards.

Pre-Sale

In line with market practice, we pre-sell properties prior to the completion of their construction. Under applicable PRC laws and regulations, the following conditions must be met prior to commencing any pre-sale of any particular property development:

- the land premium has been fully paid and the relevant land use rights certificate has been duly issued;
- the construction land planning permit, construction works planning permit and the construction works commencement permit have been duly issued;
- the funds contributed to the property development may not be less than 25% of the total amount required to be invested in the project;
- the progress and the expected completion date and delivery date of the construction work have been ascertained; and
- a pre-sale permit has been duly issued by the relevant construction bureau or real estate administration authority.

In addition, our pre-sale activities are subject to the relevant regulations of the cities where our property projects are located. Our Directors confirm that we complied with the relevant regulations in relation to the pre-sale of properties in the cities where we have undertaken pre-sale activities during the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012. During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we did not encounter any defaults committed by our customers in pre-sales or sales contracts that had a material adverse effect on our business operations or financial condition. See the section entitled "Risk Factors — Risks Relating to the Real Estate Industry in China — We are exposed to contractual, legal and regulatory risks related to pre-sales."

Sales And Marketing

Our sales team in our sales and customer service division is responsible for executing our overall marketing strategy and sales and product promotion plans. We provide training programs and courses to our sales staff with different levels of experience. Our sales team conducts market analyses, prepares promotional designs and project brochures, organizes on-site promotions, arranges advertising campaigns, recommends pricing, sets sales-related policies and manages our customer relationships.

Our sales and marketing model involves cooperation with Centaline. We cooperate with Centaline to jointly promote our products across different regional markets in China. Through cooperating with Centaline, we believe that we are able to share its national and regional market research and information, sell and pre-sell our properties through its property sales network in China and promote our products with its professional assistance and resources. We generally enter into one-year non-exclusive sales agency agreements for Centaline's sales agency services in mainland China, and one-year exclusive sales agency agreements for Centaline's sales agency services in Hong Kong, both on project-by-project basis. Pursuant to these agreements, Centaline project teams assist with our marketing and sales. In mainland China, both we and Centaline may conduct on-site sales through the respective on-site sales representatives. Project managers from us and Centaline are jointly responsible for monitoring the overall sales and supervising their respective sales personnel, who are subject to the relevant joint sales administration agreements entered into between Centaline and us. In general, the price, discount and all other conditions of sales conducted by Centaline and us for the same project are identical. Centaline has the exclusive right to conduct sales in Hong Kong for our projects in China. Under these agreements, Centaline is generally entitled to a sales commission upon the execution of the relevant property purchase contract. We believe that the range of the sales commission we pay to Centaline is in line with industry practice. The sales commission is calculated and settled in cash at the end of each calendar month during the term of the sales agency agreement. Centaline successfully procured individual purchasers in respect of 11 of our completed projects and 14 of our projects for which we have commenced pre-sale as of June 30, 2012. Going forward, we will continue to improve the management of our sales through our sales team and intend to engage Centaline and other professional property sales agencies to carry out marketing and sales services for our property projects in China.

We promote our products through various media including newspapers, the Internet, television, radio and outdoor billboards. We also conduct advertising campaigns by means of direct mail, phone text messages, and project promotional materials. As part of our sales strategy, we conduct on-site promotion and display units to potential customers. In addition, we engage a professional company to enhance awareness of our brand.

Delivery And After-Sales Services

We endeavour to deliver our products to our customers in a timely manner. We closely monitor the progress of construction of our property projects and conduct pre-delivery property inspections to ensure the quality of our properties. The time frame for delivery is set out in the sale and purchase agreements entered into with our customers. Once a property project or project phase has passed the requisite inspections and is ready for delivery, our sales and customer service division will notify our customers, and together with representatives of the construction contractors and third-party supervisory companies, inspect the properties prior to delivery to ensure quality. Furthermore, our customer services and sales division generally assists the purchasers of our properties with mortgage financing applications, title registrations and obtaining their property ownership certificates.

Our after-sales services is customer-oriented. Our objective is to ensure continued customer satisfaction. Our sales and customer service division is responsible for our after-sale services for each of our various projects. We offer multiple communication channels for our customers to provide feedback and complaints about our products or services, including a customer service telephone hotline. We also study customer satisfaction through third-party research. We also cooperate with our property management companies to handle customer complaints. We seek to make timely adjustments to products and services to meet our customers' needs. As part of our after-sales services, we provide our existing customers with "Joy Club" (佳族會), our internal bimonthly publication, to introduce our culture, brand, various projects and promotional activities.

Payment Arrangements

Purchasers of our residential properties, including those purchasing pre-sale properties, may arrange for mortgage loans with banks. We typically require a purchaser to pay a deposit no less than RMB30,000 upon signing of a preliminary sale and purchase agreement. If the purchaser later decides not to enter into a formal sale and purchase agreement, the purchaser will forfeit the deposit. The purchasers typically make a down payment as required by the applicable regulations on the date of execution of the formal sales and purchase agreement and the balance of purchase price is typically required to be paid within seven days thereafter. Mortgage applications and approvals are the purchaser's own responsibility, but we assist them on an as-needed basis. 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 they offer to our purchasers. These guarantees are released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property and (ii) the issuance of property ownership certificate for the mortgaged property and the completion of the registration of the mortgage, which is generally available within six months to one year after the purchaser takes possession of the relevant property. 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, 2009, 2010 and 2011 and June 30, 2012, our outstanding guarantees over the mortgage loans of our purchasers amounted to RMB2,391.9 million, RMB4,367.0 million, RMB3,679.3 million and RMB5,229.5 million, respectively. In 2009, 2010 and 2011 and during the six months ended June 30, 2012, we did not experience any instances where we had to honor our guarantee obligations as a result of a failure by our customers to repay their mortgage loans. See "Risk Factors — Risks Relating to the 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 have four property management companies, Kaisa Property Management (Shenzhen) Co., Ltd. ("Shenzhen Kaisa Property Management"), Leisure Land Hotel Management (Shenzhen) Co., Ltd., Dongguan Kaisa Property Management Co., Ltd. (the "Dongguan Kaisa Property Management") and Chengdu Kaisa Property Management Co., Ltd. ("Chengdu Kaisa Property Management"), which currently manage the properties we developed. All four of these companies are our indirect wholly-owned subsidiaries. The property management agreements between our property management companies and the property owners set forth the scope and the quality requirements of the services provided by our property management companies. Our property management companies typically provide after-sales services to purchasers of our properties, including maintenance of public areas and facilities, rental of car parking spaces, security, operation of clubhouse, gardening and landscaping and other services. The property management agreements also set forth the payment arrangements of management fees. In 2009, 2010 and 2011 and the six months ended June 30, 2012, we derived revenue from our property management services of RMB58.5 million, RMB105.6 million, RMB108.1 million and RMB57.8 million, respectively. Under PRC laws and regulations, the owners' association of a residential community has the right to change property management companies pursuant to certain procedures. As of June 30, 2012, owners of all of our property developments who had become statutorily entitled to choose their property management companies continued to choose our property management companies to manage their properties. See "Risk Factors — Risk Relating to Our Business — Property owners may terminate our engagement as the provider for property management services."

Hotel Operation, Redevelopment And Development

Hotel operation and redevelopment plan

We, through Leisure Land, operated Keyu Golden Bay Resort, an ocean front hotel located on Jinshawan Beach within a resort area on the outskirts of Shenzhen. We acquired the hotel from independent third parties through an acquisition of a 100% equity interest held by them in the target company that owned the hotel properties and the land use rights for the underlying land in May 2009. We financed the acquisition with our internal funds and have fully settled the total purchase price of RMB260.0 million, which was negotiated and determined on an arm's length basis primarily with reference to the values of comparable hotel properties and the underlying land. Prior to our acquisition, the hotel had been operated at loss.

Keyu Golden Bay Resort has a site area of 34,449 sq.m. and a total GFA of 41,700 sq.m. We intend to redevelop Keyu Golden Bay Resort to further enhance its attraction to individual and corporate customers and marketability. We did not retain any member of the former management of this hotel after our acquisition. Our hotel management team in Leisure Land is currently operating the hotel until the redevelopment commences. We intend to engage an internationally recognized hotel management company to manage and operate the hotel upon the completion of the redevelopment. According to our current preliminary redevelopment plan, the redeveloped complex is expected to consist of a renovated hotel and serviced apartments. We are currently in the process of preparing the detailed redevelopment plan. As of June 30 2012, we had not commenced the redevelopment and had not made any material capital commitment in connection with redevelopment of this hotel. We intend to commence the redevelopment in 2013. Under the current preliminary redevelopment plan, the redevelopment is expected to be completed in 2015.

Hotel development

We intend to enter into the hotel development business, and to develop six hotels in Shenzhen, two hotels in Huizhou, two hotels in Jiangyin, two hotels in Huludao, one hotel in Panjin and one hotel in Liaoyang. We believe the demand for high-quality hotels in Huizhou, Jiangyin and Huludao will grow as their economies continue to grow.

We intend to engage internationally recognized hotel management companies to manage and operate the hotels upon the completion of their construction. We believe that by engaging hotel management companies to manage our hotels, we will be able to benefit from their reputation and brand recognition, hotel management and operating experience, an advanced management model as well as global reservation systems and employee training programs.

As of June 30, 2012, we had commenced construction of one hotel in Shenzhen, one hotel in Jiangyin and one hotel in Huizhou.

We expect the revenue contribution from our hotels in the aggregate to be less than 5% of our total revenue for the next three years.

Investment Properties

We develop commercial properties such as office buildings, retail stores and car parking spaces for leasing purposes. We believe these properties help to maintain our recurring revenue. Our commercial leases are generally for terms of three to four years. If there are anchor tenants renting relatively large areas at our commercial properties, or whose presences are expected to attract other tenants, we may consider offering them leases for terms of between 10 and 20 years, with annual rental reviews with reference to fixed percentage increases. Rents are typically determined based on prevailing market rates and calculated on a per square meter basis. We may choose to sell the commercial properties we have developed when we believe that sales would generate a better return on investment than rental. We intend to retain certain of our commercial properties under development and for future development for long-term investment purposes. In managing our investment property portfolio we will take into account estimated long-term growth potential, overall market conditions and our cash flows and financial condition. The rental income derived from our investment properties represented 2.1%, 1.5%, 1.4% and 3.8%, respectively, of our revenue in 2009, 2010 and 2011 and the six months ended June 30, 2012.

The table below summarizes certain information with respect to our investment properties as of June 30, 2012.

Investment Properties	Type[1]	Total GFA held for investment	GFA of tenanted portion	Occupancy rate	Total monthly rental as of June 30, 2012	Range of rental period
		(sq.m.)	(sq.m.)		(RMB)	
Shenzhen Kaisa Center	Retail	19,170.2	19,170.2	100.0%	1,705,745	2–16 years
Woodland Height (Phase 4)	Retail	4,958.6	4,279.3	86.3%	528,402	1–9 years
Woodland Height (Phase 6)	Retail	7,927.1	7,927.1	100.0%	679,961	1–20 years
Guangzhou Jinmao	Retail	38,201.6	38,201.6	100.0%	4,946,013	1 month–16 years
Guangzhou Jinmao	Car parking spaces	5,301.6	N/A	N/A	N/A	N/A
Shenzhen Kaisa Global Center	Office and retail	130,039.1	N/A	N/A	N/A	N/A
Shenzhen Kaisa Global Center	Car parking spaces	12,000.0	N/A	N/A	N/A	N/A
Huizhou Kaisa Center (Phase 1)	Retail	12,008.0	12,008.0	100.0%	N/A[2]	15 years
Huizhou Kaisa Center (Phase 2)	Office and retail	146,278.0	N/A	N/A	N/A	N/A
Shenyang Kaisa Center	Office and retail	113,219.0	N/A	N/A	N/A	N/A
Shenyang Kaisa Center	Car parking spaces	24,233.9	N/A	N/A	N/A	N/A
Jiangyin Kaisa Plaza	Office and retail hotel	67,914.9	N/A	N/A	N/A	N/A
Jiangyin Kaisa Plaza	Car parking spaces	24,419.4	N/A	N/A	N/A	N/A
Total		605,671.4	81,586.2		7,860,121	

Note:

(1) Apart from car parking spaces in Guangzhou Jinmao, car parking spaces are not held for long-term lease but for hourly parking income.

(2) Rental-free period until February 28, 2013.

Properties Used by Us

Our corporate headquarters is in Shenzhen Kerry Center, located in Luohu District, Shenzhen, with a GFA of approximately 542 sq.m. Our office premises in Shenzhen primarily consist of Rooms 3303-04 in the Kerry Center, which was acquired by us in 2006, and most of the office space on the 5th floor of the Shenzhen Kaisa Center, which was retained and owned by us since 2006. In addition, as of June 30, 2012, we rented properties with a total GFA of approximately 88,338 sq.m. in Shenzhen, Guangzhou, Dongguan, Foshan, Zhuhai, Chengdu, Nanchong, Shanghai, Jiangyin, Hangzhou, Taicang, Changzhou, Beijing, Dalian, Liaoyang, Anshan, Yingkou, Benxi, Panjin, Huludao, Weifang, Shengyang, Hong Kong, Huizhou, Haikou, Puning, Taizhou, Changsha, Zhuzhou and Wuhan. We use these rented properties primarily as office premises.

Competition

We believe that the property markets in the Pearl River Delta region and of other parts of China are highly fragmented. We compete with other real estate developers based on a number of factors including product quality, service quality, price, financial resources, brand recognition, ability to acquire proper land reserves and other factors. Our existing and potential competitors include private and public developers in the PRC and Hong Kong. Our competitors may have more experience and resources than we do. We believe we maintain a competitive position with our well-known "Kaisa" brand in the Pearl River Delta region. We have entered the Western China region, the Central China region, the Yangtze River Delta region and the Pan-Bohai Bay Rim. We believe major barriers to enter into these markets include a potential new entrant's limited knowledge of local property market conditions and limited brand recognition in these markets. For more information on competition, please refer to the section titled "Risk Factors — Risks Relating to the Real Estate Industry in China — Intensified competition may adversely affect our business and our financial condition."

Intellectual Property Rights

We applied for the registration of 351 trademarks to the PRC Trademark Office and 351 of our trademark applications have been registered. The PRC Trademark Office will determine whether the trademarks are able to be registered, whether our application for trademark registration is in compliance with the relevant laws and regulations in relation to trademarks, and whether the trademark is identical with or similar to other trademarks that have been registered or accepted in respect of identical or similar goods or services. Our other trademark applications were still under the review of the PRC Trademark Office as of June 30, 2012. In addition, we have registered two trademarks covering our logo in Hong Kong. We did not experience any infringement of our intellectual property rights during the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, and we are not aware of any material unauthorized use of our brand name or logo or other forms of our brand image as of June 30, 2012. We believe that although the registration of the relevant trademarks is pending, our business operation will not be materially affected. Our Directors confirm that we had not committed any infringement of intellectual property rights as of June 30, 2012.

Insurance

We maintain group accident insurance for our employees. The insurance primarily insures our employees for personal injuries in our workplace or on our construction sites. We do not, however, maintain property damage or third-party liability insurance for our workplace, construction sites or property developments. Under PRC law, these types of insurance are not mandatory and may be purchased on a voluntary basis. We and our construction contractors monitor the quality and safety measures adopted at our construction sites to lower the risks of damage to our property and liabilities that may be attributable to us. We re-evaluate the risk profile of the property development business and adjust our insurance practices from time to time. We believe we have sufficient insurance coverage in place and that our insurance practice is in line with the customary practice in the PRC real estate industry.

However, there are risks that are not covered, and we are self-insured for money losses, damages and liabilities that may arise in our business operations. See the section entitled "Risk Factors — Risks Relating to the Business — We may suffer certain losses not covered by insurance."

Employees

As of June 30, 2012, we had approximately 6,903 full-time employees, respectively. The following table provides a breakdown of our employees by responsibilities as of June 30, 2012.

Division	Number of Employees
Management	39
Cost management	211
Risk management	26
Design management	269
Procurement	96
Engineering	571
Finance	227
Land investment and project development	243
Sales and customer service	610
Property management	3,800
Human resources	98
Commercial rental management	171
Administration	142
Hotel operation	122
Restaurant operation	278
Total	6,903

The remuneration package of our employees includes salary, bonus, share options and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay, on behalf of our employees, a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. See "Risk Factors — Risks Relating to China — Our operations and financial performance could be adversely affected by labor shortages, increase in labor costs, changes to the PRC labor-related laws and regulations or labor disputes." We believe the salaries and benefits that our employees receive are competitive in comparison with market rates.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on the operations of our business had occurred.

Environmental And Safety Matters

We are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments. We are required to engage qualified agencies to conduct an environmental assessment and submit an environmental impact assessment report to the relevant government authorities for approval before construction begins. Under relevant PRC laws and regulations, when there is a material change in respect of the construction site, or the scale or nature of a project, a property developer must submit a new environmental impact assessment report for approval. During the course of construction, the property developer and the construction companies must take measures to minimize air pollution, noise pollution and water and waste discharge. Upon completion of each property development, the relevant government authorities will inspect the site to ensure that applicable environmental standards have been met. The resulting report is then submitted together with other specified documents to the local construction administration authorities for the record. See the section entitled "Risk Factors — Risks Relating to the Real Estate Industry in China — Potential liability for environmental damages could result in substantial cost increases."

During the course of property development, our construction may result in the creation of dust, noise, waste water and solid construction waste. Our construction contractors, under the construction contracts, are responsible for performing all necessary measures to prevent pollution and enhance environmental control of the construction sites and to comply with relevant laws and regulations. We endeavor to comply with relevant PRC laws and regulations on environmental protection and safety by (i) engaging qualified construction contractors and requiring the construction contractors to take steps to minimize adverse environmental impact during construction and to be responsible for the final clean up of the construction site, (ii) monitoring the project at every stage to ensure the construction process is in compliance with the environmental protection and safety laws and regulations, and (iii) requiring the construction contractors to immediately remedy any default or non-compliance.

Inspections of each of our completed property projects by the relevant PRC government authorities to date have not revealed any environmental liability which we believe would have a material adverse effect on our business operations or financial condition.

During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we did not experience any material environmental pollution incidents and we incurred insignificant costs in connection with our compliance with environmental and safety laws and regulations. As of June 30, 2012, all of our completed property projects and properties under construction had received the requisite environmental approvals.

We monitor the safety measures adopted by our construction contractors and safety aspects of the construction process through engaging independent third-party supervisory companies to oversee compliance with environmental and health and safety laws and regulations. See "— Quality Control and Construction Supervision" for further details. In relation to workplace safety on our construction sites, our construction contractors are generally responsible for any accidents or injuries not caused by us. We also require our construction contractors to purchase accident insurance to cover their workers and to adopt appropriate safety measures, including providing workers with safety training.

We believe that our operations are in compliance with currently applicable national and local environmental and health and safety laws and regulations in all material respects. We intend to continue to comply with relevant PRC environmental and health and safety laws and regulations, to engage only qualified construction contractors with good environmental protection and safety track records and to require the construction contractors to strictly comply with relevant laws and regulations relating to environment and health and safety and to maintain appropriate insurance. We will also continue to educate our employees in relation to the importance of environmental and safety and health issues and to keep abreast of developments in PRC environmental laws and regulations.

Legal Proceedings And Material Claims

During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we were involved in legal proceedings or disputes in the ordinary course of business including claims primarily relating to contract disputes with our contractors and our purchasers. As confirmed by our Directors, we were not involved in any outstanding lawsuit which involved claims of over RMB1.0 million as of June 30, 2012. We are not implicated in or aware of any other material legal proceedings or claims currently existing or pending against us. See the section entitled "Risk Factors — Risks Relating to the Business — We may be involved from time to time in disputes, legal and other proceedings arising out of our operations or subject to fines and sanctions in relation to our non-compliance with certain PRC laws and regulations, and may face significant liabilities as a result."

During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, we did not encounter any circumstances that led to material construction delays or received any material claims from our customers for our failure to complete any pre-sold project on time or for our delay in the delivery of ownership certificates. See the section entitled "Risk Factors — Risks Relating to the Business — We may not be able to complete our projects according to schedule or on budget."

REGULATIONS

The following discussion summarizes the principal laws, regulations, policies and administrative directives to which we are subject.

The PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court verdicts do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC, or NPC, and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil and criminal matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed in June 1981, the Supreme People's Court. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

The PRC Judicial System

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organized into civil, criminal, economic and administrative divisions. The intermediate courts are organized into divisions similar to those of the basic courts, and are further organized into other special divisions, such as the intellectual property division. The higher level court supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in China. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given in any court at a lower level, or the presiding judge of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC adopted in April 1991, amended in October 2007, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the object of the action. However, such selection can not violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement. If a party fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

Establishment of a Real Estate Development Enterprise

According to the PRC Law on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) promulgated by the National People's Congress, effective in January 1995, amended in August 2009, a real estate developer is defined as an enterprise that engages in the development and operation of real estate for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) promulgated by the State Council in July 1998, and amended on January 8, 2011, an enterprise that is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB 1 million or more; and
- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign-invested enterprises and apply for approvals relating to foreign investments in China.

Under the Catalog of Guidance on Industries for Foreign Investment (Revised in 2011) (《外商投資產業指導目錄》(2011)), promulgated by MOFCOM and NDRC on December 24, 2011, effective on January 30, 2012:,

- the development of a whole parcel of land (limited to sino-foreign joint equity and cooperative ventures) as well as the construction and operation of high-end hotels, villas, premium office buildings, international conference and exhibition centers fall within the category of industries in which foreign investment is restricted;
- the secondary market transactions in real estate sector and real estate intermediaries or brokerage companies agents fall within the category of industries in which foreign investment is restricted; and
- other real estate development falls within the category of industries in which foreign investment is permitted.

A foreign investor intending to engage in the development and sale of real estate in China may establish an equity joint venture, a cooperative joint venture or a wholly foreign owned enterprise by the foreign investor in accordance with the PRC laws and administrative regulations governing foreign-invested enterprises.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (《關於調整部分行業固定資產投資項目資本金比例的通知》) issued by the State Council in April 2004, the portion of capital-account funding for real estate projects (excluding affordable housing projects) has been increased from 20% or above to 35% or above. However, pursuant to the Notice on Adjusting the Percentage of Capital Fund for Investment Projects in Fixed Assets (《關於調整固定資產投資項目資本金比例的通知》) issued by the State Council in May, 2009, the minimum portion of the capital funding for ordinary commodity housing projects and affordable housing projects has been reduced to 20%, while that for other real estate projects has been decreased to 30%.

In July 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued an Opinion on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資進入和管理的意見》), which provides, among other things, that an overseas entity or individual investing in real estate in China other than for self-use must apply for the establishment of a foreign invested real estate enterprise ("FIREE") in accordance with applicable PRC laws and may only conduct operations within the authorized business scope. The joint opinion attempts to impose additional restrictions on the establishment and operation of FIREE by regulating the amount of registered capital as a percentage of total investment in certain circumstances, limiting the validity of approval certificates and business licenses to one year, restricting the ability to transfer equity interests of a FIREE or its projects and prohibiting the borrowing of money from domestic and foreign lenders where its registered capital is not paid up or the land use rights not obtained. In addition, the joint opinion also limits the ability of foreign individuals to purchase commodity residential properties in China.

In May 2007, MOFCOM and SAFE issued the Circular on Strengthening and Regulating the Examination and Approval and Supervision of Foreign Direct Investment in the Real Estate Sector (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) ("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 foreign exchange to service their foreign debt if such FIREEs have not obtained their approval certificates from the government before June 1, 2007. As a result of Notice 130, unless the approval certificate of an FIREE as of May 31, 2007 contained an aggregate investment amount, which includes its registered capital and foreign debt amount, sufficient to permit foreign currency to be injected into its operations in China, such FIREE effectively will no longer be able to borrow foreign debt including shareholder loans and overseas commercial loans to finance their operations in China. It can only use its capital contributions instead. SAFE further provided in its Notice 130 that it will not process any foreign exchange registration (or change of such registration) or application for settlement of foreign currency under capital account by any FIREE if it has obtained the relevant approval certificates from local government authorities on or after June 1, 2007 but has not completed its filing with MOFCOM.

In connection with the filing requirement, MOFCOM issued the Notice on the Proper Filings of Foreign Investment in the Real Estate Sector (《關於做好外商投資房地產業備案工作的通知》) in June 2008 to authorize the competent MOFCOM at the provincial level to verify and check the filing documents.

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

According to the Several Opinions of the State Council on Further Strengthening the Utilization of Foreign Investment (《關於進一步做好利用外資工作的若干意見》), promulgated by the State Council on April 6, 2010, and the Notice on Devolution of Authority for Foreign Investment Projects (《關於做好外商投資項目下放核准權限工作的通知》) promulgated by NDRC on May 4, 2010, except where approval by the relevant departments under the State Council is required by the Catalog of the Projects which Shall be Approved by the Government (《政府核准的投資項目目錄》), foreign investment in encouraged and permitted industries with a total investment of US$300 million or less must be examined and approved by NDRC branches at the provincial level. Pursuant to the Notice on Issues Related to Devolution of Authority of Examination and Approval of Foreign Investment (《關於下放外商投資審批權限有關問題的通知》), promulgated by MOFCOM on June 10, 2010, MOFCOM branches at the provincial level are responsible for the examination and approval of establishment and modifications of foreign-invested enterprises in encouraged or permitted industries with a total investment of less than US$300 million and with a total investment of less than US$50 million in restricted industries.

Qualifications of a Real Estate Developer

Under the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》) (the "Provisions on Administration of Qualifications") promulgated by the Ministry of Construction in March 2000, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers.

In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.

- Class 2 or lower qualifications are regulated by the construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 square meters subject to confirmation by the construction authorities at the provincial level.

Under the relevant PRC laws and regulations, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another classification.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issue and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply for qualification classification to the real estate development authority within one month before expiration of the provisional qualification certificate.

Development of a Real Estate Project

Under the Catalog for Guidance on Industries for Foreign Investment promulgated by NDRC and MOFCOM in October 2007, foreign investments are restricted in the development of a whole land lot and the construction and operation of high-end hotels, villas, premium office buildings and international conference centers in China; and foreign investments are permitted in other real estate developments. According to the Interim Provisions on Approving Foreign Investment Project (《外商投資項目核准暫行管理辦法》) promulgated by NDRC in October 2004, approval of NDRC is required for foreign investment projects with total investment of US$100 million or more within the category of encouraged or permitted foreign investments and those with total investment of US$50 million or more within the category of foreign investments subject to restrictions. Other foreign investments in China will require only local approval. Specifically, the local authorities may examine and approve foreign investment projects with total investment less than US$100 million within the category of encouraged or permitted foreign investments and those with total investment less than US$50 million within the category of foreign investments subject to restrictions. Furthermore, after examination by NDRC, approval of State Council is required for foreign investment projects with total investment of US$500 million or more within the category of encouraged or permitted foreign investments and those with total investment of US$100 million or more within the category of foreign investments subject to restrictions. In addition, the projects subject to restrictions should be approved by the development and reform authority at provincial level. In July 2008, NDRC issued the Notice on Further Reinforcing and Regulating the Administration of Foreign Investment Projects (《關於進一步加強和規範外商投資項目管理的通知》), which further requires that the capital-increase and reinvest projects of the foreign-invested enterprises shall get the approval from NDRC or its local counterpart.

Under the Interim Regulations of the People's Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land (《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》) promulgated by the State Council in May 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the relevant PRC laws and regulations, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land use rights grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The relevant PRC laws and regulations provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free

allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

When carrying out the feasibility study for a construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Sites (《建設用地審查報批管理辦法》) promulgated by the Ministry of Land and Resources in March 1999 and amended on November 30, 2010, and the Measures for Administration of Preliminary Examination of Construction Project Sites (《建設項目用地預審管理辦法》) promulgated by the Ministry of Land and Resources in July 2001, as amended in October 2004 and in November 2008 respectively. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land use rights grant contract with the land user and issue an approval for the construction site to the construction entity or the developer.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning (《中華人民共和國城鄉規劃法》) promulgated by the National People's Congress in October 2007 and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority.

In accordance with the Regulations for the Expropriation of Compensation for Housing on State-owned Land (《國有土地地上房屋徵收與補償條例》) promulgated by the State Council and implemented in January, 2011, with regard to the expropriation of the housing of entities and individuals on the State-owned land for the need of public interest, the owners of the housing being expropriated shall be offered a fair compensation.

Compensation offered by governments at municipal and county levels that make housing expropriation decisions regarding parties with housing being expropriated includes: (i) compensation for the value of the housing being expropriated; (ii) compensation for relocation and temporary settlement caused by expropriation of housing; and (iii) compensation for the loss arising from the suspension of production and operation caused by expropriation of housing.

The amount of compensation for the value of housing being expropriated may not be less than the market price of the real estate similar to it on the announcement date of the housing expropriation decision. The value of housing being expropriated must be appraised and determined by a real estate price appraisal institution with corresponding qualifications according to the housing expropriation appraisal measures. A party that objects to the appraised value of the housing being expropriated may apply to the real estate price appraisal institution for review of the appraisal. A party that objects to the review result may apply to the real estate price appraisal expert committee for authentication.

The parties whose housing is being expropriated may choose monetary compensation, or may choose to exchange the property rights of the housing. If the parties whose housing is being expropriated choose to exchange the property rights of the housing, governments at municipal and county levels must provide housing used for the exchange of property rights, and calculate and settle the difference between the value of housing being expropriated and the value of housing used for the exchange of property rights. If residential housing of an individual is expropriated due to renovation of an old urban district and the individual chooses to exchange for the property rights of the housing in the area being renovated, governments at municipal and county levels that make housing expropriation decisions must provide the housing in the area being renovated or the nearby area.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction in October 1999, as amended in July 2001. According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects (《國務院辦公廳關於加強和規範新開工項目管理的通知》) issued by the General Office of the State Council on November 17, 2007, before commencement of construction, all kinds of projects shall fulfill certain conditions, including, among other things, compliance with national industrial policy, development plan, land supply policy and market access standard, completion of all approval and filing procedures, compliance with zoning plan in terms of site and planning, completion of proper land use procedures and obtaining proper environmental valuation approvals and construction permit or report.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects (《建設工程質量管理條例》), which sets the respective quality responsibilities and liabilities for developers, construction companies, reconnaissance companies, design companies and construction supervision companies. In August 2008, the State Council issued the Regulations on Energy Efficiency for Civil Buildings (《民用建築節能條例》), which reduces the energy consumption of civil buildings and improves the efficiency of the energy utilization. According to this regulation, the design and construction of new buildings must meet the mandatory criteria on energy efficiency for buildings, and failure to meet such criteria will result in no commencement of construction or acceptance upon completion. Among other things, this regulation sets forth additional requirements for property developers in the sale of commodity buildings in this respect. After completion of construction works for a project, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Interim Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure promulgated by the Ministry of Construction (《房屋建築工程和市政基礎設施工程竣工驗收暫行規定》) in June 2000, and file with the construction authority at or above the county level where the project is located within 15 days after the construction is qualified for the acceptance examination according to the Provisional Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》) promulgated by the Ministry of Construction in April 2000. The developer must also report details of the acceptance examination according to the Interim Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》) promulgated by the Ministry of Construction in April 2000 and amended by Ministry of Housing and Urban-Rural Development in October 2009. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each phase upon completion.

In China, there are two registers of property interests. Land registration is effected by the issue of land use right certificates by the relevant authorities to the land users. Land use rights may be assigned, mortgaged or leased. The building registration is effected by the issue of property ownership certificates to the property owners. Property or building ownership rights are only related to the building or improvements erected on the land. Under the PRC laws and regulations, all land use rights and property ownership rights that are duly registered are protected by law. Most cities in China maintain separate registries for the registration. However, Shenzhen, Shanghai, Guangzhou and some other major cities have a consolidated registry for both land use rights and the property ownership interests for the building erected on the relevant land.

Land for Property Development

In April 1988, the National People's Congress amended the PRC Constitution to permit the transfer of land use rights in accordance with the laws and regulations. In December 1988, the National People's Congress amended the Land Administration Law (《中華人民共和國土地管理法》) to permit the transfer of land use rights in accordance with the laws and regulations.

Pursuant to the Measures on Disposal of Idle Land (《閑置土地處置辦法》) promulgated by the Ministry of Land and Resources on April 28, 1999, idle land fees may be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights may be forfeited to the government without compensation to the developer if the land has not been developed for two years as required by the laws and regulations, and allotted for other purposes. Under current PRC laws and regulations on land administration, land for property development may be obtained only by grant except for land use rights obtained through allocation. Under the Regulations on the Grant of State-owned Land Use Rights Through Public Tender, Auction and Listing-for-Sale promulgated by the Ministry of Land and Resources (《招標拍賣掛牌出讓國有土地使用權規定》) in May 2002 and amended in September 2007, land for commercial use, tourism, entertainment and commodity housing development must be granted by public tender, auction or listing-for-sale. Under these regulations, the relevant land administration authority at city or county level, or the grantor, is responsible for preparing the public tender or auction documents and must make an announcement 20 days prior to the day of public tender or auction with respect to the particulars of the land parcel and the time and venue of the public tender or auction. The grantor must also verify the qualification of the bidding and auction applicants, accept an open public auction to determine the winning tender or hold an auction to ascertain a winning bidder. The grantor and the winning tender or bidder will then enter into a confirmation followed by the execution of a contract for assignment of state-owned land use rights. Over the years, the Ministry of Land and Resources has promulgated further rules and regulations to define the various circumstances under which the state-owned land use rights may be granted by means of public tender, auction and listing-for-sale or by agreement. Under the Regulation on Grant of State-owned Land Use Rights by Agreements (《協議出讓國有土地使用權規定》) promulgated by the Ministry of Land and Resources on June 11, 2003, except for a project that must be granted through tender, auction and listing as required by the relevant laws and regulations, land use right may be granted through transfer by agreement and the land premium for the transfer by agreement of the state-owned land use right shall not be lower than the benchmark land price.

The Urgent Notice on Further Governing and Rectifying Land Market and Strengthening Administration of Land (《關於深入開展土地市場治理整頓嚴格土地管理的緊急通知》) issued by the General Office of the State Council on April 29, 2004 restated the principle of strict administration of the approval process for the construction land and protection of the basic farmland.

The Notice on Issues Relating to Strengthening the Land Control (《關於加強土地調控有關問題的通知》) promulgated by the State Council on August 31, 2006 sets forth the administration of the receipt and disbursement of the land premium, modifies the tax policies relating to the construction land, and builds up the system of publicity for the standards of the lowest price with respect to the granted state-owned land use right.

In March 2007, the National People's Congress adopted the PRC Property Rights Law (《中華人民共和國物權法》), which became effective on October 1, 2007. According to the Property Rights Law, when the term of the right to use construction land for residential (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise prescribed by any law, the owner of construction land use rights has the right to transfer, exchange, and use such land use rights as equity contributions or collateral for financing. If the state takes the premises owned by entities or individuals, it must compensate the property owners in accordance with law and protect the lawful rights and interests of the property owners.

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

In October 2007, the Standing Committee of National People's Congress promulgated the Law of the People's Republic of China Urban and Planning (《中華人民共和國城鄉規劃法》), pursuant to which, a construction planning permit must be obtained from the relevant urban and rural planning government authorities for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

In November 2007, the Ministry of Land and Resources, the Ministry of Finance and PBOC jointly promulgated the Administration Measures on Land Reserves (《土地儲備管理辦法》), pursuant to which, local authorities should reasonably decide the scale of land reserves in accordance with the macro-control of the land market. Idle, unoccupied, and low-efficient state-owned construction land inventory shall be used as land reserves in priority.

In December, 2007, the Ministry of Land and Resources promulgated the Rules on Land Registration (《土地登記辦法》), which further stresses payment in full of the land premium prior to the application for the registration of state-owned construction land use rights.

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

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (《關於進一步加強土地出讓收支管理的通知》). The Notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. Any developer defaulting on any such payment may not participate in any new transactions of land grant.

In November 2009, the Ministry of Housing and Urban-Rural Development and the Office of the Leading Group for Addressing Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Ratio in Real Estate Development under the Ministry of Supervision jointly promulgated the Notification on Further Unfolding of the Special Project to Address Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Area Ratio (《關於深入推進房地產開發領域違規變更規劃調整容積率問題專項治理的通知》) which re-emphasized the need to rectify, investigate and punish real estate developing companies committing any unauthorized adjustment of the floor area ratio.

In March 2010, the Ministry of Land and Resources promulgated the Notification on Issues Relating to Strengthening the Supply and Regulation of the Land for Real Estate Development (《關於加強房地產用地供應和監管的有關問題的通知》) which adopted measures to improve the regulation of land for real estate development. These include, among others, measures to improve the preparation and implementation of the plan of land supply, guarantee the supply of land for supportive housing development, improve the regime of public tender, auction and list-for-sale of land use right, enhance the supervision on the use of land, disclose information on the supply and grant of land and the status of the construction project on the land to the public, and conduct special inspection on outstanding problems in the field of land use.

Pursuant to the notification, the administration of land and resources of cities and counties shall establish a regime for developers to report the commencement and completion of construction projects. Under such regime, the developer shall report in writing to the respective administration of land and resources at the commencement and completion of the construction project. The commencement and completion date of construction set forth in the agreements may be postponed by reporting the reasons of delay to the respective administration of land and resources no later than 15 days prior to the expiration. The developer who fails to report accordingly shall be announced to the public and prohibited from participating in any new transactions of land grant for at least one year. Additionally, the land used for developing supportive housing, small-to-medium-size self-used residential commodity housing and reconstructing shantytown shall not be less than 70% of the total land supply for residential property development. The lowest land premium for the grant of land use right shall not be lower

than 70% of the benchmark price for the land grade the granted land locates, and the deposit for the participation of tender shall not be lower than 20% of the lowest land premium. The land grant agreement shall be executed in writing within 10 days after the deal is reached, the down payment of the land grant price which shall not be less than 50% of the full land grant price shall be paid within one month after the land grant agreement is executed, and the land grant price shall be paid in full no later than one year after the land grant agreement is executed. A developer who defaults on the payment of the land premium, holds idle land, hoards or speculates in land, develops property on the land exceeding its actual development capacity or defaults on the performance of land grant agreement shall be banned from participating in any transactions of land grant for a certain period.

On September 21, 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban Development jointly promulgated the Notice of Further Strengthening Control and Regulation of Land and Construction of Property Development (《關於進一步加強房地產用地和建設管理調控的通知》), which stipulated, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for economically affordable housing, housing for resettlement of shanty towns and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders (as defined under PRC laws) are prohibited from participating in land biddings before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years since commencement of the construction; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

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

On February 25, 2012, the Ministry of Land and Resources promulgated the Notice on Accomplishment of Real Estate Land Administration and Control in 2012 (《國土資源部關於做好2012年房地產用地管理和調控重點工作的通知》). The notice provides that:

- **The real estate control policy shall be firmly performed and the key tasks shall be clarified.** The real estate land administration and control is confronting fundamental requirements and key tasks that the control policy by central government shall be strictly implemented, the supervision and control shall be strengthened, while the price of real estate and land shall be stable and reasonable.
- **The real estate land supply shall be properly managed for the purpose of the welfare of the masses.** Relevant authorities shall compile the annual supply plan of land for residential purposes of year 2012 from a scientific and reasonable perspective. The planned land supply quantity shall be no smaller than the average

quantity of the recent five years, no less than 70% among which shall be designated for social security housing projects, housing for redevelopment of shanty towns and small/medium residential units. The supply of land for social security housing projects shall be guaranteed. The supply of high-end housing land shall be strictly controlled and no land shall be permitted for the development of villas.

- **The land supply for social security housing projects shall be guaranteed.** The construction land permission procedure for social security housing projects shall be accelerated.
- **Unlawful acts shall be strictly punished and the development and construction shall be vigorously encouraged.** Unlawful acts, including any of the following ones, shall be prohibited: a land use right is granted over a parcel of land where the land area exceeds the size approved by the relevant competent authorities; more than one parcel of land is granted to the same bidder at the same time; a land use right is granted over a parcel of land where the demolition of buildings erected on such land has not been carried out of the occupants of such land have not been compensated for the demolition and resettlement; a land use right is granted over a parcel of land with a plot ratio of less than one. A reporting system shall be implemented according to which, when concluding a land grant contract, a provision providing land users report to land and resources authorities in a written form before or at the commencement and completion of a project.
- **Supervision analysis and media propaganda shall be strengthened to provide a positive guidance towards the market.** Relevant local departments shall strengthen the supervision over land price. A record filing system of abnormal land purchases shall be implemented and improved.

On May 22, 2012, the Ministry of Land and Resources amended the Measures on Disposal of Idle Land (《閒置土地處置辦法》), which were originally published in April 1999. This amendment includes the following significant changes or new provisions:

- **Emphasizing the key purposes of regulating idle land.** The current version of Measures on Disposal of Idle Land re-emphasize the importance of suppressing intentional reservations of land for the purpose of resale. For example, it provides that if the real estate developer intentionally delays the commencement of construction and development for the purpose of reserving the land for resale with bad faith, and before the condition of such land is reviewed and disposed of by the government, the government should neither accept new applications for land use by the same holder of land use rights, nor register the status of transfer, lease, mortgage or information change of the land considered to be idle.
- **Readdressing the disposal method of idle land.** Consistent with the April 1999 version, the amended Measures on Disposal of Idle Land once again addressed the method of disposal of idle land. If the real estate developer fails to commence the construction and development of the land for one year, the government should issue the Notice on Imposition of Land Idleness Penalty Fees to the holder of land use right. The penalty fees should be 20% of the price that the holder paid for obtaining the land use right. If the holder of land use rights failed to commence the construction and development of the land for two years, the government should issue the Notice on Decision of Withdrawal of Land Use Right to the holder, thereby withdrawing the holder's right to use land for free. However, compared with the 1999 version, the amended Measures on Disposal of Idle Land specify the procedure for determining and disposing of idle land, including:

  1. Once relevant governmental authority suspects that a tract of land has become idle, it should initiate investigation within 30 days therefrom and issue a "notice on investigation of idle land" to the holder of land use right. The holder of land use right should submit explanatory materials about the development condition and reason for land idleness to the government within 30 days upon the receipt of such notice.
  2. After investigation, if the government decides that the investigated land has become idle, it should issue a "notice on confirmation of idle land" to the investigated holder of land use rights, which will specify the facts and grounds

for determining that the land concerned has become idle. Relevant information of the idle land will also be published on the governmental authority's official website after issuance of such notice.

3. If the idleness of land was caused by the real estate developer rather than the government, the governmental authority is entitled to impose penalty fees for the idleness or even withdraw the decision for granting the land use right. However, before such penalty decisions are made, the government should notify the holder of the land use rights that the holder has the right to request a hearing.

4. Once the government decides to impose penalty fees for land idleness, it should issue a "notice on imposition of land idleness penalty fees" to the holder of the land use rights, and the owner should pay the penalty fees within 30 days upon the receipt of the notice. If the government decides to withdraw the decision for granting land use right, the government should issue a "notice on decision of withdrawal of land use rights" to the holder, and the holder should cancel the registration of its land use rights from government's record within 30 days upon its receipt of such notice.

- **Specifying the circumstances where the delay of commencement of construction and development was caused by the government.** If the delay of commencement of construction and development was caused by the government, the real estate developer will not be directly subject to penalties for delays caused by the developer itself. The amended Measures on Disposal of Idle Land specify the following circumstances where the delay of commencement of construction and development is considered to be caused by the government:

  1. Where the land fails to be delivered to the holder of the land use rights in accordance with the time limit and conditions as prescribed in the land transfer contract or the land allocation decision, with the result that the conditions for commencing the construction and development of the project are not met;

  2. Where relevant land-use planning is modified, with the result that the owner of the land use rights cannot commence construction and development;

  3. Where the land-use planning and construction conditions need to be modified in light of new policies issued by the government;

  4. Where the construction and development of the land cannot be commenced due to complaints lodged by the general public in connection with the land;

  5. Where the construction and development of the land cannot be commenced due to military control or protection of historic and cultural relics; and

  6. Where other acts of any government or government agency cause the delay.

Sale of Commodity Houses

Under the Measures for Administration of Sale of Commodity Houses (《商品房銷售管理辦法》) promulgated by the Ministry of Construction in April 2001, sale of commodity houses can include both sales before the completion of the properties, or pre-sale, and sales after the completion of the properties.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Buildings in Urban Area promulgated by the Ministry of Construction in November 1994 (《城市商品房預售管理辦法》), as amended in August 2001 and July 2004, and other related regulations. The pre-sale regulations provide that any pre-sale of commodity properties is subject to specified procedures. According to the current PRC laws and regulations, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authorities for a pre-sale permit. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been properly obtained;
- a construction planning permit and a construction permit have been properly obtained;
- funds invested in the development of the commodity buildings for pre-sale represent 25% or more of the total investment in the project and the construction progress as well as the completion and delivery dates have been properly ascertained; and

- a pre-sale permit has been obtained.

The pre-sale proceeds of commodity buildings must be used to develop the relevant project so pre-sold.

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

On April 13, 2010, MOHORD issued the *Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses* (《關於進一步加強房地產市場監管完善商品住房預售制度的有關問題的通知》). Pursuant to the notice, without the pre-sale approval, the commodity properties are not permitted to be pre-sold and the real estate developer are not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on sale of completed commodity properties in light of the local conditions, and encourages property developers to sell completed commodity properties.

The *Provisions on Sales of Commodity Properties at Clearly Marked Price* (《商品房銷售明碼標價規定》) was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the provisions, any real estate developer or real estate agency ("real estate operators") is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provisions require real estate operators to clearly indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate development projects that have received property pre-sale permit or have completed the filing procedures for the sales of constructed properties, real estate operators shall announce all the commodity properties available for sales on at once within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose this information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties beyond the explicit marked price or charge any other fees not explicitly marked. Moreover, real estate operators may neither mislead properties purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

Transfer of Real Estate

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

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

- the land premium has been paid in full for the granted land use rights as required by the land grant contract and a land use rights certificate has been properly obtained; and
- in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; or
- in case of a whole land lot development project, construction works have been carried out as planned, water supply, sewerage, electricity supply, heat supply, access roads, telecommunications and other infrastructure or utilities have been made available, and the site has been leveled and made ready for industrial or other construction purposes.

If the land use rights are originally obtained by grant, the term of the land use rights after transfer of the real estate will be the remaining portion of the original term in the land grant contract. In the event that the assignee intends to change the use of the land provided in the land

grant contract, consent must first be obtained from the original land use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land use rights are originally obtained by allocation, such allocated land use right may be changed to granted land use rights upon approval by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land use rights and pay the land premium according to the relevant statutes. Assignment of Land for commercial use, tourism, entertainment and commodity housing development must be conducted through public tender, auction or listing-for-sale under the current PRC laws and regulations.

Leases of Buildings

The Measures for Administration of Lease of Commodity Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban Development on December 1, 2010 and implemented on February 1, 2011, requires parties to a leasehold arrangement of a property shall register the leasing agreement with property administrative authorities within 30 days after entering into such leasing agreement under local government at the municipal or county level where the property is situated. In addition, enterprise may be imposed a fine of RMB1,000 to RMB10,000 and individuals of RMB1,000 or less if they do not register leasing agreement within time limit required by competent authorities.

Mortgages of Real Estate

Under the PRC Urban Real Estate Administration Law (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee of the National People's Congress in July 1994, the PRC Security Law (《中華人民共和國擔保法》) promulgated by the National People's Congress in June 1995, and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》) promulgated by the Ministry of Construction in May 1997, as amended in August 2001, when mortgage is created on the ownership of a building legally obtained, such mortgage must be simultaneously created on the land use rights of the land on which the building is situated. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. After a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. A real estate mortgage contract will become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under "third party rights" on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issue of the certificates evidencing the rights and ownership to the real estate.

The PRC Property Rights Law promulgated in March 2007 that became effective in October 2007 further widens the scope of assets that can be mortgaged, allowing for any asset associated with property rights to be mortgaged as collateral unless a specific prohibition under another law or regulation applies.

The down-payment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area of 90 square meters or more in May 2006. You may refer to "— Measures on Stabilizing Housing Price" below. The initial capital outlay requirement was subsequently increased to 35% by the CBRC, in August 2004 pursuant to its Guidance on Risk Management of Property Loans Granted by Commercial Banks (《商業銀行房地產貸款風險管理指引》).

In a Circular on Facilitating the Continuously Healthy Development of Property Market (《關於促進房地產市場持續健康發展的通知》) issued by the State Council in August 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable

houses, increasing the supply of ordinary commodity houses and controlling the construction of high-end commodity houses. Besides, the government also staged a series of measures on the lending for residential development, including, among others, improving the loan evaluation and lending process, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

In September 2007, PBOC and CBRC promulgated a Circular on Strengthening the Management of Commercial Real-estate Credit Loans (《關於加強商業性房地產信貸管理的通知》), with a supplement issued in December 2007. The circular aims to tighten the control over real-estate loans from commercial banks to prevent granting excessive credit. The measures include:

- for a first-time home owner, increasing the minimum amount of down payment to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square meters or more and the purchaser is buying the property as its own residence;
- for a second-time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price of the underlying property and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) has financed the purchase of a residential unit, any member of the family that buys another residential unit with bank loans will be regarded as a second-time home buyer;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark one-year bank lending interest rate, (iv) limiting the terms of such bank loans to no more than 10 years, although the commercial banks are given certain flexibility based on its risk assessment;
- for a buyer of commercial/residential dual-purpose properties, increasing he minimum amount of down payment to 45% of the purchase price of the underlying property, with the other terms to be decided by reference to commercial properties; and
- prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties.

In addition, commercial banks are also banned from providing loans to the projects that have less than 35% of capital funds (proprietary interests), or fail to obtain land use right certificates, construction land planning permits, construction works planning permits or construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, real-estate development loans provided by commercial banks should only be used for the projects where the commercial banks are located. Commercial banks may not provide loans to property developers to finance the payment of land premium.

According to the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes (《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》) issued by PBOC on October 22, 2008, the minimum amount of down payment has been adjusted to 20% since October 27, 2008.

Real Estate Management

Under the Measures for the Administration of Qualifications of Property Service Enterprises (《物業管理企業資質管理辦法》) promulgated by the Ministry of Construction in March 2004, as amended in November 2007, a property service enterprise must apply for assessment of its qualification by the relevant qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate. No enterprise may engage in property management without undertaking a qualification assessment conducted by the relevant authority and obtaining a qualification certificate.

Insurance

There is no mandatory provision under the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments. According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

Measures on Stabilizing Housing Price

The General Office of the State Council promulgated a Circular on Stabilizing Housing Price (《關於切實穩定住房價格的通知》) in March 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. In April 2005, the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and Resources, PBOC, SAT and CBRC jointly issued an Opinions on Stabilizing Housing Prices (《關於做好穩定住房價格工作的意見》) containing the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density, high-end houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as the building height, plot ratio and green space and to impose such requirements as the selling price, type and gross floor area as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions.
- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end housing property construction should be strictly restricted.
- Idle land fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be forfeited without compensation.
- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the entire sales proceeds from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price.
- Ordinary residential houses with medium or small gross floor areas and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the gross floor area of one single unit is less than 120 square meters, and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies.
- Transfer of unfinished commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any

commodity property pre-sale contract must also be filed with the relevant government agencies electronically immediately after its execution.

The Notice on Adjustment of the Housing Loan Policy and Deposit Rate of Excess Reserve for Commercial Banks (《關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》), promulgated by PBOC in March 2005, has made adjustment to individual housing loan policies of commercial banks as well as individual housing fund loan rate. Pursuant to this notice, the preferential mortgage loan interest rate was replaced by the commercial loan interest rate subject to certain restrictions on the lower limit on such interest rates. In the urban areas or cities with rapidly increased real estate prices, minimum down payment ratio for individual housing loans was adjusted from 20% to 30%. In May 2006, the Ministry of Construction, NDRC, PBOC and other relevant PRC government authorities jointly issued their Opinions on Housing Supply Structure and Stabilization of Property Prices (《關於調整住房供應結構穩定住房價格意見的通知》). These opinions reiterated the existing measures and ushered additional measures that aim to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures include:

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

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

In July 2006, the Ministry of Construction, NDRC, MOFCOM, PBOC, the State Administration for Industry and Commerce, and SAFE jointly issued an Opinion on Regulating the Access and Management of Foreign Capital in the Real Estate Market (《關於規範房地產市場外資准入和管理的通知》) (the "171 Opinion"). The 171 Opinion aims to tighten access by foreign capital to the PRC real estate market and to restrict property purchases in China by foreign institutions or individuals. It provides, among others, that a foreign institution or

individual must establish a foreign-invested enterprise in order to purchase real property in China if the property is not intended for self use. The registered capital of such foreign-invested enterprise must amount to at least 50% of its total investments in PRC real properties if the amounts of such investments exceed US$10 million. Branches and representative offices of foreign institutions in China and foreign individuals who work or study in China for more than one year may purchase real property for their own use but not for any other purposes. In addition, foreign institutions which have no branches or representative offices in China or foreign individuals who work or study in China for less than a year are prohibited from purchasing any real property in China. In September 2006, SAFE and the Ministry of Construction jointly issued a Notice in Respect of Foreign Exchange Issues in the Real Estate Market (《關於規範房地市場外匯管理有關問題的通知》) (the "47 Notice") to implement the 171 Opinion. The 47 Notice provides specific procedures for purchasing real properties by foreign institutions and foreign individuals. The 47 Notice also forbids a foreign invested real estate enterprise to apply for overseas loans if it has failed to pay its registered capital in full or failed to obtain the land use rights certificates, or its own capital funds do not reach 35% of the total investment for the project.

In July 2006, CBRC promulgated a Notice on Further Strengthening the Administration of Real Estate Credit (《關於進一步加強房地產信貸管理的通知》). The notice (i) prohibits providing loans to disqualified real estate developers including those whose own capital is less than 35% of the total capital required for the projects (not including affordable housing projects), or who have not obtained the relevant land use right certificates, construction land planning permits, construction work planning permits or construction work commencement permits; and (ii) prevents real estate developers from obtaining loans by project split-up or rolling-ahead development strategies.

In September 2007, the Ministry of Land and Resources issued the Notice on Implementation of the State Council's Certain Opinions on Resolving Difficulties of Housing for Low-income Urban Families 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》) as amended on January 1, 2010, pursuant to which, at least 70% of the land supply arranged by the relevant land administration authority at city or county level for residential property development for any given year must be used for developing low-to-medium-cost and small- to medium-size units, low-cost rental properties and affordable housing.

In November 2007, the PRC government revised its Catalog of Guidance on Industries for Foreign Investment by, among other things, removing the development of ordinary residences from the foreign-investment-encouraged category and adding the secondary market residential property trading and brokering into the foreign-investment-restricted category. In July 2008, PBOC and CBRC jointly issued the Notice on Financially Promoting the Saving and Intensification of Use of Land (《關於金融促進節約集約用地的通知》), requiring that relevant financial institutions to strengthen the administration of construction land project loans, including the administration of commercial real estate credit loan.

In October 2008, PBOC issued the Notice on Extending the Downward Range of the Interest Rate for Commercial Personal Home Loans and Supporting the Residents in First-time Purchase of Ordinary Residential Homes (《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》), pursuant to which, since October 27, 2008, the bottom limit of the interest rate applicable to the commercial personal home loans has been extended, the minimum amount of down payment has been adjusted to 20% and the interest rate applicable to personal home loans financed by provident fund has been also reduced.

In October 2008, the Ministry of Finance and SAT issued the Notice on the Adjustments to Taxation on Real Property Transactions (《關於調整房地產交易環節税收政策的通知》), pursuant to which, since November 1, 2008, the rate of deed tax has been reduced to 1% for a first-time home buyer of an ordinary residence with a unit floor area less than 90 square meters, individuals who sell or purchase residential properties are temporarily exempted from stamp duty and who sell residential properties are temporarily exempted from land value-added tax.

In December 2008, the General Office of the State Council issued the Several Opinions on Facilitating the Healthy Development of the Real Estate Market (《關於促進房地產市場健康發展的若干意見》), which aims to, among other things, encourage the consumption of the ordinary residence and support the real estate developer to handle the market change. Pursuant to this opinion, in order to encourage the consumption of the ordinary residence, from January 1, 2009

to December 31, 2009, business tax is imposed on the full amount of the sale income upon the transfer a non-ordinary residence by an individual within two years from the purchase date. For the transfer of non-ordinary residence which is more than two years from the purchase date and ordinary residence which is within two years from the purchase date, the business tax is to be levied on the difference between the sale income and the purchase price. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residence that is smaller than the average size for their locality may buy a second ordinary residence under favorable loan terms similar to first-time buyers. In addition, support for real estate developers to deal with the changing market is to be provided by increasing credit financing services to "low-to-medium-level price" or "small-to-medium-sized" ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to real estate developers with good credit standing for merger and acquisition activities.

In December 2008, the Ministry of Finance and SAT issued the Notice on the Policy of Business Tax on Re-sale of Personal Residential Properties (《關於個人住房轉讓營業税政策的通知》), which reiterates the measures set forth in the above Several Opinions on Facilitating the Healthy Development of the Real Estate Market regarding the business tax.

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown, and the Ministry of Finance and SAT 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税政策的通知》) to curtail speculation in the property market in response to the property price rises across the country. Pursuant to the Notice, effective from January 1, 2010, business tax will be imposed on the full amount of the sale income upon the transfer of non-ordinary residence by an individual within five years, instead of two years, from the purchase date. For the transfer of non-ordinary residence which is more than five years from the purchase date and ordinary residence which is within five years of the purchase date, the business tax is to be levied on the difference between the sale income and the purchase prices. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date.

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

On April 17, 2010, the State Council announced a series of new measures in *Notice on Firmly Preventing Property Price from Increasing Too Fast in Certain Cities* (《國務院關於堅決遏制部分城市房價過快上漲的通知》) to keep housing prices from rising too quickly in certain cities in conjunction with and subsequent to a meeting held on April 14, 2010. The new measures include, among other things:

- **Higher minimum down payment requirements**
  - o first-time home house buyers must make a down payment of at least 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 sq.m. or more;
  - o second-time home buyers must make a down payment of at least 50% of the purchase price of the underlying property subject to a minimum mortgage loan interest rate at 110% of the relevant PBOC benchmark one-year lending interest rate; and
  - o commercial banks should significantly increase the ratio of minimum down payment to the purchase price and the minimum mortgage loan interest rate, respectively, for buyers who purchase a third or additional houses by mortgage financing.

- **Commercial banks' right to stop lending**
  - o in regions where house prices have been increasing too quickly, commercial banks may stop granting mortgage loans to home buyers who purchase a third or any additional houses;
  - o commercial banks are required to stop granting mortgage loans to home buyers who are not local residents and cannot provide evidence of payment of tax or social insurance contribution in such local area for more than one year; and
  - o the local governments may adopt interim measures to impose limits on the maximum number of units that one family may own.
- **Punishment of speculative developers**
  - o commercial banks are not allowed to lend to developers who hold idle land or manipulate land reserve or price; and
  - o the CSRC may suspend review of applications from speculative developers for listing of shares, restructuring or refinancing.
- **Disclosure of property ownership**
  - o property developers who have filed with the local government information of the completed properties to be sold or who have obtained the pre-sale permits are required to disclose to the public the properties for sale all at once and within a specified period of time and sell the properties they develop exactly at the price provided to the local government.

On September 29, 2010, the Ministry of Finance, SAT and the Ministry of Housing and Urban Development jointly issued the Notice on Adjustments to Deed Tax and Individual Income Tax on Real Estate Transactions (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》), according to which, a family (including the purchaser, the purchaser's spouse and minor children) purchasing its first ordinary residential property will enjoy a 50% reduction on deed tax payment; in case that the GFA of fore-mentioned property is less than 90 sq.m., the deed tax rate will be 1%. Individuals who purchase another residential property within one year after selling their own residential properties shall no longer enjoy exemption or reduction of individual income tax.

On September 29, 2010, PBOC and CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), according to which, the minimum down-payment has been raised to 30% of the purchase price of the commodity residential property, and commercial banks shall suspend granting mortgage loans to families that purchase a third or further residential property or non-local residents who fail to provide one-year or longer tax payment certificates or social insurance payment certificates. For a mortgage on the second residential property, the minimum down-payment must be 50% of the purchase price and the interest rate must be no less than 1.1 times that of the corresponding benchmark interest rate over the same corresponding period released by the PBOC.

On January 26, 2011, the State Council issued the Notice on Further Adjustment and Control of Property Markets (《關於進一步做好房地產市場調控工作有關問題的通知》) which requires, among other restrictive measures: (i) a minimum down-payment of 60% of the total purchase price with a minimum mortgage interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipalities directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are overly high or increasing at an excessively high rate, local residents with two or more residential properties, non-local residents with one or more residential properties and non-local residents that are unable to provide documentation certifying payment of local tax or social insurance payment for a specified time period, are not permitted to purchase any residential properties located in the local administrative area.

On January 27, 2011, the Ministry of Finance and SAT jointly issued the Notice on Adjusting the Business Tax Policies upon Transferring Residential Properties by Individuals (《關於調整個人住房轉讓營業税政策的通知》). Pursuant to the notice, business tax will be levied upon the transfer of a residential property held by an individual for less than five years and the amount of business tax to be paid will be calculated based on the full amount of the sale proceeds. For an individual transferring a non-ordinary residential property held for five years or more, the business tax to be paid will be calculated based on the difference between the sale proceeds and the original purchase price. An individual transferring an ordinary residential property held for five years or more will be exempted from the business tax.

On July 19, 2012, Ministry of Land and Resources and MOHURD issued the Urgent Notice to Further Tighten Up Real Property Land Administration and Consolidate the Achievement of Macroeconomic Control of the Real Property Market (《國土資源部、住房城鄉建設部關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》). According to this notice, the Ministry of Land and Resources, MOHURD and their respective local counterparts will continue to strictly regulate the market to prevent housing prices from rebounding. Local governments must ensure a supply of land for social security housing projects, and must try to increase the completion rate of such projects. Further, the governments will further improve the land price evaluation procedure, thereby allowing for the reasonable determination of base prices for land auction. For those auctions in which the land prices may be raised to a significantly higher level, the governments must adjust the bidding method in a timely manner. For those lands which are expected to reach unprecedentedly high prices and those lands whose final deal prices have a premium rate of more than 50%, the government should adjust the land transfer scheme in a timely manner, such as by limiting the final home prices or requiring the land purchaser to build additional social security housing projects. Further, the government will continue enforcing the system for reporting unusual transactions, which requires that governments at city-level and county-level should, within two business days upon the signing of purchase confirmation letter or the dispatch of the letter of acceptance, submit the unusual transaction data to the national land market monitoring and administration system, thereby reporting the unusual transaction to the Ministry of Land and Resources and its agencies at the provincial level.

Additionally under this notice, the government emphasizes that the scope of land to be transferred should not exceed its scope limit, and some other acts will continue to be strictly prohibited, such as combining two or more separate tracts of land into one bidding subject, or transferring land without first completing the demolition and relocation work. The floor-area ratio of residential land should be no less than 1. Further, land allocation decision or land transfer contract should require real estate developer to commence the construction and development within one year after the land has been delivered to it and to complete the construction and development within three years. The government will strictly inspect the competence of bidders so as to prohibit any bank loan from being used for the payment of land price. The deposit for land auction or bidding should not be less than 20% of the base price. After the deal of land transfer has been reached, the land transfer agreement should be signed within 10 business days, 50% of the land price should be paid within one month after the signing of the land transfer agreement and the payment of remaining land price should be made within one year. Also, the government should prohibit the purchaser from purchasing land for a certain period if such a purchaser (a) failed to pay the land price in a timely manner; (b) intentionally left the land idle; (c) intentionally reserved land for the purpose of resale; (d) developed land beyond its development capability; or (e) failed to duly perform the land use contract.

Overseas Listing

In August 2006, MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the State Administration of Industry and Commerce, the China Securities Regulatory Commission, and SAFE jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), as amended on June 22, 2009 (the "New M&A Rule"), which became effective on September 8, 2006. This New M&A Rule requires, among other things, that offshore special purpose vehicles, formed for overseas listing purposes through acquisitions of PRC domestic companies controlled by PRC companies or individuals, obtain the approval of the China Securities Regulatory Commission prior to publicly listing their securities on an overseas stock exchange.

Environmental Protection

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

Labor Law and Labor Contract Law

Pursuant to the Labor Law of the PRC effective since January 1, 1995, the PRC Labor Contract Law effective since January 1, 2008, and the Implementing Regulations of the PRC Labor Contract Law effective since September 18, 2008, an employment relationship is established from the date when an employee commences working for an employer, and a written employment contract must be entered into on this same date. If an employment relationship has already been established with an employee but no written employment contract has been entered into simultaneously, a written employment contract must be entered into within one month from the date on which the employee commences work. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, it must pay the employee twice his/her salary for each month of the eleven months' period and rectify the situation by subsequently entering into a written employment contract with the employee.

Regulation on Social Insurance and Housing Fund

As required under Regulation of Insurance for Labor Injury, Provisional Insurance Measures for Maternity of Employees, Regulation of Unemployment Insurance, the Decision of the State Council on Setting up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns, the Interim Regulations on the Collection and Payment of Social Insurance Premiums and the Interim Provisions on Registration of Social Insurance, business enterprises are obliged to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, injury insurance and medical insurance. Any enterprise that fails to make social insurance contributions in accordance with the relevant regulations may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline. If the enterprise fails to rectify the noncompliance by the stipulated deadline set out by the government authorities, it can be assessed a late fee by the relevant authority in the amount of 0.2% of the amount overdue per day from the original due date.

In addition, on October 28, 2010, the Standing Committee of the National People's Congress promulgated the Social Insurance Law, which became effective on July 1, 2011, to clarify the components of the social insurance system in China. According to the Social Insurance Law, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee of 0.05% of the amount overdue per day from the original due date by the relevant authority. If the employer continues to fail to rectify the delinquent social insurance contribution payment within such stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue.

According to Regulations on Management of Housing Fund, enterprises must register at and be subject to review by housing fund administration centers with competent jurisdictions, and open accounts of housing fund for their employees with the designated banks. Enterprises are also obliged to pay and deposit housing fund in full amount in a timely manner. Any

enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

Foreign Exchange Controls

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》) promulgated in 1996 and revised in 1997 and as amended in 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments and the payment interest and dividend. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local office. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise provided, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad under capital account items after obtaining the prior approval from SAFE or its local office. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the rules and regulations of the State.

In October 2005, SAFE issued a Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (《關於境內居民通過境外特殊目的公司境外融資及返程投資外匯管理有關問題的通知》). According to the notice, a special purpose company refers to an offshore company established or indirectly controlled by PRC residents for the special purpose of carrying out financing of their assets or equity interest in PRC domestic enterprises. Prior to establishing or assuming control of a special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retroactively. These PRC residents must also amend the registration with the relevant SAFE branch in the following circumstances: (1) the PRC residents have completed the injection of equity investment or assets of a domestic company into the special purpose company; (2) the overseas funding of the special purpose company has been completed; (3) there is a material change in the capital of the special purpose company. Under the rules, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of the violator, including restrictions on the payment of dividends and other distributions to its offshore parent company, and may also subject the violators to penalties under the PRC foreign exchange administration regulations.

In August 29, 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (the "Circular No. 142"). Pursuant to Circular No. 142, a foreign-invested enterprise's Renminbi fund received from the settlement of its foreign currency capital must be used within the business scope as approved by the government authority that approved the establishment of such foreign-invested enterprise, and such Renminbi fund cannot be used for domestic equity investment unless it is otherwise provided for.

Mainland China Taxation

Because virtually all of our business operations are in mainland China and we carry out these business operations through operating subsidiaries and joint ventures organized under the PRC law, our PRC operations and our operating subsidiaries and joint ventures in mainland China are subject to PRC tax laws and regulations, which indirectly affect your investment in the Notes.

Dividends from our PRC Operations

Under the PRC tax laws effective prior to January 1, 2008, dividends paid by our PRC subsidiaries or joint ventures to us were exempt from PRC income tax. However, pursuant to the New Tax Laws (《中華人民共和國企業所得税法》), dividends payable by foreign invested enterprises, such as subsidiaries and joint ventures in China, to their foreign investors are subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable.

Under the New Tax Laws, 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 are subject to PRC income tax on their worldwide income. For such PRC tax purposes, dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. Under the implementation rules of the New Tax Law, "de facto management bodies" are defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. There is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

Our Operations in Mainland China

Our subsidiaries and joint ventures through which we conduct our business operations in mainland China are subject to PRC tax laws and regulations.

Deed Tax. Under the PRC Interim Regulation on Deed Tax (《中華人民共和國契税暫行條例》) promulgated by the State Council in July 1997 and implemented in October 1997, deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. These taxable transfers include:

- grant of use right of state-owned land;
- sale, gift and exchange of land use rights, other than transfer of right to manage rural collective land; and
- sale, gift and exchange of real properties.

Deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of the local conditions.

Corporate Income Tax

Prior to the implementation of the New Tax Laws, our PRC subsidiaries and joint ventures were generally subject to a 33% corporate income tax. Under the New 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 New Tax Laws provide certain relief to enterprises that were established prior to March 16, 2007, including (1) continuing to enjoy the previous preferential income tax rate during a five-year transition period if such enterprises are entitled to preferential income tax rates before the effectiveness of the New Tax Law; (2) continuing to enjoy 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 was deemed to commence from January 1, 2008. In addition, according to the implementation ruler of the New Tax Laws, dividends from PRC subsidiaries to their foreign corporate shareholders are subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable. However, under the New Tax Laws, 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 are subject to PRC income tax on their worldwide income. Dividends from PRC subsidiaries to their foreign corporate shareholders that are treated as resident enterprises for the reason mentioned above will be excluded from such taxable worldwide income. Under the implementation rules of the New Tax Law, "de facto management bodies" are defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. There is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

In addition, 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所得避免雙重徵税和防止偷漏税的安排》) signed on August 21, 2006 and applicable in Hong Kong to income derived in any year of assessment commencing on or after April 1, 2007 and in mainland China to any year commencing on or after January 1, 2007, a company incorporated in Hong Kong is 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 equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. On August 24, 2009, SAT issued the Notice Regarding the Publishing of the Administrative Measures for Non-residents to Enjoy the Treatment Under Taxation Treaties (Trial) (《關於印發〈非居民享受税收協定待遇管理辦法(試行)的通知》), effective on October 1, 2009, and its supplemental regulation promulgated and effective on June 21, 2010, which provide that prior approvals from or filings with (as the case may be) the relevant local tax authorities are required before a non-resident taxpayer may enjoy any benefits under the relevant taxation treaties.

According to the Notice on the Prepayment of Enterprise Income Tax of the Real Estate Development Enterprises (《關於房地產開發企業所得税預繳問題的通知》) issued by the SAT on April 11, 2008 and effective on January 1, 2008, as amended on January 4, 2011 tax prepayments in respect of income generated from pre-sales before completion of the construction of the buildings for residential, commercial use or other uses shall be paid upon the calculation of the estimated quarterly or monthly profit according to the preset estimated profit rate and it must be readjusted according to the actual profit after the completion of the construction of the buildings and the settlement of the taxable costs.

On March 6, 2009, SAT issued the Measures Dealing with Income Tax of Enterprise Engaged in Real Estate Development and Operation (《房地產開發經營業務企業所得税處理辦法》) effective on January 1, 2008, which specifically stipulates the rules regarding tax treatment of income and deduction of cost and fees, verification of calculated tax cost and tax treatment on certain matters of the real estate development enterprise according to the *New Tax Law* and its implementation rules.

On May 12, 2010, SAT promulgated the Notice on the Confirmation of Completion Conditions for Development of Products by Real Estate Development Enterprises (《關於房地產開發企業開發產品完工條件確認問題的通知》), which provides that a property will be deemed as completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Real estate developers must conduct the settlement of cost in time and calculate the amount of corporate income tax for the current year.

Business Tax

Under the PRC Interim Regulation on Business Tax (《中華人民共和國營業税暫行條例》) of 1994, as amended in December 2008, and the Detailed Implementation Rules of the Interim Regulation of the PRC on Business Tax (《中華人民共和國營業税暫行條例實施細則(2011年修訂)》) issued and implemented by MOF on December 25, 1993 and as amended on December 15, 2008 and October 28, 2011, services in China are subject to business tax. Taxable services include sale of real property in mainland China. The Business tax rate is between 3% to 20% depending on the type of services provided. Sale of real properties and other improvements on the land are levied a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant local tax authorities.

On May 30, 2006, SAT issued a Notice on Adjusting the Relevant Policies for Real Estate Business Taxes (《關於加強住房營業税徵收管理有關問題的通知》). According to the notice, from June 1, 2006, business tax is imposed on the full amount of the sale income, upon the transfer of a residential house by an individual within five years from the purchase date. In the case of a residence other than an ordinary residence, business tax is imposed on the difference between the sale income and the purchase price, provided that the transfer occurs after five years from the purchase date.

On December 29, 2008, the MOF and SAT issued a Notice on the Policy of Business Tax on Re-sale of Individual Residential Properties (《關於個人住房轉讓營業税政策的通知》). According to the Notice, from January 1, 2009 to December 31, 2009, business tax was imposed on the full amount of the sale income, upon the transfer of a non-ordinary residence by an individual within two years from the purchase date; for the transfer of a non-ordinary residence

which is more than two years from the purchase date and an ordinary residence which is within two years from the purchase date, the business tax was levied on the difference between the sale income and the purchase price; and in the case of an ordinary residence, the business tax was exempted if that transfer occurs after two years from the purchase date.

In December 2009, the State Council terminated the policy on preferential treatment relating to business taxes payable upon transfers of residential properties by property owners as previously adopted in December 2008 by the PRC government in response to the global economic slowdown, and MOF and SAT 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税政策的通知》) to curtail speculation 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 is imposed on the full amount of the sale income upon the transfer of a non-ordinary residence by an individual within five years, instead of two years, from the purchase date. For the transfer of a non-ordinary residence which is more than five years from the purchase date and an ordinary residence which is within five years of the purchase date, the business tax is levied on the difference between the sale income and the purchase prices. In the case of an ordinary residence, the business tax is exempted if that transfer occurs after five years from the purchase date.

Land Appreciation Tax

Under the PRC Interim Regulation on Land Appreciation Tax (《中華人民共和國土地增值税暫行條例》) of 1994 and its implementation rules of 1995, LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting the "deductible items" that include the following:

- payments made to acquire land use rights;
- costs and charges incurred in connection with the land development;
- construction costs and charges in the case of newly constructed buildings and facilities;
- assessed value in the case of old buildings and facilities;
- taxes paid or payable in connection with the transfer of the land use rights, buildings or other facilities on such land; and
- other items allowed by the Ministry of Finance.

The tax rate is progressive and ranges from 30% to 60% of the appreciation value as compared to the "deductible items" as follows:

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%

Exemptions from LAT are available in the following cases:

- Taxpayers constructing ordinary residential properties for sale (i.e. the residences built in accordance with the local standard for residential properties used by the general population, excluding deluxe apartments, villas, resorts and other high-end premises), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real estate taken over and repossessed according to laws due to the construction requirements of the state; and
- Due to redeployment of work or improvement of living standard, transfers by individuals of originally self-used residential properties, with five years or longer of self-used residence and with tax authorities' approval.

According to a notice issued by the Ministry of Finance in January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- real estate transfer contracts executed before January 1, 1994; and
- first time transfers of land use rights and/or premises and buildings during the five years commencing on January 1, 1994 if the land grant contracts were executed or the development projects were approved before January 1, 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the LAT regulations and the implementation rules in 1994 and 1995, respectively, due to the long period of time typically required for real estate developments and their transfers, many jurisdictions, while implementing these regulations and rules, did not require real estate development enterprises to declare and pay the LAT as they did other taxes. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, SAT, Ministry of Construction and State Land Administration Bureau separately and jointly issued several notices to reiterate that, after the assignments are signed, the taxpayers should declare the tax to the local tax authorities where the real estate is located, and pay the LAT in accordance with the amount as calculated by the tax authority and within the time period as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority will not process the relevant title change procedures, and will not issue the property ownership certificates.

SAT issued a further the Notice on Serious Handling of Administration of the Collection of Land Appreciation Tax (《關於認真做好土地增值稅徵收管理工作的通知》) in July 2002 to require local tax authorities to require prepayment of LAT on basis of proceeds from pre-sale of real estate.

In December 2006, SAT issued a Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題通知》), which came into effect on February 1, 2007. The notice required settlement of LAT liabilities by real estate developers. Provincial tax authorities are given authority to formulate their implementation rules according to the notice and their local situation.

To further strengthen LAT collection, in May 2009, SAT released the Rules on the Administration of the Settlement of Land Appreciation Tax (《土地增值稅清算管理規程》), which came into force on June 1, 2009.

On May 19, 2010, SAT promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement (《關於土地增值稅清算有關問題的通知》), which provides further clarifications and guidelines on LAT settlement, revenue recognition, deductible expenses, timing of assessment and other related issues.

On May 25, 2010, 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 provides for a minimum LAT prepayment rate at 2% for provinces in eastern China region, 1.5% for provinces in the central and northeastern China regions, and 1% for provinces in the western China region. The notice also delegate to the local tax authorities the authority to determine the applicable LAT prepayment rates based on the types of the properties in their respective regions.

Urban Land Use Tax and Buildings Tax

Pursuant to the PRC Interim Regulations on Land Use Tax in respect of Urban Land (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council in September 1988, amended on December 31, 2006 and January 8, 2011, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land was between RMB0.6 and RMB30 per square meter.

Buildings Tax. Under the PRC Interim Regulations on Buildings Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council in September 1986, and amended on January 8, 2011, buildings tax applicable to domestic enterprises is 1.2% if it is calculated on the basis of the residual value of a building and 12% if it is calculated on the basis of the rental. On January 27, 2011, the governments of Shanghai and Chongqing respectively issued measures for implementing pilot individual property tax schemes which became effective on January 28, 2011.

According to the Notice on Issues Relating to Assessment of Buildings Tax against Foreign-invested Enterprises and Foreign Individuals (《關於對外資企業及外籍個人徵收房產稅有關問題的通知》) issued by the Ministry of Finance and SAT in January 2009, the foreign-invested enterprises, foreign enterprises and foreign individuals are to be levied the same as domestic enterprise.

Stamp Duty

Under the PRC Interim Regulations on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council in August 1988, and amended on January 8, 2011, for property transfer instruments, including those in respect of property ownership transfers, the duty rate is 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land use rights certificates, stamp duty is levied on an item-by-item basis of RMB5 per item.

Municipal Maintenance Tax

Under the PRC Interim Regulations on Municipal Maintenance Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council in 1985, and amended on January 8, 2011, any taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax is required to pay municipal maintenance tax calculated on the basis of product tax, value-added tax and business tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) issued by State Council on October 18, 2010, the municipal maintenance tax is applicable to foreign invested enterprises, foreign enterprises and foreign individuals from December 1, 2010.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行稅規定》) promulgated by the State Council in April 1986 and amended on June 7, 1990, August 20, 2005 and January 8, 2011, 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 (《國務院關於籌借農村學校辦學經費的通知》). The Education Surcharge rate is 3% calculated on the basis of consumption tax, value-added tax and business tax. According to the Circular Concerning Unification of Municipal Maintenance Tax and Education Surcharge for Foreign Investment and Domestic Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) issued by State Council on October 18, 2010, the education surcharge will be applicable to foreign invested enterprises, foreign enterprises and foreign individuals since December 1, 2010.

Shenzhen City Reform Measures

The People's Government of Shenzhen City published the Shenzhen City Reform Measures on October 22, 2009. Under the Shenzhen City Reform Measures, "City Reform" refers to comprehensive clearing, redeveloping and resettlement activities within specified old urban areas, including old industrial zones, old commercial districts, "town-in-city" and old towns.

Certain Opinions on Promoting Redevelopment of "Three Types of Old Urban Areas" and Economic Use of Land

On August 25, 2009, the People's Government of Guangdong Province published Certain Opinions on Promoting Redevelopment of "Three Types of Old Urban Areas" and Economic Use of Land, which set forth the general guidelines and requirements for redevelopment of old towns, old factories and old villages, namely "Three Types of Old Urban Areas", within Guangdong Province.

Directors

Our Board of Directors consists of eleven Directors, three of whom are independent non-executive Directors. Our Board of Directors has the general powers and duties for the management and conduct of our business. We have entered into service contracts with each of our Directors.

The table below sets forth certain information regarding our Directors:

Name	Age	Position
KWOK Ying Shing	47	Chairman and Executive Director
KWOK Ying Chi	45	Vice Chairman and Executive Director
SUN Yuenan	49	Vice Chairman and Executive Director
TAM Lai Ling	48	Vice Chairman and Executive Director
CHEN Gengxian	40	Executive Director and Vice Chairman
JI Jiaming	51	Vice Chairman and Executive Director
JIN Zhigang	36	Executive Director and Chief Executive Officer
HAN Zhenjie	44	Executive Director and Vice President
ZHANG Yizhao	41	Independent Non-Executive Director
RAO Yong	53	Independent Non-Executive Director
FOK Hei Yu	42	Independent Non-Executive Director

Chairman and Executive Director

KWOK Ying Shing (郭英成), Mr. Kwok, aged 47, is our Chairman and was appointed a Director on August 8, 2007 and re-designated as executive Director on November 17, 2009. He is one of the founders of our Group and has been our Chairman and a Director since our inception in 1999. Mr. Kwok is primarily responsible for overall strategy, investment planning and human resource strategy of our Group. Mr. Kwok has extensive experience in real estate development and investment management. In 1999, Mr. Kwok formulated our vision of developing large-scale residential properties in suburban areas with access to public transport and other urban facilities in select cities in China. Since then, he has led us in the development and completion of various projects, including Woodland Height, Mocha Town and Lake View Place. In 2003, through Mr. Kwok's direction, we adopted a new development model of acquiring and renovating distressed and uncompleted properties. With this additional development model, we renovated and brought to market Shenzhen Kaisa Center, once a distressed and partially completed property in Shenzhen. Mr. Kwok is currently an executive vice president of Shenzhen Overseas Chinese International Association. He is the brother of Mr. Kwok Ying Chi and Mr. Kwok Chun Wai.

Executive Directors

KWOK Ying Chi (郭英智), Mr. Kwok, aged 45, is our Vice Chairman and was appointed a Director on August 8, 2007 and re-designated as executive Director on November 17, 2009. He has been a Vice Chairman and a Director since our inception in 1999. Mr. Kwok is primarily responsible for overall project planning. Since 1999, Mr. Kwok has been in charge of project planning and management for our property developments. Mr. Kwok has led the implementation of our business expansion strategy, through which we established our presence in select cities in China. He is the brother of Mr. Kwok Ying Shing and Mr. Kwok Chun Wai.

SUN Yuenan (孫越南), Mr. Sun, aged 49, is our Vice Chairman and was appointed as an executive Director on November 17, 2009. He has been a Vice Chairman since September 2009. Mr. Sun is primarily responsible for investment and management of the Group's commercial real estate business. Mr. Sun joined us in July 2001 as chief administrative director of Shenzhen Kaisa Property and has held various positions within our Group, including senior vice president of our Group, deputy general manager of Shenzhen Kaisa Property and general manager of Guangzhou Jinmao Property. Mr. Sun has extensive regulatory and business administration

experience in the real estate industry. From 1993 to 2001, Mr. Sun served in various positions, including deputy chief of administrative office, deputy chief of legal division and deputy chief of personnel division, in Hengyang Municipal Bureau of Land Resources, which oversaw land resources in the city of Hengyang, Hunan Province. Mr. Sun received a bachelor's degree in law from the Correspondence Institute of the Academy of the Central Committee of the Communist Party of China in December 2001.

TAM Lai Ling (譚禮寧), Dr. Tam, aged 48, is our Vice Chairman and was appointed as an executive Director on 8 March 2010. Dr. Tam is primarily responsible for formulation of investment and financing strategies of the Group. He was an executive director and the chief financial officer of one of the leading property developers in the People's Republic of China prior to joining the Group. From December 2007 to November 2008, Dr. Tam was an executive director of SPG Land (Holdings) Limited where he was responsible for the corporate finance activities and investor relations of the Company. From April 2005 to November 2007, Dr. Tam was the deputy managing director and the chief financial officer of Hopson Development Holdings Ltd., where he was responsible for formulating the financing strategy of that company, as well as the execution of the financing strategy. Dr. Tam also served as an independent non-executive director of Tsingtao Brewery Company Limited. From March 1998 to April 2005, Dr. Tam worked for ICEA Capital Limited. He was appointed as its managing director (investment banking division) in May 2002. During his employment with ICEA Capital Limited, Dr. Tam executed a wide variety of corporate finance transactions, including mergers and acquisitions, and debt and equity financings. Prior to that, Dr. Tam also worked for major international investment banks in the area of corporate finance, and a multi-national oil company in the area of business development. Dr. Tam received his bachelor's degree in science from the University College London, University of London, and a Ph.D. from the University of Cambridge. He is also a Chartered Financial Analyst.

CHEN Gengxian (陳耿賢), Mr. Chen, aged 40, has ceased to be a co-chief operating officer and has been appointed as the Vice Chairman of the Company with effect from February 8, 2012. He was appointed as our executive Director on November 17, 2009. Mr. Chen is primarily responsible for the Group's overall operation management. Mr. Chen has more than 11 years of real estate industry experience. He joined us in June 1999 and has held various positions within our Group, including vice president, deputy general manager, executive director and chairman of Kaisa Property (Shenzhen) Co., Ltd. Mr. Chen completed the part-time program of administrative management in Northeastern Normal University, China in February 2007.

JI Jiaming (季加銘), Mr. Ji, aged 51, is our Vice Chairman and was appointed as an executive Director on June 5, 2012. Mr. Ji is primarily responsible for formulating the Group's strategy. Mr. Ji has extensive experience in enterprise management, strategy formulation and engineering management. From December 1980 to May 2012, Mr. Ji served as the board chairman of China Construction Municipal Construction Corporation Limited, the general manager and deputy general manager of China Architecture First Building (Group) Corporation Limited, and held various positions in China Construction First Building Development Corporation, including board chairman. Mr. Ji obtained his master's degree in business administration from Capital University of Economics and Business in March 2002.

JIN Zhigang (金志剛), Mr. Jin, aged 36, is our chief executive officer and was appointed as an executive Director on February 8, 2012. He is primarily responsible for our operation management. Mr. Jin joined us in 2004 as sales and marketing director. From December 2002 to December 2004, Mr. Jin held various positions, including general manager of Sales Center in Shenzhen Large Industrial Corporation Limited. During the period from July 1999 to November 2002, he served in China Overseas Construction (Shenzhen) Co., Ltd as sales manager. Mr. Jin graduated from Department of International Economics and International Trade, School of Economics, Peking University and obtained a bachelor's degree in economics.

HAN Zhenjie (韓振捷), Mr. Han, aged 44, is our executive Director and vice president. He was appointed as our executive Director and regional president on November 24, 2010. Mr. Han is primarily responsible for the Group's design management of hotel and commercial projects. Mr. Han has been the vice president of the Group since February 2007. He rejoined the Group in January 2007 as deputy general manager of Kaisa Property (Shenzhen) Co., Ltd. Mr. Han has been a PRC registered First Class Architect since 2000. Mr. Han has over 11 years of experience in architecture. From 2005 to 2006, he served as vice president of design in Fantasia Group (China) Co., Ltd., a property development company. From 2002 to 2005, he held various

positions in our Group, including chief architect, manager of design department, project manager of the Mocha Town project and director of design. From 2000 to 2002, Mr. Han served as deputy general manager and deputy chief architect in Shenzhen Huaxin Architects Engineers & Consultants International Co., Ltd. From 1997 to 2000, he served in Citymark Aecom Co., Ltd., Shenzhen, as manager at the construction division responsible for construction drawing and design. Mr. Han graduated with a bachelor's degree in engineering from Tsinghua University, China in 1991.

Independent Non-Executive Directors

ZHANG Yizhao (張儀昭), Mr. Zhang, aged 41, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on 17 November 2009. Mr. Zhang is currently assisting some Chinese companies for their preparation of oversea listing, and an independent non-executive director of China Green Agriculture Inc. (OTC QX: CEAI), China Education Alliance, Inc. (NYSE Amex: CEU) and China Carbon Graphite Group (OTC BB: CHGI) respectively. Mr. Zhang has over 16 years of experience in accounting and internal control, corporate finance, and portfolio management. Previously, Mr. Zhang held senior positions in Universal Travel Group (NYSE: UTA) Energroups Holdings Corporation (OTC BB: ENHD), Shengtai Pharmaceutical Inc. (OTC BB: SGTI), Chinawe Asset Management Corporation (OTC BB: CHWE), China Natural Resources Incorporation (NASDAQ CM: CHNR) and Kasen International Holdings Limited (HK Stock Code: 0496). Mr. Zhang also had experiences in portfolio management and asset trading in Guangdong South Financial Services Corporation from 1993 to 1999. He is a certified public accountant of the state of Delaware, the United States, and a member of the American Certified Accountants (AICPA). Mr. Zhang graduated with a bachelor's degree in economics from Fudan University, Shanghai in 1992 and received an MBA degree with financial analysis and accounting concentrations from the State University of New York at Buffalo, United States in 2003.

RAO Yong (饒永), Mr. Rao, aged 53, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on 17 November 2009. Mr. Rao is currently a director of Shenzhen Pengcheng Certified Public Accountants Co. Ltd. He is a member of the Chinese Institute of Certified Public Accountants (CICPA) and a certified public valuer in China. Mr. Rao has over 27 years of experience in accounting and auditing. Mr. Rao was a director of the Audit Bureau of Shenzhen City from 1991 to 1997 and a head of the Audit Bureau of Wuzhou City, Guangxi Province from 1987 to 1990. Mr. Rao has also been a director of The Chinese Institute of Certified Public Accountants since 1996, a director of the Shenzhen Institute of Certified Public Accountants since 1996 and its president since 2005, a forensic accounting expert of Shenzhen City since 2002 and the deputy secretary-general of the Asset Evaluation Association of Shenzhen City since 1997. Mr. Rao received a diploma in accounting from Guangxi College of Finance and Economics, China in July 1980.

FOK Hei Yu (霍羲禹), Mr. Fok, aged 42, is an independent non-executive Director of our Company. He was appointed as our independent non-executive Director on 17 November 2009. Mr. Fok is currently a senior managing director of FTI Consulting, a global advisory firm assisting companies to protect and enhance enterprise value. From 1997 to 2010, Mr. Fok was an executive director of Ferrier Hodgson, an international financial and restructuring advisory firm. He is a member of the Hong Kong Institute of Certified Public Accountants, the Australian Society of Certified Practicing Accountants and the Hong Kong Institute of Directors. Mr. Fok graduated from Australian National University with a bachelor's degree in commerce in 1995. He is also a non-executive director of Delong Holdings Limited and Emerson Radio Corp, which are listed on SGX-ST and the New York Stock Exchange, respectively.

Senior Management

Our senior management members are Kwok Ying Shing, Kwok Ying Chi, Sun Yuenan, Tam Lai Ling, Chen Gengxian, Jin Zhigang, Han Zhenjie, Gao Feng, Guo Huasu, Xing Tao, Zhang Ji and Cheung Hung Kwong. Kwok Ying Shing, Kwok Ying Chi, Sun Yuenan, Tam Lai Ling, Chen Gengxian, Jin Zhigang and Han Zhenjie are also our executive directors. See the paragraphs headed "Chairman and Executive Director" and "Executive Directors" above for the description of their experience. The table below sets forth certain information regarding our senior management members (excluding executive Directors):

Name	Age	Position
GAO Feng	40	Vice President
GUO Huasu	36	Vice President
LUO Liangshang	44	Vice President
WEI Na	38	Vice President
XING Tao	48	Vice President
ZHANG Ji	39	Vice President
CHEUNG Hung Kwong, Jim	44	Chief Financial Officer and Company Secretary

GAO Feng (高峰), Mr. Gao, aged 40, was appointed as vice president of our Group in September 2011. Mr. Gao is primarily responsible for our investment management. Mr. Guo joined us in September 2004. From July 2000 to October 2004, Mr. Gao served in Gemdale Property (Shanghai) Company as chairman and general manager. From October 1998 to July 2000, Mr. Gao served in Shenzhen Pengji Property Management Service Co., Ltd as manager. In 2009, Mr. Gao obtained an EMBA degree from Tongji University.

GUO Huasu (郭華蘇), Mr. Guo, aged 36, was appointed as vice president of our Group in May 2011. Mr. Guo is primarily responsible for our capital management, operation planning and management, human resources and administration management. Mr. Guo joined us in 2007 as assistant to general manager. Prior to joining us, Mr. Guo served in Huabao International Holdings Ltd. and Feishang Group Ltd. and was primarily responsible for business development and investment management. Mr. Guo graduated from Finance and Banking Institute of China and obtained a bachelor's degree of economics in 1999.

LUO Liangshang (羅良尚), Mr. Luo aged 44, is a vice president of our Group and was appointed in May 2012. Mr. Luo is primarily responsible for our engineering and procurement management. Mr. Luo joined us in July 2009 as director of engineering. Prior to joining us, he served in Guangzhou Vanke Real Estate Company Limited as general manager of Eastern Region from May 2007 to July 2009. From January 2004 to May 2007, Mr. Luo served in Guangdong Pearl River Engineering General Contracting Company as director. From November 2001 to December 2003, Mr. Luo served in The First Construction Engineering Limited Company (Xi'an) of China Construction Third Engineering Bureau as general manager. Mr. Luo graduated from Chongqing College of Architecture and Engineering with a bachelor's degree of industrial and civil construction in 1992, and obtained his master's degree in architecture and civil engineering field from Tsinghua University in 2002.

WEI Na (魏娜), Ms. Wei aged 38, is a vice president of our Group and was appointed in July 2012. Ms. Wei is primarily responsible for the Group's merger and acquisition activities. Prior to joining us in February 2006, from September 2005 to January 2006, she served as a lawyer with Guangdong Sincere Partners & Attorneys. From April 2004 to September 2005, Ms. Wei served as a lawyer with Hills & Co. Law Firm. From August 1995 to April 2004, Ms. Wei served as a lawyer with Great Wall Law Firm. Ms. Wei graduated from Inner Mongolia University in July 1995 with a bachelor's degree in law and obtained a master's degree in law from Tsinghua University in January 2005.

XING Tao (邢濤), Mr. Xing, aged 48, was appointed as our vice president in October 2010. Mr. Xing is primarily responsible for our design management. Prior to joining us in April 2010, from September 2001 to May 2010, Mr. Xing was a vice president in Horoy Holdings Limited, a real estate company. From February 1992 to September 2001, Mr. Xing was a technical manager in Western Real Estate Company of Shenzhen Wabo Group. From July 1986 to February 1992, Mr. Xing was a construction supervisor in the Shenzhen branch of Design & Research Institute of Wuhan Iron & Steel Group. In 1986, Mr. Xing received a higher diploma in architecture from Jianghan University.

ZHANG Ji (張驥), Mr. Zhang, aged 39, was appointed as vice president of our Group in September 2009. He is primarily responsible for our accounting and financial management. Mr. Zhang joined us in June 2009 as assistant to the president. Prior to joining us, Mr. Zhang was deputy general manager in Horoy Holdings Limited, a real estate company, from June 2007 to June 2009. He served as director of finance in Shenzhen Feishang Business Development Co., Ltd., an investment holding company engaged in long-term investment in metal and transportation industries, from June 2005 to May 2007. From July 2000 to June 2005, Mr. Zhang was director of finance in Shenzhen Hongkai (Group) Co. Ltd., a real estate company. From January 1998 to June 2000, he worked in an international accounting firm in Shenzhen. Mr. Zhang graduated with a bachelor's degree in accounting from Xi'an Highway University, China in 1993.

CHEUNG Hung Kwong (張鴻光), Mr. Cheung, aged 44, was appointed as chief financial officer of our Group in October 2009 and has been the company secretary and a joint authorized representative of our Company since November 2009. Mr. Cheung is primarily responsible for our corporate finance and investor relations. Mr. Cheung joined us in July 2008 as finance director. He has been a member of the American Institute of Certified Public Accountants (AICPA) since August 1996 and a chartered financial analyst qualified by the CFA Institute in the U.S. since September 2000. Mr. Cheung has over 15 years of experience in audit, accounting and corporate finance. From March 2003 to March 2008, Mr. Cheung served in Boto International Holdings Limited, a festival product manufacturing company, and held various positions, including financial controller, chief financial officer and consultant. From 1994 to 2003, he worked for PricewaterhouseCoopers. Mr. Cheung graduated from University of Hong Kong with a bachelor's degree (with honors) in physics and mathematics in 1990 and obtained a master's degree (with distinction) in quantum fields and fundamental forces from Imperial College of Science, Technology and Medicine, University of London in 1992. Mr. Cheung is currently an independent Non-executive Director and Chairman of the audit committee of China Aluminum International Engineering Corporation Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 2068).

Company Secretary

CHEUNG Hung Kwong (張鴻光). See the paragraph headed "Senior Management" above for the description of Mr. Cheung's experience.

Board Committees

Audit Committee

Our Company established an audit committee on November 17, 2009 in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Company. The audit committee comprises Mr. Rao Yong as the chairman, Mr. Zhang Yizhao and Mr. Fok Hei Yu as members.

Remuneration Committee

Our Company established a remuneration committee on November 17, 2009 with effect from this offering. The primary duties of the remuneration committee are to evaluate and make recommendations to our Board regarding the compensation of the chief executive officer and other executive Directors. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure of our senior management. During the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of the Group and the individual performance of our Directors and senior management members. The remuneration committee comprises Mr. Fok Hei Yu as the chairman, Mr. Kwok Ying Shing, Mr. Rao Yong and Mr. Zhang Yizhao, as members.

Nomination Committee

Our Company established a nomination committee on November 17, 2008 to make recommendations to our Board regarding candidates to fill vacancies on our Board. The nomination committee comprises Mr. Kwok Ying Shing as the chairman, Mr. Rao Yong, Mr. Zhang Yizhao and Mr. Fok Hei Yu, as members.

Management Committees

Our Company has established a number of management committees, including but not limited to an investment management committee, a budget committee and a risk management committee to assist our senior management in overseeing our business operations in Hong Kong and the PRC.

Compensation of Directors

The aggregate amount of salaries and other allowances and benefits in kind paid by us to our five highest paid individuals during the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 were approximately RMB11.0 million, RMB42.3 million, RMB30.5 million and RMB10.7 million, respectively, including approximately RMB0.4 million, RMB33.1 million, RMB17.4 million and RMB4.5 million as share option expenses in respect of such individuals in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012. The aggregate amount of salaries and other allowances and benefits in kind paid by us to our Directors during the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012 were approximately RMB11.5 million, RMB55.1 million, RMB37.5 million and RMB14.9 million, respectively, including approximately RMB1.1 million, RMB36.5 million, RMB19.6 million and RMB5.9 million as share option expenses in respect of such individuals in the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012.

Pre-IPO Share Option Scheme and Share Option Scheme

We adopted our pre-IPO share option scheme and share option scheme on November 22, 2009, in order to attract, retain and motivate our Directors, management members and employees. We have granted options to certain of our Directors, management members and employees under such schemes and as of June 30, 2012, options to subscribe for up to 521,810,000 shares of our Company are outstanding.

Directors' and Chief Executive's Interests in Securities

As of June 30, 2012, the interests of our Directors and senior management members and their associates in our equity securities were as follows:

Name of Director[1]	Capacity	Family interest[2]	Underlying shares (under equity derivatives of the Company)[3]	Total	Approximate percentage of the issued share capital[4]
KWOK Ying Shing	Settlor/Beneficiary of the Kwok Family Trust	3,062,318,701	—	3,062,318,701	62.43%
KWOK Ying Chi	Settlor/Beneficiary of the Kwok Family Trust	3,062,318,701	—	3,062,318,701	62.43%
SUN Yuenan	Personal	—	23,020,000	23,020,000	0.47%
TAM Lai Ling	Personal	—	55,030,000	55,030,000	1.12%
CHEN Gengxian	Personal	—	22,870,000	22,870,000	0.47%
HAN Zhenjie	Personal	—	9,260,000	9,260,000	0.19%
JIN Zhigang	Personal	—	16,420,000	16,420,000	0.33%
JI Jiaming	Personal	—	10,020,000	10,020,000	0.20%
ZHANG Yizhao	Personal	—	1,500,000	1,500,000	0.03%
RAO Yong	Personal	—	1,500,000	1,500,000	0.03%
FOK Hei Yu	Personal	—	2,000,000	2,000,000	0.04%

Notes:

(1) These interests refer to the Shares that are beneficially owned through the Kwok Family Trust, a trust established for the benefit of the Kwok family. See "Substantial Shareholders."

(2) These shares refer to the Shares underlying options that have been granted under the Pre-IPO Share Option Scheme and/or Share Option Scheme.

(3) As of June 30, 2012, the number of Shares in issue was 4,095,390,000.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") shows that, as of June 30, 2012, the following shareholders, other than those disclosed in the section headed "Directors' and Chief Executive's Interests in Securities," had notified the Company of its interests or short positions in the Shares or underlying Shares which would fail to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As of June 30, 2012, so far as the Directors were aware, persons other than the Directors or chief executive of the Company, who had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Type of interests	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
Da Chang	Beneficial owner	Corporation	1,000,307,622 (L) *(Note 2 & 16)*	20.40 (L)
Da Feng	Beneficial owner	Corporation	1,035,026,457 (L) *(Note 2 & 16)*	21.10 (L)
Da Zheng	Beneficial owner	Corporation	1,026,984,622 (L) *(Note 2, 16 &18)*	20.93 (L)
Chang Yu	Interest in a controlled corporation	Corporation	3,062,318,701 (L) *(Note 2, 16 & 18)*	62.43 (L)
Good Health	Interest in a controlled corporation	Corporation	3,058,198,701 (L) *(Note 2, 3 & 16)*	62.35 (L)
Credit Suisse Trust Limited	Interest in a controlled corporation	Corporation	3,058,198,701 *(Note 4 & 16) (L)*	62.35 (L)
Kwok Chun Wai	Settlor/Beneficiary of the Kwok Family Trust	Family Trust	3,062,318,701 (L) *(Note 4, 16 & 18)*	62.43 (L)
TC Group Cayman Investment Holdings, L.P.	Interest in a controlled corporation	Corporation	431,309,914 (L) *(Note 5, 6 & 16)*	8.79 (L)
TCG Holdings Cayman II, L.P.	Interest in a controlled corporation	Corporation	431,309,914 (L) *(Note 5, 6 & 16)*	8.79 (L)
Credit Suisse (Hong Kong) Limited	Interest in a controlled corporation	Corporation	300,000,000 (L) 150,000,000 (S) *(Note 7 & 17)*	6.00 (L) 3.00 (S)
Credit Suisse (International) Holding AG	Interest in a controlled corporation	Corporation	300,000,000 (L) 150,000,000 (S) *(Note 7 & 17)*	6.00 (L) 3.00 (S)
Credit Suisse AG	Interest in a controlled corporation	Corporation	4,107,726,245 (L) 865,688,491 (S) *(Note 7, 15 & 17)*	82.15 (L) 17.31(S)
Carlyle Asia Real Estate GP, L.P.	Interest in a controlled corporation	Corporation	258,785,949 *(Note 9, 10 & 16) (L)*	5.28 (L)
Carlyle Asia Real Estate II GP, L.P.	Interest in a controlled corporation	Corporation	258,785,949 (L) *(Note 8 & 16)*	5.28 (L)
Carlyle Asia Real Estate II, Ltd	Interest in a controlled corporation	Corporation	258,785,949 (L) *(Note 8 & 16)*	5.28 (L)
Carlyle Asia Real Partners, L.P.	Interest in a controlled corporation	Corporation	258,785,949 (L) *(Note 9 & 16)*	5.28 (L)
Carlyle Asia Real Estate, Ltd	Interest in a controlled corporation	Corporation	258,785,949 (L) *(Note 9 & 16)*	5.28 (L)

Name of substantial shareholder	Capacity	Type of interests	Number of shares (Note 1)	Approximate percentage of the issued share capital of the Company (%)
Carlyle Offshore Partners II, Ltd.	Interest in a controlled corporation	Corporation	431,309,914 (L) *(Note 10 & 16)*	8.79 (L)
Credit Suisse Holdings (USA), Inc.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) *(Note 11, 15 & 17)*	75.83 (L) 14.31 (S)
Credit Suisse (USA) Inc.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) *(Note 11, 15 & 17)*	75.83 (L) 14.31 (S)
Credit Suisse Private Equity, Inc.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) *(Note 11, 15 & 17)*	75.83 (L) 14.31 (S)
DLJ Real Estate Capital IV, Inc.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) *(Note 12, 15 & 17)*	75.83 (L) 14.31 (S)
DLJ Real Estate Capital IV, L.P.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) *(Note 12, 15 & 17)*	75.83(L) 14.31(S)
DLJ Real Estate Capital Partners IV, L.P.	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) *(Note 12, 15 & 17)*	75.83(L) 14.31(S)
RECP IV Kaisa, LLC	Interest in a controlled corporation	Corporation	3,791,570,651 (L) 715,688,491 (S) *(Note 12, 14, 15 & 17)*	75.83(L) 14.31(S)
Longhill Holding Company Ltd	Interest in a controlled corporation	Corporation	258,785,949 (L) *(Note 13 & 16)*	5.28 (L)

Notes:

1. *The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.*
2. *The entire issued share capital of each of Da Chang, Da Feng and Da Zheng is held by Chang Yu which is in turn wholly owned by Good Health.*
3. *Good Health is owned as to 50% by Selestar Limited and as to 50% by Serangoon Limited as nominees and trustees for Credit Suisse Trust Limited.*
4. *Credit Suisse Trust Limited which is acting as the trustee of a discretionary trust set up by Mr. KWOK Chun Wai, Mr. KWOK Ying Shing and Mr. KWOK Ying Chi on 23 May 2008 (the "Kwok Family Trust"). The beneficiary objects of the Kwok Family Trust include the immediate family members of the Kwok Family (including Mr. KWOK Chun Wai, Mr. KWOK Ying Shing and Mr. KWOK Ying Chi). Each of Mr. KWOK Chun Wai, Mr. KWOK Ying Shing and Mr. KWOK Ying Chi is a settlor of the Kwok Family Trust and is therefore taken to be interested in the Shares held by Da Chang, Da Feng and Da Zheng.*
5. *TC Group Cayman Investment Holdings, L.P., a limited partnership formed under the laws of the Cayman Islands, has a controlling interest in CAGP Ltd.*
6. *TCG Holdings Cayman II, L.P., a limited partnership formed under the laws of the Cayman Islands, has a controlling interest in TC Group Cayman Investment Holdings, L.P.*
7. *Credit Suisse Group AG is a company listed in Switzerland, ADS in New York and is the parent company of Credit Suisse AG, Credit Suisse (Hong Kong) Limited and Credit Suisse (International) Holding AG.*
8. *Carlyle Asia Real Estate Partners II, L.P., an exempted limited partnership and an investment fund formed under the laws of the Cayman Islands, acting by its general partner Carlyle Asia Real Estate II, Ltd., an exempted company incorporated under the laws of the Cayman Islands and whollyowned by Carlyle Asia Real Estate II, GP, L.P.*

9. *Carlyle Asia Real Estate Partners, L.P., an exempted limited partnership and an investment fund formed under the laws of the Cayman Islands, acting by its general partner Carlyle Asia Real Estate Ltd., an exempted company incorporated under the laws of the Cayman Islands.*

10. *Carlyle Offshore Partners II, Ltd. wholly-owned TCG Holdings Cayman II, L.P., which in turn wholly-owned TC Group Cayman Investment Holdings, L.P., which wholly-owned CAGP Ltd.*

11. *Credit Suisse Private Equity, Inc. is wholly-owned by Credit Suisse (USA), Inc., which is in turn wholly-owned by Credit Suisse Holdings (USA), Inc.*

12. *DLJ Real Estate Capital Partners IV, L.P. is wholly-owned by DLJ Real Estate Capital IV, L.P., which is in turn wholly-owned by DLJ Real Estate Capital IV, Inc., which is in turn wholly-owned by Credit Suisse Private Equity, Inc.*

13. *Longhill Holding Company Ltd., an investment holding company incorporated under the laws of the Cayman Islands, is an affiliated entity of Carlyle Asia Real Estate Partners, L.P. and Carlyle Asia Real Estate Partners II, L.P.*

14. *RECP IV Kaisa, LLC, a limited liability company organised under the laws of the State of Delaware, the United States of America, is controlled by DLJ Real Estate Capital Partners IV, L.P. RECP IV Kaisa, LLC has a direct interest in 77,635,783 (L) Shares.*

15. *The interests in the 3,791,570,651(L) Shares and the 715,688,491(S) Shares are the aggregate interests of all investors to the pre-IPO equity agreements among such investors, the Company and the Controlling Shareholders. Pursuant to such agreements, such investors are considered as parties acting in concert under Section 317 and 318 of the SFO, and pursuant to such rules all their interests in the Company (including those of their affiliates) have been counted together when calculating the interests of each such investor (and its controlling person) in the Company. For this purpose, the shares owned by Da Chang, Da Feng and Da Zheng under the trust (see Note 4 above) are also included when calculating the interests of each such investor (and its controlling person) in the Company.*

16. *The percentage has been calculated based on 4,905,390,000 Shares in issue as of December 31, 2011.*

17. *The percentage has been calculated based on 5,000,000,000 Shares in issue as of December 31, 2009.*

18. *On June 7, 2012, Mr. KWOK Chun Wai indirectly purchased 2,000,000 Shares (the "Purchase") through Credit Suisse Trust Limited and the intermediate holding companies, namely, Da Zheng and Chang Yu. The Purchase did not constitute a relevant event pursuant to which a mandatory notification to the Stock Exchange is required under the SFO. However, Mr. KWOK Chun Wai, Da Zheng and Chang Yu made a voluntary filing with the Stock Exchange in respect of the Purchase, while Credit Suisse Trust Limited and its nominee, Good Health, did not make any voluntary filing.*

RELATED PARTY TRANSACTIONS

During the three years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2012, the following related party transactions took place between the Group and certain related parties, details of which are set out as follows:

Name of the related parties	Relationship with our Group
Mr. Kwok Chun Wai	Controlling shareholder
Mr. Kwok Ying Shing	Controlling shareholder

Key management compensation

	For the year ended December 31,			For the six months ended June 30,	
	2009	2010	2011	2011	2012
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)
Salaries and other short-term employee benefits	13,912	23,508	25,475	11,879	12,302
Retirement scheme contributions	239	285	241	168	102
Share option benefits	1,660	44,025	26,794	19,580	8,776
	15,811	67,818	52,510	31,627	21,180

Purchasing of services

	For the year ended December 31,			For the six months ended June 30,	
	2009	2010	2011	2011	2012
	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)	(RMB in thousands)
Rental expense[1]	1,080	1,204	1,222	661	767

Note:

(1) This represents payment of rental expense for various office premises to controlling shareholders Mr. Kwok Chun Wai and Mr. Kwok Ying Shing and Prime Yield Holdings Limited respectively. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have borrowed money or incurred indebtedness from various financial institutions or trust companies and obtained financings through debt offerings. As of June 30, 2012, our total borrowings were RMB13,180.5 million (US$2,074.7 million). We set forth below a summary of the material terms and conditions of these loans and other indebtedness.

Project Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, primarily Bank of China, China Construction Bank, Agricultural Bank of China, Industrial and Commercial Bank of China and Shanghai Pudong Development Bank. These loans typically are project loans to finance the construction of our projects (the "project loans") and with a term of one to three 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. As of June 30, 2012, the effective interest rate on the aggregate outstanding amount of our project loans was 6.2% per annum.

Covenants

Under these project loans, some 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 China Guangfa Bank, Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China and Chinese Mercantile Bank (華商銀行), 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; or
- before the principal amount of and accrued interest on the relevant project loan have been fully paid.

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 for all liabilities of the subsidiary borrowers under these project loans.

Customer guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Guarantees." As of June 30, 2012, the aggregate outstanding amount guaranteed was RMB5,229.4 million.

Trust Financing Loans

Certain of our PRC subsidiaries have entered into trust financing loan agreements with PRC trust companies (the "Trust Financing Loans") to finance property development or for general corporate purposes. These Trust Financing Loans typically have a term of one to two years. As of June 30, 2012, we had four Trust Financing Loans of an aggregate principal amount of RMB636.0 million with three PRC trust companies, of which two are project loans earmarked for project construction. Of these Trust Financing Loans, two will mature in 2013, one will mature in 2014 and the remaining one had two tranches, the first of which had a principal amount of RMB100 million and matured in 2012 and has been repaid, and the second of which has a principal amount of RMB150 million and will mature in 2013.

Interest

The principal amounts outstanding under the Trust Financing Loans bear a fixed interest rate ranging from 11.50% per annum to 16.00% per annum. Interest payments are payable quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these Trust Financing Loans, some of our PRC subsidiary borrowers have agreed, among other things, not to take the following actions without first notifying the lender or obtaining the lenders' prior consent:

- change controlling shareholders;
- effect any consolidation, merger or spin-off;
- liquidate or dissolve such subsidiaries;
- grant guarantees to any third party that may adversely affect their ability to repay their loans;
- enter into any major asset acquisition or disposition;
- involve in any litigation or arbitration;
- alter the name of the company, scope of business operations, legal person or registered address;
- suffer any deterioration of business; or
- take any other action which may adversely affect their ability to repay the loans.

Guarantee and security

These Trust Financing Loans are guaranteed by the subsidiaries of such PRC subsidiary borrowers or us and/or secured by land use rights of our PRC subsidiary borrowers.

2010 Notes

On April 28, 2010, we entered into an indenture (as amended and supplemented from time to time, the "2010 Indenture") pursuant to which we issued US$350,000,000 principal amount of the 13.50% Senior Notes due 2015. On June 14, 2011, we issued additional notes of US$300,000,000 pursuant to the 2010 Indenture. As of June 30, 2012, we had a total of US$648,000,000 principal amount of the 2010 Notes outstanding.

Guarantee

Our obligations under the 2010 Notes are guaranteed by our existing subsidiaries other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2010 Indenture (the "2010 Subsidiary Guarantors"). Each of the 2010 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2010 Notes.

Collateral

In order to secure the obligations under the 2010 Notes, the Company and the 2010 Subsidiary Guarantors under the 2010 Indenture pledged the capital stock of all such 2010 Subsidiary Guarantors for the benefit of the holders of the 2010 Notes (the "2010 Notes Collateral"). The 2010 Notes Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2010 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the 2010 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the 2010 Indenture.

Interest

The 2010 Notes bear an interest rate of 13.50% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2010 Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The 2010 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2010 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2010 Indenture. If an event of default occurs and is continuing, the trustee under the 2010 Indenture or the holders of at least 25% of the outstanding 2010 Notes may declare the principal of the 2010 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2010 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2010 Notes is April 28, 2015.

At any time on or after April 28, 2013, we may redeem the 2010 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below, plus any accrued and unpaid interest to the redemption date, if redeemed during the 12-month period commencing on April 28 of any year set forth below:

Period	Redemption Price
2013	106.750%
2014	103.375%

At any time prior to April 28, 2013, we may redeem the 2010 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2010 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to April 28, 2013, we may redeem up to 35% of the aggregate principal amount of the 2010 Notes at a redemption price equal to 113.50% of the principal amount of the 2010 Notes, plus any accrued and unpaid interest with the proceeds form sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2010 Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2010 Notes at a redemption price equal to 100% of the principal amount of the 2010 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Convertible Bonds

On December 20, 2010, we entered into a trust deed (as amended and supplemented from time to time, the "CB Trust Deed") pursuant to which we issued an aggregate principal amount of RMB1,500,000,000 8.0% Convertible Bonds due 2015. As of the date of this offering memorandum, the entire aggregate principal amount of the Convertible Bonds is outstanding.

Guarantee

The obligations pursuant to the Convertible Bonds are guaranteed by our existing subsidiaries specified in the CB Trust Deed (the "CB Subsidiary Guarantors"). Each of the CB Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of all sums payable under the Convertible Bonds.

Collateral

Our obligations under the CB Trust Deed constituting the Convertible Bonds are secured by the capital stock of the CB Subsidiary Guarantors. In addition, the Company and each subsidiary guarantor pledgor under the CB Trust Deed may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the Convertible Bonds and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the CB Trust Deed.

Interest

The Convertible Bonds bear an interest rate of 8.0% per annum, payable semi-annually in arrears.

Covenants

We have agreed, among other things, that we will not (and save for certain exceptions or permitted cases), create or agree to create or permit to arise or subsist any encumbrance on our present or future undertaking, properties, assets, rights or revenues.

Maturity and Redemption

The maturity date of the Convertible Bonds is December 20, 2015.

If we or a CB Subsidiary Guarantor under the CB Trust Deed would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the Convertible Bonds, in whole but not in part, at their principal amount, plus any accrued and unpaid interest to the date of redemption, subject to certain exceptions.

At any time after December 20, 2013 and prior to the maturity date, we may redeem, in whole but not in part, the Convertible Bonds at their principal amount, together with any accrued but unpaid interest to the date of redemption, if the closing price of our shares translated into Renminbi at the prevailing rate applicable to the relevant trading day for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published, was at least 130% of the then conversion price translated into Renminbi at the fixed exchange rate of RMB1.00 to HK$1.16560.

At any time prior to the maturity date, we may redeem, in whole but not in part, the outstanding Convertible Bonds at their principal amount, together with any accrued but unpaid interest to the date of redemption, if at any time at least 90% in principal amount of the Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled.

Following the occurrence of a delisting of our shares or their suspension for trading for 30 or more consecutive trading days on the Hong Kong Stock Exchange or an alternative stock exchange, or a change of control event, the holder of each Convertible Bond will have the right at such holder's option, to require the Company to redeem all, but not some only, of such holder's Convertible Bonds at their principal amount, together with any accrued but unpaid interest to the date of redemption.

The holder of each Convertible Bond will have the right at such holder's option, to require the Company to redeem all or some of such holder's Convertible Bonds on December 20, 2013 at their principal amount, together with interests accrued to such date.

Events of default

The CB Trust Deed contains certain customary events of default, including default in the payment of principal on the Convertible Bonds, when such payments become due, default in payment of interest, and other events of default specified in the CB Trust Deed. If an event of default occurs, the trustee under the CB Trust Deed may at its sole discretion, and if so requested in writing by the holders of not less than 25% of the outstanding Convertible Bonds, or if so directed by an extraordinary resolution, may declare the principal of the Convertible Bonds plus any accrued and unpaid interest to be immediately due and payable.

Conversion

The Convertible Bonds are, at the option of the holders, convertible on or after January 30, 2011 up to the close of business on the tenth day prior to the maturity date (or if such bond shall have been called for redemption by the Company before maturity, then up to the close of business on a date no later than 10 days prior to the date fixed for redemption, or if notice requiring redemption has been given by such bondholder, then up to the close of business on the day prior to the giving of such notice) into our fully paid ordinary shares with a par value of HK$0.10 each at an initial conversion price of HK$2.82 per share with a fixed exchange rate of RMB1.00 to HK$1.16560. The conversion price is subject to adjustment for, among other things, consolidation, subdivision or reclassification of shares, capitalization of profits or reserves, distributions, rights issues and other dilutive events as described in the CB Trust Deed and the terms and conditions relating to the Convertible Bonds.

Intercreditor Agreement

On December 20, 2010, the Company, the Subsidiary Guarantor Pledgors, the Common Security Trustee, trustee for the 2010 Notes and trustee for the Convertible Bonds entered into the Intercreditor Agreement. The agreement provides that the security interests created by the Collateral will be shared on a pari passu basis among (i) the holders of the 2010 Notes, (ii) the holders of the Convertible Bonds, and any holder of permitted pari passu secured indebtedness or their agent or trustee who become parties to the Intercreditor Agreement.

RMB Bonds

On March 15, 2011, we entered into a trust deed (as amended and supplemented from time to time, the "RMB Bond Trust Deed") pursuant to which we issued an aggregate principal amount of RMB2,000,000,000 8.5% Senior Secured Guaranteed Bonds due 2014. As of the date of this offering memorandum, the entire aggregate principal amount of the RMB Bonds is outstanding.

Guarantee

The obligations pursuant to the RMB Bonds are guaranteed by our existing subsidiaries specified in the RMB Bond Trust Deed (the "RMB Bond Subsidiary Guarantors"). Each of the RMB Bond Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of all sums payable under the RMB Bonds.

Collateral

Our obligations under the RMB Bond Trust Deed constituting the RMB Bonds are secured by the capital stock of the RMB Bond Subsidiary Guarantors. In addition, the Company and each subsidiary guarantor pledgor under the RMB Bond Trust Deed may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the RMB Bonds and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the RMB Bond Trust Deed.

Interest

The RMB Bonds bear an interest rate of 8.5% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the RMB Bond Trust Deed contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Maturity and Redemption

The maturity date of the RMB Bonds is March 15, 2014.

If we or a RMB Bond Subsidiary Guarantor under the RMB Bond Trust Deed would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the RMB Bonds, in whole but not in part, at their principal amount, plus any accrued and unpaid interest to the date of redemption, subject to certain exceptions.

At any time prior to the maturity date, we may redeem, in whole or in part, the outstanding RMB Bonds at their principal amount, plus a premium and together with any accrued but unpaid interest to the date of redemption.

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2010 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Events of default

The RMB Bond Trust Deed contains certain customary events of default, including default in the payment of principal on the RMB Bonds, when such payments become due, default in payment of interest, and other events of default specified in the RMB Bond Trust Deed. If an event of default occurs, the trustee under the RMB Bond Trust Deed may at its sole discretion, and if so requested in writing by the holders of not less than 25% of the outstanding RMB Bonds, or if so directed by an extraordinary resolution, may declare the principal of the RMB Bonds plus any accrued and unpaid interest to be immediately due and payable.

Intercreditor Agreement

On March 15, 2011, the trustee for the RMB Bonds, Citicorp International Limited, executed a supplement to the Intercreditor Agreement dated December 20, 2010 to become a secured party under the Intercreditor Agreement and to share the Collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

ICBC 2010 Loan

On October 29, 2010, we, as guarantor, and Hong Kong Jililong Industry Company Limited ("HK Jililong Industry"), our wholly owned subsidiary incorporated in Hong Kong, as borrower, signed a facility letter with the Industrial and Commercial Bank of China (Asia) Limited ("ICBC"). The loan facility is a U.S. dollar-denominated term loan facility with an aggregate principal amount of up to US$39.0 million. As of the date of this offering memorandum, the entire principal amount is outstanding under this facility.

The ICBC 2010 Loan has a final maturity date of three years, or one month prior to the expiry date of the standby letter of credit issued by Industrial and Commercial Bank of China, Shenzhen Branch, with an aggregate amount of not less than 102.6% of the facilities drawn under the ICBC 2010 Loan, used as security for the facility. We may prepay on any interest payment date subject to payment of a prepayment charge calculated at 0.25% flat on the amount prepaid.

Guarantee and Security

The ICBC 2010 Loan is secured by a standby letter of credit issued by Industrial and Commercial Bank of China, Shenzhen Branch, for an amount of not less than US$30.0 million, and a corporate guarantee from us for the amount of US$39.0 million.

Interest

The ICBC 2010 Loan bears interest at the rate of 2.3% per annum over the London Inter Bank Offered Rate ("LIBOR").

Default Interest

Any amount outstanding under the ICBC 2010 Loan which is unpaid on the due date or exceeds the permitted facility amount will bear interest at 5% per annum over the applicable interest rate.

ICBC 2011 Loan I

On March 2, 2011, we, as guarantor, and Hong Kong Kaisa Industry Co., Limited ("HK Kaisa Industry"), our wholly owned subsidiary incorporated in Hong Kong, as borrower, signed a facility letter with ICBC. The loan facility is a U.S. dollar-denominated term loan facility with an aggregate principal amount of up to US$59.5 million. As of the date of this offering memorandum, the entire principal amount is outstanding under this facility.

The ICBC 2011 Loan I has a final maturity date of five years, or one month prior to the expiry date of the standby letter of credit issued by Industrial and Commercial Bank of China, Shenzhen Branch. We may prepay on any interest payment date subject to payment of a prepayment charge calculated at 1% flat on the amount prepaid times the number of remaining years of the loan life (rounding up to one year if the remaining loan life is less than one year).

Guarantee and Security

The ICBC 2011 Loan I is secured by a standby letter of credit issued by Industrial and Commercial Bank of China, Shenzhen Branch, for an amount of not less than US$60.0 million, and a corporate guarantee from us for the amount of US$60.0 million.

Interest

The ICBC 2011 Loan I bears interest at the rate of 3.2% per annum over LIBOR.

Default Interest

Any amount outstanding under the ICBC 2010 Loan I which is unpaid on the due date or exceeds the permitted facility amount will bear interest at ICBC's prevailing overdue or over limit interest rate.

ICBC 2011 Loan II

On July 11, 2011, we, as guarantor, and HK Kaisa Industry, our wholly owned subsidiary incorporated in Hong Kong, as borrower, signed a facility letter with ICBC. The loan facility is a U.S. dollar-denominated term loan facility with an aggregate principal amount of up to US$58.0 million, consisting of a tranche A term loan of up to US$29.0 million and a tranche B term loan of up to US$29.0 million, for HK Kaisa Industry (the "ICBC 2011 Loan II"). As of the date of this offering memorandum, US$58.0 million in principal amount is outstanding under this facility.

Both tranches of the ICBC 2011 Loan II has a final maturity date of 35 months and three weeks from the date of the facility letter, or one month prior to the expiry date of the standby letters of credit issued by Industrial and Commercial Bank of China, Shenzhen Branch, with an aggregate amount of US$60.0 million, used as security for the facility. We may prepay on any interest payment date under the each tranche subject to payment of a prepayment charge calculated at 1% flat on the amount prepaid times the number of remaining years (rounded up to the nearest year) of the life of the tranche.

Guarantee and Security

The ICBC 2011 Loan II is secured by two standby letters of credit issued by Industrial and Commercial Bank of China, Shenzhen Branch, each for an amount of not less than US$30.0 million, and a corporate guarantee from us for the amount of US$60.0 million.

Interest

The ICBC 2011 Loan II bears interest at the rate of 4.0% per annum over LIBOR if drawn in U.S. dollars and 3.4% per annum if drawn in Renminbi. Interest payable is calculated on the basis of the actual number of days elapsed and a 360-day year. Any overdue amount under the ICBC 2011 Loan II will be subject to the bank's then prevailing overdue or over limit interest rate, and may be compounded monthly or at such other intervals as the bank determines.

Covenants

We have agreed, among others, that we will not create or permit to arise or subsist any encumbrance over HK Kaisa Industry's present or future assets or any part thereof as security for any other indebtedness, loan, guarantee or other financial obligation contingent or otherwise.

Events of Default

The ICBC 2011 Loan II contains certain customary events of default, including nonpayment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon shall become immediately due and payable.

PAG Loan

On May 23, 2012, we entered into a facility agreement (the "PAG Facility Agreement") in connection with a US$120,000,000 exchangeable term loan facility with PAG as lender to finance existing and new property projects and for general corporate purposes and other purposes as may be agreed with the lender. On the same date, we entered into a call option deed (the "Call Option Deed"), as grantor, with PAG, as grantee. Pursuant to the terms of the PAG Facility Agreement and the Call Option Deed, PAG has the sole and absolute discretion to exchange the entire (not part only) outstanding amount of the loan into minority equity interest

of certain of our subsidiaries. As of the date of this offering memorandum, the entire amount of the PAG Loan has been drawn down and is outstanding and the call option has not been exercised.

Guarantee

The obligations pursuant to the PAG Loan are guaranteed by the 2010 Subsidiary Guarantors. Each of the 2010 Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of all sums payable under the PAG Loan.

Collateral

Our obligations under the PAG Facility Agreement are secured by the capital stock of the 2010 Subsidiary Guarantors. In addition, the Company and each subsidiary guarantor pledgor under the PAG Facility Agreement may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the PAG Loan and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the PAG Facility Agreement.

Interest

Under the facility agreement, the interest rate applicable for each interest period is 13.5% per annum. If we fail to pay the sum due on the interest payment date, interest shall accrue on the unpaid sum from the due date up to the date of actual payment at a rate which is 2.00% higher than the rate otherwise payable.

Covenants

Pursuant to the facility agreement, we agreed to the following financial covenants:

- our consolidated tangible net worth shall not at any time be less than RMB8,000,000,000; and
- the ratio of consolidated total borrowings to total assets shall not at any time be more than 0.55:1.

We have further agreed, among other things, that we will not, except as otherwise permitted under the PAG Facility Agreement, create or agree to create or permit to arise or subsist any encumbrance on our present or future undertaking, properties, assets, rights or revenues.

Maturity, Prepayment and Exchange

The loan facility under the facility agreement is due on August 25, 2015.

If we or a PAG Loan Subsidiary Guarantor under the PAG Facility Agreement would become obligated to pay certain additional amounts as a result of a tax gross-up, we may cancel and prepay the loan in full. We do not have a voluntary right to prepay and cancel the whole or any part of the loan facility.

At the lender's sole and absolute discretion, the whole outstanding amount of the loan may be exchanged for the receipt by the lender of options shares of certain offshore subsidiaries within the Group in accordance with the terms of the PAG Facility Agreement and the Call Option Deed. Upon the occurrence of such an exchange, the entire outstanding amount under the facility shall be discharged and deemed repaid.

Events of Default

The PAG Facility Agreement contains certain customary events of default, including insolvency and breaches of the terms of the PAG Facility Agreement. The lender is entitled to terminate the facility agreement and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default and/or exercise or direct the security trustee to exercise its rights, remedies, powers or discretions.

Intercreditor Agreement

On May 23, 2012, PAG executed a supplement to the Intercreditor Agreement dated December 20, 2010 to become a secured party under the Intercreditor Agreement and to share the Collateral on a pari passu basis with other holders of permitted pari passu securedindebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Company" refers only to Kaisa Group Holdings Ltd., a company incorporated with limited liability under the laws of the Cayman Islands, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee."

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Company, the initial Subsidiary Guarantors, as guarantors, and Citicorp International Limited, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes and the Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date during normal office hours at the corporate trust office of the Trustee at Floor 56, One Island East, 18 Westlands Road, Island East, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption "— The Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Subsidiary Guarantees and the Collateral"; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (defined below).

In addition, on the Original Issue Date, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees and the Collateral," the Notes will be secured by a pledge of the Collateral as described below under the caption "— Security" and will:

- be entitled to a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement); and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on September 18, 2017, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued. The Notes will bear interest at 12.875% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on March 18 and September 18 of each year (each an "Interest Payment Date"), commencing March 18, 2013.

Interest on the Notes will be paid to Holders of record at the close of business on March 3 and September 3 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to

the immediately following Interest Payment Date. In any case in which the date of the payment of principal of or premium (if any) or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal or premium (if any) or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360 day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the corporate trust administration office of the Trustee), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through Euroclear and Clearstream will be available to Euroclear and Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Subsidiary Guarantees

On the Original Issue Date, the initial Subsidiary Guarantors will consist of all of the Restricted Subsidiaries (other than the Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries"), Ace Start Enterprises Limited, Goldenform Investments Limited, Kaisa Technology Limited, Onfair Asia Pacific Limited and Yuan Yuan Investment Company Limited (collectively, the "Other Non-Guarantor Subsidiaries" and, together with the PRC Non-Guarantor Subsidiaries, the "Existing Non-Guarantor Subsidiaries")). The initial Subsidiary Guarantors do not have significant operations or assets.

None of the existing or future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that the Restricted Subsidiaries organized under the laws of the PRC may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company. See "Risk Factors — 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."

As of December 31, 2011,

- the Company and its consolidated subsidiaries had approximately RMB13,644.5 million (US$2,147.7 million) of consolidated indebtedness outstanding, of which approximately RMB12,292.3 million (US$1,934.9 million) was secured;
- the Company and the Subsidiary Guarantors had approximately RMB7,256.1 million (US$1,142.2 million) of secured indebtedness outstanding; and
- the Non-Guarantor Subsidiaries had approximately RMB22,482.8 million (US$3,538.9 million) of consolidated indebtedness and other liabilities outstanding owed to third parties.

In addition, as of December 31, 2011, the Non-Guarantor Subsidiaries had approximately RMB22,074.6 million (US$3,474.7 million) of capital commitments and contingent liabilities.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (defined below).

The Company will cause each of its future Subsidiaries (other than Subsidiaries organized under the laws of the PRC), promptly upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes. Notwithstanding the foregoing sentence, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary (the "New Non-Guarantor Subsidiary" and, together with the Existing Non-Guarantor Subsidiaries, the "Non-Guarantor Subsidiaries") so long as such Restricted Subsidiary does not guarantee any other Indebtedness of the Company or any other Restricted Subsidiary; *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors do not account for more than 15% of the Total Assets of the Company. Each Subsidiary of the Company that guarantees the Notes after the Original Issue Date is referred to as a "Future Subsidiary Guarantor" and, upon execution of the applicable supplemental indenture to the Indenture, will be a "Subsidiary Guarantor."

In addition, subject to the limitations described in "Risk Factors — Risks Relating to the Subsidiary Guarantees and the Collateral," the Subsidiary Guarantee of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption "— Security"; and
- will rank effectively senior in right of payment to the unsecured obligations of such Subsidiary Guarantor Pledgor with respect to the value of the Collateral securing such Subsidiary Guarantee (subject to any priority rights of such unsecured obligations pursuant to applicable law).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee and the enforceability of the Collateral granted in respect of the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees and the Collateral — The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees."

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or
- upon the sale of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants described under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales," and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture.

On the Original Issue Date, all of the Company's Subsidiaries will be Restricted Subsidiaries and each of the Restricted Subsidiaries, other than Restricted Subsidiaries that are organized under the laws of the PRC, Ace Start Enterprises Limited, Goldenform Investments Limited, Kaisa Technology Limited, Onfair Asia Pacific Limited and Yuan Yuan Investment Company Limited, will be a Subsidiary Guarantor. However, under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture and will not guarantee the Notes.

Security

The Company has agreed, for the benefit of the holders of the Notes, to pledge, or cause each initial Subsidiary Guarantor Pledgor to pledge the Capital Stock of all Restricted Subsidiaries (other than the Restricted Subsidiaries that are organized under the laws of the PRC, Ace Start Enterprises Limited, China Dong Sheng Agriculture Technology Limited, Goldenform Investments Limited, Kaisa Technology Limited, Onfair Asia Pacific Limited and Yuan Yuan Investment Company Limited held by it (subject to Permitted Liens and the Intercreditor Agreement) within ten Business Days of the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. The initial Subsidiary Guarantor Pledgors are Chang Ye Investment Company Limited, Da Hua Investment Company Limited, Dong Chang Investment Company Limited, Dong Sheng Investment Company Limited, Guang Feng Investment Company Limited, Heng Chang Investment Company Limited, Jie Feng Investment Company Limited, Jin Chang Investment Company Limited, Rong Hui Investment Company Limited, Rui Jing Investment Company Limited, Tai An Da Investment Company Limited, Tai Chang Jian Investment Company Limited, Tai Chong Fa Investment Company Limited, Tai Chong Li Investment Company Limited, Tai He Sheng Investment Company Limited, Tai He Xiang Investment Company Limited, Xie Mao Investment Company Limited, Ye Chang Investment Company Limited, Zheng Zhong Tian Investment Company Limited, Bakai Investments Limited, Yifa Trading Limited, Kaisa Holdings Limited, Ample Talent Group Limited, Sunny Harvest Investments Limited, Sunny Sino Investments Limited, Rosy Eagle

Limited, Radiant Ally Limited, Action Enrich Limited, Central Broad Limited, Ever Gloss Limited, South Most Limited, Guo Cheng Investments Limited, Ri Xiang Investments Limited and Yin Jia Investments Limited.

None of the Capital Stock of the Non-Guarantor Subsidiaries will be pledged on the Original Issue Date or at any time in the future. In addition, none of the Capital Stock of any future Restricted Subsidiary that may be organized under the laws of the PRC will be pledged at any time in the future.

The Company has also agreed, for the benefit of the holders of the Notes, to pledge, or cause each Subsidiary Guarantor to pledge, the Capital Stock owned by the Company or such Subsidiary Guarantor of any Person that becomes a Restricted Subsidiary (other than Persons organized under the laws of the PRC) after the Original Issue Date, promptly upon such Person becoming a Restricted Subsidiary, to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, in the manner described above.

Each Subsidiary Guarantor that pledges Capital Stock of a Restricted Subsidiary after the Original Issue Date, upon giving such pledge, will be a "Subsidiary Guarantor Pledgor."

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 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 other Permitted Pari Passu Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture and the Intercreditor Agreement. See "Security — Release of Security" and "Risk Factors — Risks Relating to the Subsidiary Guarantees and the Collateral — The value of the Collateral is unlikely to be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness."

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture, the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Payment Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Company and the Subsidiary Guarantor Pledgors, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of Capital Stock constituting Collateral.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, the Company and each Subsidiary Guarantor Pledgor may create Liens on the Collateral *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Company (including Additional Notes) and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such Indebtedness (such Indebtedness of the Company and any such Pari Passu Subsidiary Guarantee, "Permitted Pari Passu Secured Indebtedness"); *provided* that (i) the Company or such Subsidiary Guarantor Pledgor was permitted to Incur such Indebtedness under the covenant under the caption "Limitation on Indebtedness and Preferred Stock," (ii) the holders of such Indebtedness (or their representative) become party to the Intercreditor Agreement referred to below, (iii) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Subsidiary Guarantee substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor Pledgor than the provisions of the Indenture and the Security Documents, and (iv) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Common Security Trustee (defined below) an Opinion of Counsel and Officers' Certificate with respect to corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The

Trustee will be permitted and authorized, without the consent of any Holder, to enter into any amendments to the Security Documents or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

The Company, the Subsidiary Guarantor Pledgors, Citicorp International Limited, as the trustee (the "2010 Notes Trustee") with respect to the 2010 Notes, Citicorp International Limited, as the trustee (the "CB Trustee") with respect to the Convertible Bonds, and Citicorp International Limited, as the shared security agent (the "Common Security Trustee"), have entered into an intercreditor agreement dated December 20, 2010 (to which Citicorp International Limited, as trustee (the "RMB Bonds Trustee") with respect to the RMB Bonds, acceded on March 15, 2011, and PAG, as lender under the PAG Loan, acceded on May 23, 2012) (such intercreditor agreement, as so supplemented and amended from time to time, the "Intercreditor Agreement"), to which the Trustee will accede on the Original Issue Date. Pursuant to the Intercreditor Agreement, the 2010 Notes Trustee, the CB Trustee, the RMB Bonds Trustee, PAG and the Trustee agree to (1) share the Collateral on an equal and ratable basis, (2) the conditions that are applicable to the release of or granting of any Lien on such Collateral, and (3) the conditions under which their rights with respect to such Collateral and the Indebtedness secured thereby will be enforced.

In connection with any future Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the holders of such Permitted Pari Passu Secured Indebtedness (or their representative) will accede to the Intercreditor Agreement and become parties to it. The Trustee, the CB Trustee, the RMB Bonds Trustee, PAG and the holders of such Permitted Pari Passu Secured Indebtedness (or their representative) are collectively referred to as the "Secured Parties."

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement, any supplements, amendments or modifications thereto, and any future intercreditor agreement required and permitted under the Indenture.

Enforcement of Security

The lien securing the Notes and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors will be granted to the Trustee. The Trustee, subject to the Intercreditor Agreement, will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instruction of the Holders to exercise remedies under the Security Documents. The Trustee has agreed to act as secured party on behalf of the Holders under the applicable Security Documents, to follow the instructions provided to it under the Indenture, the Security Documents and the Intercreditor Agreement and to carry out certain other duties.

The Indenture and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Trustee has the right to manage, perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

The Intercreditor Agreement will provide, among other things, that any Secured Party may instruct the Common Security Trustee to enforce the Collateral and to deliver a notice of enforcement to the Company and the applicable Subsidiary Guarantor Pledgor (such instructions, the "Enforcement Instructions"). Upon receipt of an Enforcement Instruction from any Secured Party, the Common Security Agent will provide a copy of such Enforcement

Instruction and notice of enforcement to the Company and the other Secured Parties. If (a) the Common Security Trustee identifies a conflict (i) between Secured Parties' interests in connection with any Enforcement Instruction or (ii) in the event that each of the Secured Parties issues Enforcement Instructions, between those Enforcement Instructions, and (b) the Common Security Trustee believes in its sole discretion that the interests of the Secured Parties would be in conflict upon the exercise of those Enforcement Instructions, or that compliance with an Enforcement Instruction would cause the Common Security Trustee to contravene another Enforcement Instruction, the Common Security Trustee shall notify each Secured Party in writing not more than five Business Days after it becomes aware of such conflict. In such circumstances, the Common Security Trustee is not obligated to take any action if it identifies such conflict.

The Intercreditor Agreement provides that any proceeds from any sale, collection, liquidation or enforcement of the Collateral shall be distributed by the Common Security Trustee in accordance with the terms of the Intercreditor Agreement and subject to the conditions of the relevant Security Document. Such proceeds shall be applied as follows:

first, to the Common Security Trustee for any unpaid fees, costs and expenses reasonably incurred thereunder;

second, pro rata to each of the Trustee, PAG, the RMB Bonds Trustee, CB Trustee, the 2010 Notes Trustee and any agent, trustee or representative as a secured party for any series of Permitted Pari Passu Secured Indebtedness for any unpaid fees, costs and expenses reasonably incurred under the applicable secured party document;

third, pro rata to each of the Trustee for the benefit of the Holders, PAG for its benefit as lender under the PAG Loan, the RMB Bonds Trustee for the benefit of holders of the RMB Bonds, the CB Trustee for the benefit of the holders of the Convertible Bonds, the 2010 Notes Trustee for the benefit of the holders of the 2010 Notes and, to the extent applicable, to holders of Permitted Pari Passu Secured Indebtedness (or their representative for the benefit of such holders) in accordance with the terms of the applicable secured party document; and

fourth, any surplus remaining after such payments will be paid to the Company, the Subsidiary Guarantor Pledgors or to whomever may be lawfully entitled thereto.

The Trustee may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Trustee's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Trustee's Liens on the Collateral. Neither the Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, for the creation, perfection, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so.

The Security Documents provide that the Company and the Subsidiary Guarantor Pledgors will indemnify the Trustee for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Trustee arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Trustee.

This section, "— Enforcement of Security," shall be subject to any amendments to the Security Documents or the Indenture to permit the creation of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with "— Permitted *Pari Passu* Secured Indebtedness" above.

Release of Security

Subject to the provisions of the Intercreditor Agreement, the security created in respect of the Collateral granted under the Security Documents may be released in relation to the Notes and the Subsidiary Guarantees in certain circumstances, including:

- upon repayment in full of the Notes;

- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge";
- upon certain dispositions of the Collateral in compliance with the covenants under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" or "— Certain Covenants — Limitation on Asset Sales" or in accordance with the provision under the caption "— Consolidation, Merger and Sale of Assets";
- with respect to security granted by a Subsidiary Guarantor Pledgor, upon the release of the Subsidiary Guarantee of such Subsidiary Guarantor Pledgor in accordance with the terms of the Indenture; or
- in whole or in part, with the requisite consent of the Holders in accordance with the provisions described under "— Amendments and Waivers."

Further Issues

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted under the "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant described below and the other provisions of the Indenture.

Optional Redemption

At any time on or after September 18, 2015, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on September 18 of any year set forth below:

Period	Redemption Price
2015	106.438%
2016	103.219%

At any time prior to September 18, 2015, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the redemption date.

In addition, at any time prior to September 18, 2015, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 112.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed, the Trustee will select Notes for redemption as follows:

- if the Notes are listed on any securities exchange, in compliance with the requirements of the principal securities exchange on which the Notes are then traded; or
- if the Notes are not listed on any securities exchange, on a pro rata basis, by lot or by such other method as the Trustee deems fair and appropriate.

However, no Note of US$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the failure by the Company to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control under the Notes will also constitute an event of default under certain other debt instruments. Future debt of the Company may also (i) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event, (ii) provide that a Change of Control Triggering Event is a default or (iii) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The ability of the Company to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes — We may not be able to repurchase or repay the Notes, the 2012 Notes, the Convertible Bonds, the RMB Bonds and the PAG Loan upon certain change of control events.

The definition of Change of Control includes a phrase "all or substantially all" as used with respect to the assets of the Company. No precise definition of the phrase has been established under applicable law, and the phrase will likely be interpreted under applicable law of the relevant jurisdictions based on particular facts and circumstances. Accordingly, there may be a degree of uncertainty as to the ability of a Holder of Notes to require the Company to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Company to another person or group.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the same manner, at the same times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on, the Notes or under the Subsidiary Guarantees or the Security Documents will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor is organized or resident for tax purposes or any jurisdiction from or through which payment is made (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts payable under the Notes or the Subsidiary Guarantees as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(a) for or on account of:

(i) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder or beneficial owner of such Note, Subsidiary Guarantee or the Security Document, as the case may be, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee or Security Document, as the case may be, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(B) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30 day period;

(C) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner; or

(D) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(ii) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(iii) any withholding or deduction that is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (i), (ii) and (iii); or

(b) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment, to the extent that such payment would be required to be included for tax purposes in the income under the laws of a Relevant Jurisdiction of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all beneficial owners of Notes.

Whenever there is mentioned in any context the payment of principal, premium or interest in respect of any Note, any Subsidiary Guarantee or any Security Document, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Tax Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets"), as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position, or the stating of an official position, regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective on or after (i) with respect to the Company or any initial Subsidiary Guarantor, the Original Issue Date or (ii) with respect to any Future Subsidiary Guarantor or Surviving Person, the date such Future Subsidiary Guarantor or Surviving Person becomes a Future Subsidiary Guarantor or Surviving Person, as the case may be, with respect to any payment due or to become due under the Notes or the Indenture, the Company, such Subsidiary Guarantor or such Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, such Subsidiary Guarantor or such Surviving Person, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, such Subsidiary Guarantor or such Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Subsidiary Guarantor or a Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, such Surviving Person or such Subsidiary Guarantor, as the case may be, by taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case, of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(a) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness) and the Company will not permit any Restricted Subsidiary to issue any Preferred Stock; *provided* that the Company may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 3.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(b) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary, may Incur each and all of the following ("Permitted Indebtedness"):

(1) Indebtedness under the Notes (excluding any Additional Notes and any Permitted Pari Passu Secured Indebtedness of the Company) and each Subsidiary Guarantee;

(2) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor;

(3) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (b)(4) of this covenant; *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;

(4) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (x) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (b)(4), (y) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor and (z) if the Indebtedness is owed to the Company or any Subsidiary Guarantor, such Indebtedness must be evidenced by an unsubordinated promissory note or a similar instrument under applicable law;

(5) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, then outstanding Indebtedness Incurred under clause (a) or clause (b)(1), (b)(2), (b)(3), (b)(7) or (b)(17) of this covenant and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (A) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee shall only be permitted under this clause (b)(5) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to

the Notes or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, (B) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded and (C) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause (b)(5) by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;

(6) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(7) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (i) all or any part of the purchase price of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon such acquisition, become a Restricted Subsidiary or (ii) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; *provided, however,* that in each case (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement, and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (b)(7) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clause (b)(16) below and the refinancings of all such Indebtedness Incurred under this clause (b)(7), but excluding any Contractor Guarantee Incurred under this clause (b)(7) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20.0% of Total Assets;

(8) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(9) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary, as applicable, of a demand for reimbursement;

(10) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary (other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition); *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company or any Restricted Subsidiary from the disposition of such business, assets or Restricted Subsidiary;

(11) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however,* that such Indebtedness is extinguished within five Business Days of Incurrence;

(12) (i) guarantees by the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant or (ii) guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred under clause (b)(7) above or clauses (b)(14) and (b)(16) below;

(13) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(14) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (b)(14) at any time outstanding does not exceed US$20.0 million (or the Dollar Equivalent thereof);

(15) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price in the form of installment payments pursuant to a Staged Acquisition Agreement;

(16) Preferred Stock or Disqualified Stock issued by a PRC Restricted Subsidiary or Indebtedness Incurred by the Company or any PRC Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on assets of, the Company or such PRC Restricted Subsidiary in favor of any Insurance Company Investor in respect of the obligation of any Subsidiary of such PRC Restricted Subsidiary to pay a guaranteed or preferred dividend or return on any shares of Capital Stock of such Subsidiary held by such Insurance Company Investor (including any shares of Preferred Stock or Disqualified Stock which may be issued by such Subsidiary pursuant to this clause (b)(16) to such Insurance Company Investor); *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (b)(16) (together with the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clause (b)(7) above and the refinancings of all such Indebtedness Incurred under clause (b)(7) above, but excluding any Contractor Guarantee Incurred under clause (b)(7) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20.0% of Total Assets; and

(17) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$10.0 million (or the Dollar Equivalent thereof).

(c) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first sentence of clause (a) of this covenant, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness.

(d) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (a) through (d) below being collectively referred to as "Restricted Payments"):

(a) declare or pay any dividend or make any distribution on or with respect to the Company's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable or paid in shares of the Company's, or payable or paid solely in shares of any Restricted Subsidiary's, Capital Stock (other than Disqualified Stock or

Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;

(b) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock (including options, warrants or other rights to acquire such shares of Capital Stock) of the Company, any Restricted Subsidiary or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary (excluding (i) the purchase of any shares of Capital Stock of any Restricted Subsidiary pursuant to a Staged Acquisition Agreement and (ii) the purchase of any shares of Capital Stock of any PRC Restricted Subsidiary held by any Insurance Company Investor);

(c) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Restricted Subsidiary); or

(d) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(A) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(B) the Company could not Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; or

(C) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum (without duplication) of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the semi-annual fiscal period in which the Measurement Date occurred and ending on the last day of the Company's most recently ended semi-annual fiscal period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available and have been provided to the Trustee at the time of such Restricted Payment; plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (y) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any Subsidiary Guarantor is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Subsidiary Guarantor convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (w) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case, to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (x) the unconditional release of a guarantee provided by the Company or any Restricted Subsidiary after the Measurement Date of an obligation of another Person, (y) the net cash proceeds from the sale of any such Investment (except to the extent such proceeds are included in the calculation of Consolidated Net Income) or (z) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person; plus

(v) US$25.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(ii) of the preceding paragraph;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(ii) of the preceding paragraph; or

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable on a pro rata basis or on a basis more favorable to the Company to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;

provided that, in the case of clause (2), (3) or (4) above, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) of the preceding paragraph made after the Measurement Date shall be included in calculating whether the conditions of clause (C) of the first paragraph of this "— Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an

opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$5.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

  (1) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

  (2) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

  (3) make loans or advances to the Company or any other Restricted Subsidiary; or

  (4) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.

(b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:

  (1) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture, the Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Company or any Subsidiary Guarantor Pledgor or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

  (2) existing under or by reason of applicable law, rule, regulation or order;

  (3) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

  (4) that otherwise would be prohibited by the provision described in clause (a)(4) of this covenant if they arise, or are agreed to in the ordinary course of business, and that (x) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (y) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (z) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(5) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Limitation on Indebtedness and Preferred Stock" and "— Limitation on Asset Sales" covenants; or

(6) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clause (b)(7), (b)(14) or (b)(16) of the "— Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, such encumbrances or restrictions (x) are customary for such types of agreements and (y) are not expected to materially and adversely affect the ability of the Company to make required payments on the Notes.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Restricted Subsidiary;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Restricted Subsidiary;

(3) the sale of all of the shares of Capital Stock of a Restricted Subsidiary if permitted under, and made in accordance with, the "— Limitation on Asset Sales" covenant; and

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Notwithstanding the foregoing, a Restricted Subsidiary may issue Common Stock to its shareholders on a pro rata basis or on a basis more favorable to the Company and its Restricted Subsidiaries.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness ("Guaranteed Indebtedness") of the Company or any other Restricted Subsidiary, unless (a) (1) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (2) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full, or (b) such guarantee is permitted by clause (b)(3) or (b)(12)(ii) (other than a guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary), under the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (A) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (B) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (a) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Company or (b) with any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm's-length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not such a holder or an Affiliate of the Company or such Restricted Subsidiary; and

(2) the Company delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$2.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(A) above, an opinion issued by an accounting, appraisal or investment banking firm of recognized international standing as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company;

(2) transactions between or among the Company and any Subsidiary Guarantor or between or among Subsidiary Guarantors;

(3) transactions between or among the Company and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;

(4) any Restricted Payment of the type described in clause (a) or (b) of the first paragraph of the covenant described under the caption "— Limitation on Restricted Payments" if permitted by that covenant;

(5) any sale of Capital Stock (other than Disqualified Stock) of the Company; and

(6) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "— Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among any of the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary; *provided* that in the case of clause (iii), (a) such

transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary is a Person described in clauses (a) or (b) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary) and (iv) any Investment by the Company or any Restricted Subsidiary in an Associate in accordance with the requirements under clause (16) of the definition of "Permitted Investment" on a pro rata basis based on its percentage ownership in such Associate at the time of such Investment.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company may enter into a Sale and Leaseback Transaction if:

(a) the Company could have (1) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under clause (a) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock" and (2) incurred a Lien to secure such Indebtedness pursuant to the covenant described under the caption "— Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(b) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(c) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant described under the caption "— Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(a) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(b) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(c) in the case of an Asset Sale that constitutes an Asset Disposition, the Company could Incur, at the time of and after giving pro forma effect to such Asset Disposition, at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock";

(d) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a

financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

(B) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Company or any Restricted Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets that will be used in the Permitted Business ("Replacement Assets").

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds equals to or exceeds US$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(i) accumulated Excess Proceeds, multiplied by

(ii) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any other *pari passu* Indebtedness tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness will be purchased on a pro rata basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered (or required to be prepaid or redeemed). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than a Permitted Business; *provided, however*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on Restricted Payments."

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (a) in the approximate amounts and for the purposes specified under the caption "Use of Proceeds" in this offering memorandum and (b) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) neither the Company nor any Restricted Subsidiary guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; (c) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary; (d) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness, or any Lien on any property, of the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "— Limitation on Liens"; (e) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated as Unrestricted Subsidiaries in accordance with this paragraph; and (f) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under the caption "Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; (c) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on Liens"; (d) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (e) if such Restricted Subsidiary is not organized under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor; and (f) if such Restricted Subsidiary is not organized under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary shall be pledged as required under "— Security."

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (a) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Business, (b) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens and (c) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (1) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (2) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not, and will not permit any Subsidiary Guarantor to, Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have an Investment Grade Rating from both of the Rating Agencies and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have an Investment Grade Rating from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(2) "— Certain Covenants — Limitation on Restricted Payments";

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "— Certain Covenants — Limitation on Sale and Leaseback Transactions"; and

(7) "— Certain Covenants — Limitation on Asset Sales."

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any Restricted Subsidiary as an Unrestricted Subsidiary pursuant to the covenant described under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event and, following reinstatement, the calculations under the covenant described under the caption "— Certain Covenants — Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve an Investment Grade Rating or that, if achieved, any such rating will be maintained.

Provision of Financial Statements and Reports

(a) So long as any of the Notes remain outstanding, the Company will furnish to the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other securities exchange on which the Company's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that, if at any time the ordinary shares of the Company cease to be listed for trading on a recognized securities exchange, the Company will file with the Trustee and furnish to the Holders:

(1) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognized firm of independent accountants;

(2) as soon as they are available, but in any event within 45 calendar days after the end of the first semi-annual fiscal period of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognized firm of independent accountants; and

(3) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third fiscal quarters of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(b) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (1) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent semi-annual fiscal periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, together with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; and (2) as soon as possible and in any event within 10 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default or any default in the performance of any covenants or agreements under the Security Documents, an Officers' Certificate setting forth the details of such Default or default, and the action which the Company proposes to take with respect thereto.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(b) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 days;

(c) default in the performance or breach of the provisions of the covenants described under the caption "— Consolidation, Merger and Sale of Assets," the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event," "— Certain Covenants — Limitation on Asset Sales" or "— Certain Covenants — Limitation on Liens," or the failure by the Company to create, or cause its Restricted Subsidiaries to create, a lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the covenant described under the caption "— Security";

(d) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(e) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$5.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (1) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (2) a failure to pay principal of, or interest or premium (subject to the applicable grace period in the relevant documents) on, such Indebtedness when the same becomes due;

(f) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$5.0 million (or the Dollar Equivalent thereof, net of any amounts that a reputable and creditworthy insurance company has acknowledged liability for in writing) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(g) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(h) the Company or any Restricted Subsidiary (1) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (2) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary, or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary, or (3) effects any general assignment for the benefit of creditors;

(i) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect;

(j) any default by the Company or any Subsidiary Guarantor Pledgor in the performance of any of its obligations under the Security Documents or the Indenture, which adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or which adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(k) the Company or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Trustee ceases to have a security interest in the Collateral (subject to any Permitted Liens and the Intercreditor Agreement).

If an Event of Default (other than an Event of Default specified in clause (g) or (h) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes, then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (g) or (h) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(x) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate or is directed by the Holders of at least 25% in aggregate principal amount of outstanding Notes. See "— Security."

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law, the Indenture or the Security Documents that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. A Holder may not pursue any remedy with respect to the Indenture or the Notes unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Two Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and the Security Documents and that the Company and its Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture and the Security Documents. See "— Provision of Financial Statements and Reports."

Consolidation, Merger and Sale of Assets

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(a) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, the British Virgin Islands, Hong Kong or the United States or any jurisdiction thereof and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, or from or through which payment is made, and the Indenture, the Notes and the Security Documents, as the case may be, shall remain in full force and effect;

(b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(c) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(d) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(e) the Company delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(f) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this covenant, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(g) no Rating Decline shall have occurred.

No Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless:

(A) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction;

(B) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(C) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(D) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(E) the Company delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (C) and (D)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(F) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to (1) any sale or other disposition that complies with the "Limitation on Asset Sales" covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under "The Subsidiary Guarantees — Release of Subsidiary Guarantees" and (2) a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company that may adversely affect Holders.

No Payments for Consents

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

(a) the Company has (1) deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (2) delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;

(b) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(c) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture will no longer be in effect with respect to clauses (c), (d), (e)(1) and (g) under the first paragraph and clauses (C), (D), (E)(1) and (F) under the second paragraph under "Consolidation, Merger and Sale of Assets" and all the covenants described herein under "Certain Covenants," other than as described under "— Certain Covenants — Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants — Anti-Layering," clause (c) under "Events of Default" with respect to such clauses (c), (d), (e)(1) and (g) under the first paragraph and clauses (C), (D), (E)(1) and (F) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (d) under "Events of Default" with respect to such other covenants and clauses (e) and (f) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (b) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Intercreditor Agreement or any Security Document may be amended, without the consent of any Holder, to:

(a) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Intercreditor Agreement or any Security Document;

(b) comply with the provisions described under "Consolidation, Merger and Sale of Assets";

(c) evidence and provide for the acceptance of appointment by a successor Trustee;

(d) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;

(e) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(f) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor as provided or permitted by the terms of the Indenture;

(g) add additional Collateral to secure the Notes or any Subsidiary Guarantee and create or register Liens on such additional Collateral;

(h) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(i) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;

(j) permit Permitted Pari Passu Secured Indebtedness in accordance with the terms of the Indenture (including, without limitation, permitting the Trustee to enter into the Intercreditor Agreement or any amendments to the Security Documents or the Indenture, the appointment of any collateral agent under any Intercreditor Agreement to hold the Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness and taking any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture); or

(k) make any other change that, in the good faith opinion of the Board of Directors, does not materially and adversely affect the rights of any Holder.

Amendments With Consent of Holders

Amendments of the Indenture, the Intercreditor Agreement or any Security Document may be made by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture, the Notes, the Intercreditor Agreement or any Security Document; *provided, however,* that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(a) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(b) reduce the principal amount of, or premium, if any, or interest on, any Note;

(c) change the currency, time or place of payment of principal of, or premium, if any, or interest on, any Note;

(d) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note or any Subsidiary Guarantee;

(e) reduce the above stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(f) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(g) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;

(h) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;

(i) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(j) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders;

(k) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or any provision of the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture, such Security Document or such Intercreditor Agreement;

(l) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale;

(m) change the redemption date or the redemption price of the Notes from that stated under "— Optional Redemption" or "— Redemption for Tax Reasons";

(n) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or

(o) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Members, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, member, officer, director, employee or controlling person of the Company or any of the Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under any applicable law.

Concerning the Trustee, the Registrar and the Paying Agent

Citicorp International Limited is to be appointed as Trustee under the Indenture, Citigroup Global Markets Deutschland AG is to be appointed as registrar and Citibank, N.A., London Branch is to be appointed as paying and transfer agent (the "Paying Agent") with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; *provided, however,* that if it acquires any conflicting interest, it must eliminate such conflict or resign.

If the Company maintains a paying agent with respect to the Notes in a member state of the European Union, such paying agent will be located in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive or such other directive.

Citicorp International Limited will initially act as Trustee under the Security Documents in respect of the Security over the Collateral. The Trustee, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Trustee may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders. The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the Holders, unless such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Trustee that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by one or more global notes in registered form without interest coupons attached (each a "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "— Individual Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and additional amounts) will be made to the paying agent. The paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "— Additional Amounts."

Under the terms of the Indenture, the Company and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in immediately available funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with "— Events of Default" and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Company or any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (i) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby and (ii) designate and appoint Law Debenture Corporate Services Inc., currently at 400 Madison Avenue, 4th Floor, New York, New York 10017, for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"*2010 Notes*" means the 13.5% Senior Notes due 2015 issued by the Company.

"*Acquired Indebtedness*" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary, whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"*Adjusted Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield in maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"*Affiliate*" means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition or (iii) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (i) or (ii). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"*Applicable Premium*" means with respect to a Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the redemption price of such Note on September 18, 2015 (such redemption price being described in the first paragraph in the "— Optional Redemption" section exclusive of any accrued interest), plus all required remaining scheduled interest payments due on such Note through September 18, 2015 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note.

"*Appraised Value*" means, on any Transaction Date, means the value of real property assessed by an independent qualified appraiser or valuer as disclosed in the latest annual report or interim report filed by the Company with the Stock Exchange of Hong Kong Limited.

"*Asset Acquisition*" means (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"*Asset Disposition*" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary (other than, for the purposes of clause (c) of the covenant described under the caption "— Limitation on Asset Sales," any Restricted Subsidiary that in the ordinary course of its business owns, directly or indirectly, a commercial real property (including an office building, a shopping mall or a hotel, but excluding a residential real property) which accounts for all or substantially all of the assets of such Restricted Subsidiary) or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary (other than, for the purposes of clause (c) of the covenant described under the caption "— Limitation on Asset Sales," any Restricted Subsidiary that in the ordinary course of its business owns, directly or indirectly, a commercial real property (including an office building, a shopping mall or a hotel, but excluding a residential real property) which accounts for all or substantially all of the assets of such Restricted Subsidiary).

"*Asset Sale*" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction and including any sale or issuance of the Capital Stock of any Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided that* "Asset Sale" shall not include:

(a) sales, transfers or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(b) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption "— Certain Covenants — Limitation on Restricted Payments";

(c) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(d) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;

(e) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(f) a transaction covered by the covenant under the caption "— Consolidation, Merger and Sale of Assets"; and

(g) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary to the Company or any Restricted Subsidiary.

"*Attributable Indebtedness*" means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

"*Average Life*" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"*Board of Directors*" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"*Board Resolution*" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"*Business Day*" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"*Capital Stock*" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"*Capitalized Lease*" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"*Capitalized Lease Obligations*" means the discounted present value of the rental obligations under a Capitalized Lease.

"*Change of Control*" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act")), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are the beneficial owners of less than 35.0% of the total voting power of the Voting Stock of the Company;

(4) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of the total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(5) individuals who on the Original Issue Date constituted the Board of Directors (together with any new directors whose election was approved by a vote of at least two-thirds of the members of the Board of Directors then in office who were members of the Board of Directors on the Original Issue Date or whose election was previously so approved) cease for any reason to constitute a majority of the members of the Board of Directors then in office; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Company.

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and a Rating Decline.

"*Clearstream*" means Clearstream Banking, société anonyme, Luxembourg.

"*Collateral*" means all collateral securing, or purported to be securing, directly or indirectly, the Notes or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

"*Commodity Agreement*" means any spot, forward, swap or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"*Common Stock*" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding on the Original Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

"*Comparable Treasury Issue*" means the U.S. Treasury security having a maturity comparable to September 18, 2015 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to September 18, 2015.

"*Comparable Treasury Price*" means, with respect to any redemption date:

(1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the fifth Business Day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities"; or

(2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

"*Consolidated Assets*" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual fiscal period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available and have been provided to the Trustee.

"*Consolidated EBITDA*" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains or losses or sales of assets); and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income,

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (i) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (ii) in the case of any PRC CJV consolidated in accordance with GAAP, Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"*Consolidated Fixed Charges*" means, for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period and (ii) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or dividends paid to the Company or to a Wholly Owned Restricted Subsidiary.

"*Consolidated Interest Expense*" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (i) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest accruing on Indebtedness of any other Person that is guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), proportionate to the extent that such Indebtedness is guaranteed and (vii) any capitalized interest; *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"*Consolidated Net Income*" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items (other than any net after-tax gains in connection with the sale of Guangzhou Jiasui Shine Co., Ltd) shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting, except to the extent of the amount of net income actually paid in cash to, or the amount of loss actually funded in cash by, the specified Person or a Restricted Subsidiary of the Person during such period;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after-tax gains realized on the sale or other disposition of (A) any property or assets of the Company or any Restricted Subsidiary or (B) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or any Restricted Subsidiary), in each case, which is not sold in the ordinary course of business of the Company or any Restricted Subsidiary;

(6) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains.

"*Consolidated Net Worth*" means, at any date of determination, stockholders' equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

"*Contractor Guarantees*" means any guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"*Convertible Bonds*" means the RMB-denominated US dollar settled 8% Convertible Bonds due 2015 issued by the Company.

"*Currency Agreement*" means any foreign exchange forward contract, currency swap agreement, currency hedge agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"*Default*" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"*Disqualified Stock*" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "— Certain Covenants — Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of the Notes as are required to be repurchased pursuant to the "— Certain Covenants — Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control Triggering Event" covenants.

"*Dollar Equivalent*" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"*Equity Offering*" means any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date to any Person other than a Wholly Owned Restricted Subsidiary or any Permitted Holder; *provided* that the aggregate gross cash proceeds received by the Company from such transaction shall be no less than US$20.0 million (or the Dollar Equivalent thereof).

"*Euroclear*" means Euroclear Bank S.A./N.V.

"*Fair Market Value*" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"*Fixed Charge Coverage Ratio*" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two semi-annual fiscal periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (the "Two Semi-annual Period") to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual Period. In making the foregoing calculation:

(A) *pro forma* effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Two Semi-annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-annual Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that in the event of any such repayment or redemption, Consolidated EBITDA for such Two Semi-annual Period shall not include any interest income actually earned by the Company or such Restricted Subsidiary during such Two Semi-annual Period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;

(B) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(C) *pro forma* effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period;

(D) *pro forma* effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period; and

(E) *pro forma* effect shall be given to the creation, designation or re-designation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or re-designation had occurred on the first day of such Reference Period;

provided that to the extent that clause (C) or (D) of this paragraph requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full semi-annual fiscal periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"*GAAP*" means Hong Kong Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

"*guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect

thereof (in whole or in part); *provided* that the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"*Hedging Obligation*" of any Person means the obligations of such Person pursuant to any Commodity Agreement, Currency Agreement or Interest Rate Agreement.

"*Holder*" means the Person in whose name a Note is registered in the Note register.

"*Incur*" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"*Indebtedness*" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;

(7) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided* that such Indebtedness is not reflected on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any time shall be the outstanding balance at such time of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided* that:

(A) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(B) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and

(C) that the amount of or the principal amount of Indebtedness with respect to any Hedging Obligation shall be equal to the net amount payable if such Hedging Obligation terminated at or prior to that time due to a default by such Person.

"*Independent Third Party*" means any Person that is not an Affiliate of the Company.

"*Insurance Company Investor*" means an Independent Third Party that is an insurance company organized under the laws of the PRC or an Affiliate of such an insurance company that acquires shares of Capital Stock of a Subsidiary of any PRC Restricted Subsidiary, representing a minority equity interest in such Subsidiary, which in accordance with its terms pays guaranteed or preferred dividend or return.

"*Intercreditor Agreement*" has the meaning set forth under "— Security."

"*Interest Rate Agreement*" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"*Investment*" means:

(i) any direct or indirect advance, loan or other extension of credit to another Person,

(ii) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others),

(iii) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or

(iv) any guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

For the purposes of the provisions of the "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" and "— Certain Covenants — Limitation on Restricted Payments" covenants: (i) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's proportionate interest in the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation and (ii) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"*Investment Grade*" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest Rating Categories, by S&P or any of its successors or assigns or a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody's or any of its successors or assigns or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P or Moody's or both, as the case may be.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"*Measurement Date*" means April 28, 2010.

"*Moody's*" means Moody's Investors Service, Inc. and its affiliates.

"*Net Cash Proceeds*" means:

(a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of

(1) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

(2) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

(3) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and

(4) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"*Offer to Purchase*" means an offer to purchase the Notes by the Company from the Holders commenced by mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the provision of the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Company will deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with all applicable securities laws and regulations, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"*Officer*" means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor, one of the directors or executive officers of such Subsidiary Guarantor.

"*Officers' Certificate*" means a certificate signed by two Officers.

"*Opinion of Counsel*" means a written opinion from legal counsel which is acceptable to the Trustee that meets the requirements of the Indenture.

"*Original Issue Date*" means the date on which the Notes are originally issued under the Indenture.

"*PAG*" means PA International Opportunity VI Limited, the lender under the PAG Loan.

"*PAG Loan*" means the US$120 million exchangeable term loan made available to the Company pursuant to a facility agreement dated May 23, 2012, as amended, supplemented or modified from time to time, among the Company as borrower, certain Subsidiaries of the Company as guarantors and PAG.

"*Pari Passu Subsidiary Guarantee*" means a guarantee by any Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); *provided* that (i) the Company is permitted to Incur such Indebtedness under the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and (ii) such guarantee ranks *pari passu* with the Subsidiary Guarantee of such Subsidiary Guarantor.

"*Payment Default*" means (i) any default in the payment of interest on any Note when the same becomes due and payable, (ii) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (iii) the failure by the Company to make or consummate a Change of Control Offer in the manner described under the caption "— Repurchase of Notes upon a Change of Control Triggering Event," or an Offer to Purchase in the manner described under the caption "— Certain Covenants — Limitation on Asset Sales" or (iv) any Event of Default specified in clause (e) of the definition of Events of Default.

"*Permitted Business*" means any business conducted by the Company and its Restricted Subsidiaries on the Original Issue Date and other businesses reasonably related, ancillary or complementary thereto.

"*Permitted Holders*" means any or all of the following:

(1) Mr. Kwok Ying Shing, Mr. Kwok Chun Wai and Mr. Kwok Ying Chi;

(2) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of "Affiliate") of either of the Persons specified in clause (1) of this definition; and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are more than 80% owned by Persons specified in clauses (1) and (2) of this definition.

"*Permitted Investment*" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business, including the purchase of any shares of Capital Stock of any Restricted Subsidiary pursuant to a Staged Acquisition Agreement; *provided* that the aggregate amount of Investments in such Restricted Subsidiary made after the Original Issue Date pursuant to a Staged Acquisition Agreement by the Company or any other Restricted Subsidiary after such Restricted Subsidiary becomes a Restricted Subsidiary but before such Restricted Subsidiary becomes a Wholly Owned Restricted Subsidiary shall be considered to be a Restricted Payment (without duplication and to the extent of such aggregate amount of Investments made by the Company or such other Restricted Subsidiary in excess of their proportionate share of such Investments based on their percentage ownership in such Restricted Subsidiary at the time of such Investment (the "Disproportionate Investment")) in calculating whether the conditions of clause (C) of the first paragraph of the covenant described under the caption "Limitation on Restricted Payments" have been met with respect to any subsequent Restricted Payments, but such aggregate amount of Investments shall be reduced by (i) payments of dividends in cash by such Restricted Subsidiary to the Company or any other Restricted Subsidiary after such Restricted Subsidiary becomes a Restricted Subsidiary (except to the extent any such payments are included in the calculation of Consolidated Net Income of the Company) and (ii) the amount equal to the net reduction in such Disproportionate Investments on a pro rata basis resulting from repayments of loans or advances to the Company or such other Restricted Subsidiary or unconditional releases of Guarantees provided by the Company or such other Restricted Subsidiary (in each case except to the extent any such repayments or releases are included in the calculation of Consolidated Net Income of the Company); *provided further* that:

   (a) no Investment shall be permitted to be made under this paragraph (1) in Yuan Yuan Investment Company Limited, Kaisa Technology Limited, Kaisa Technology (Huizhou) Co., Ltd. or Kaisa Technology (Shenzhen) Co., Ltd. unless and until (i) each of Yuan Yuan Investment Company Limited and Kaisa Technology Limited shall execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which each of them will guarantee the payment of the Notes and (ii) the Capital Stock of each of Yuan Yuan Investment Company Limited and Kaisa Technology Limited owned by Rui Jing Investment Company Limited and Yuan Yuan Investment Company Limited, respectively, is pledged to secure the obligations of Rui Jing Investment Company Limited and Yuan Yuan Investment Company Limited under their respective Subsidiary Guarantees;

   (b) no Investment shall be permitted to be made under this paragraph (1) in Ace Start Enterprises Limited, Onfair Asia Pacific Limited or Sichuan Tianzi Zhiye Co., Ltd. unless and until (i) each of Ace Start Enterprises Limited and Onfair Asia Pacific Limited shall execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which each of them will guarantee the payment of the Notes and (ii) the Capital Stock of each of Ace Start Enterprises Limited and Onfair Asia Pacific Limited owned by Rui Jing Investment Company Limited and Ace Start Enterprises Limited, respectively, is pledged to secure the obligations of Rui Jing Investment Company Limited and Ace Start Enterprises Limited under their respective Subsidiary Guarantees;

(c) no Investment shall be permitted to be made under this paragraph (1) in Goldenform Investments Limited unless and until (i) Goldenform Investments Limited shall execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which it will guarantee the payment of the Notes and (ii) the Capital Stock of Goldenform Investments Limited owned by Goldenform Company Limited is pledged to secure the obligations of Goldenform Company Limited under its Subsidiary Guarantee.

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates and not for speculation;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets, including Asset Dispositions made in compliance with the covenant described under the caption "— Certain Covenants — Limitation on Asset Sales";

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under the caption "— Certain Covenants — Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be incurred under the Indenture;

(11) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of a Permitted Business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of a Permitted Business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers, compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of a Permitted Business;

(15) (i) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries, (ii) prepayments made in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case, in the ordinary course of a Permitted Business; and (iii) advances to government authorities or government affiliated entities in the PRC in connection with the financing of redevelopment of old urban areas or primary land development, in each case, in the ordinary course of business that are recorded as assets on the Company's consolidated balance sheet; and

(16) any Investment by the Company or any Restricted Subsidiary in any corporation, association or other business entity primarily engaged in a Permitted Business, (i) in which the total number of holders of Capital Stock is no more than three, (ii) of which 33 1/3% or more of the Capital Stock and the Voting Stock is owned, directly or indirectly, by the Company or any Restricted Subsidiary and (iii) which is treated as a "jointly controlled entity" in accordance with GAAP (such corporation, association or other business entity, an "Associate"); *provided* that:

(a) none of the other holders of Capital Stock of such Associate is a Person described in clauses (a) or (b) of the first paragraph of the covenant described under the caption "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such holder being an officer or director of the Company or a Restricted Subsidiary);

(b) the Company must be able to incur at least US$1.00 of Indebtedness under the proviso in paragraph (a) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock";

(c) no Default has occurred and is continuing or would occur as a result of such Investment;

(d) such Investment, together with (x) the aggregate of all other Investments made under this clause (16) since the Original Issue Date, less (y) an amount equal to the net reduction in all Investments made under this clause (16) since the Original Issue Date resulting from (A) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interests on or repayments of loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee of any obligation of such Associate provided under this clause (16) after the Original Issue Date by the Company or any Restricted Subsidiary, (C) to the extent that an Investment made after the Original Issue Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) such Associate becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Associate since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this "Permitted Investment" definition), not to exceed, in each case, the amount of Investments (other than Permitted investments) made by the Company or any Restricted Subsidiary after the Original Issue Date in any such Person pursuant o this clause (16), will not exceed in an aggregate amount equal to 7.5% of Total Assets;

(e) with respect to such Associate in which the Company or any Restricted Subsidiary has made an Investment pursuant to this clause (16), if (x) the total number of holders of Capital Stock of such Associate becomes greater than three, the Company or such Restricted Subsidiary no longer owns at least 33 1/3% of the Capital Stock and the Voting Stock of such Associate or such Associate is no longer treated as a "jointly controlled entity" in accordance with GAAP and (y) such Associate has not become a Restricted Subsidiary, such Investment (to the extent such Investment has not been reduced in accordance with this paragraph (d) of this clause (16)) will be deemed not to have been made in accordance with this clause (16) and such Investment must at the time such Associate is no longer treated as an Associate satisfy the other requirements of the covenant described under "— Limitation on Restricted Payments" (including meeting the requirements of one of the other clauses set forth under this "Permitted Investment" definition);

(f) in the event such Associate is not a corporation, association or other business entity organized under the laws of the PRC, the Company or any Restricted Subsidiary shall pledge the Capital Stock of such Associate owned by it to secure the obligations of the Company under the Notes and the Indenture and of such Restricted Subsidiary under its Subsidiary Guarantee; and

(g) if a Restricted Subsidiary is redesignated an Unrestricted Subsidiary, any Investment made by such Restricted Subsidiary pursuant to this clause (16), to the extent such Investment has not been reduced in accordance with paragraph (d) of this clause (16), will be deemed not to have been made in accordance with this clause (16) and such Investment must at the time such Restricted Subsidiary is redesignated an Unrestricted Subsidiary satisfy the other requirements of the covenant described under "— Limitation on Restricted Payments" (including meeting the requirements of any other clauses of this "Permitted Investment" definition).

"*Permitted Liens*" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) any interest or title of a lessor in the property subject to any operating lease;

(7) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(8) Liens in favor of the Company or any Restricted Subsidiary;

(9) Liens arising from attachment or the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(10) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (b)(5) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) Liens (including extensions and renewals thereof) upon real or personal property acquired after the Original Issue Date; *provided* that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (b)(7) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock," (b) such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (c) the principal amount of Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (d) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is Incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as of the last day of the most recent semi-annual fiscal period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated statements) and have been provided to the Trustee) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets subject to Liens Incurred pursuant to this clause (13) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;

(14) Liens under the Security Documents;

(15) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under "Security — Permitted Pari Passu Secured Indebtedness";

(16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (b)(13) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock";

(17) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(18) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (b)(6) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock";

(19) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(21) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary; and

(22) Liens granted by the Company or any PRC Restricted Subsidiary in favor of any Insurance Company Investor to secure the obligations of a Subsidiary of such PRC Restricted Subsidiary to pay a guaranteed or preferred dividend or return on Capital Stock of such Subsidiary held by such Insurance Company Investor permitted to be Incurred under clause (b)(16) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock."

"*Permitted Pari Passu Secured Indebtedness*" has the meaning set forth under "Security — Permitted Pari Passu Secured Indebtedness."

"*Permitted Subsidiary Indebtedness*" means Indebtedness (other than Public Indebtedness) of, and all Preferred Stock issued by, the Restricted Subsidiaries, taken as a whole (but excluding the amount of any Indebtedness of any Restricted Subsidiary permitted under clauses (b)(1), (b)(2), (b)(4), (b)(6) and (b)(13) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock"; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness does not exceed an amount equal to 15% of Total Assets.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"*PRC*" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

"*PRC CJV*" means any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

"*PRC CJV Partner*" means with respect to a PRC CJV, the other party or parties to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"*PRC Restricted Subsidiary*" means a Restricted Subsidiary organized under the laws of the PRC.

"*Preferred Stock*" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

"*Pre-Registration Mortgage Guarantees*" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"*Public Indebtedness*" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"*Rating Agencies*" means (i) S&P, (ii) Moody's and (iii) if S&P or Moody's or both shall not make a rating of the Notes publicly available, one or more "nationally recognized statistical rating organizations," as the case may be, within the meaning of Rule 15c3-I(c)(2)(iv)(F) under the Exchange Act, selected by the Company, which shall be substituted for S&P or Moody's or both, as the case may be.

"*Rating Category*" means (i) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (ii) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); and (iii) the equivalent of any such category of S&P or Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"*Rating Date*" means, (i) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of, or the intention by the Company or any other Person or Persons to effect, a Change of Control or (ii) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"*Rating Decline*" means, (i) in connection with a Change of Control Triggering Event, the occurrence on or within six months after the date of public notice of the occurrence of a Change of Control (which period will be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below or (ii) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by both Moody's and S&P on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"*RMB Bonds*" means the RMB-denominated US dollar settled 8.5% Senior Secured Guaranteed Bonds due 2014 issued by the Company.

"*Reference Treasury Dealer*" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such Trustee by such Reference Treasury Dealer at 5:00 p.m. on the fifth Business Day preceding such redemption date.

"*Renminbi*" or "*RMB*" means the lawful currency of the People's Republic of China, excluding Hong Kong, Macau and Taiwan for the purposes of the Indenture.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*S&P*" means Standard & Poor's Ratings Services and its affiliates.

"*Sale and Leaseback Transaction*" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"*Security Documents*" means, collectively, the pledge or charge agreements and any other agreements or instruments that, including the Indenture, may evidence or create any security interest in favor of the Trustee and/or any Holders in any or all of the Collateral.

"*Senior Indebtedness*" of the Company or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or such Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes or (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (i) any obligation to the Company or any Restricted Subsidiary, (ii) trade payables or (iii) Indebtedness Incurred in violation of the Indenture.

"*Staged Acquisition Agreement*" means an agreement between the Company or any Restricted Subsidiary and an Independent Third Party pursuant to which the Company or such Restricted Subsidiary agrees to (x) acquire not less than a majority of the Capital Stock of a Person (which owns land use rights in respect of parcels of land suitable for Permitted Business) (the "Minimum Initial Purchase") from such Independent Third Party and pay for the Minimum Initial Purchase in full at a purchase price that is not more than the appraised value of such Capital Stock on the date of such agreement (as determined by an independent accounting, appraisal or investment banking firm of recognized international standing appointed by the Company) and (y) on or after the payment in full of the purchase price for the Minimum Initial Purchase and such Person becomes a Restricted Subsidiary, (i) acquire additional shares of Capital Stock of such Restricted Subsidiary from such Independent Third Party and pay for such additional shares in installments after the date of such agreement at a purchase price that is not more than the appraised value of such Capital Stock on the date of such agreement (as determined by an independent accounting, appraisal or investment banking firm of recognized international standing appointed by the Company) or (ii) acquire additional shares of Capital Stock of such Restricted Subsidiary from such Independent Third Party in accordance with a "right of first refusal" or "right of first offer" type of provision in such agreement at a purchase price that is not more than the appraised value of such Capital Stock on or about the date of such purchase (as determined by an independent accounting, appraisal or investment banking firm of recognized international standing appointed by the Company).

"*Stated Maturity*" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"*Subordinated Indebtedness*" means any Indebtedness of the Company or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"*Subsidiary*" means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person and which is "controlled" and consolidated by such Person in accordance with GAAP; *provided, however*, that with respect to clause (ii) the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of "— Designation of Restricted and Unrestricted Subsidiaries" covenant.

"*Subsidiary Guarantee*" means any guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"*Subsidiary Guarantor*" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

"*Subsidiary Guarantor Pledgor*" means any initial Subsidiary Guarantor Pledgor named herein and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Company under the Notes and the Indenture and of such Subsidiary Guarantor under its Subsidiary Guarantee; *provided* that a Subsidiary Guarantor Pledgor will not include any Person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Indenture and the Notes.

"*Temporary Cash Investment*" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of the foregoing or obligations fully and unconditionally guaranteed by the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of the foregoing, in each case maturing within one year;

(2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America or any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing within 180 days of the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof and rated at least "A" by S&P or Moody's;

(6) any mutual fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Bank of China, Bank of Communications, China Agricultural Bank, China Construction Bank, Hongkong and Shanghai Banking Corporation, Huaxia Bank, Industrial and Commercial Bank of China and Shenzhen Ping An Bank, (ii) any other bank or trust company organized under the laws of the PRC or Hong Kong, whose long-term debt rating by Moody's or S&P is as high or higher than any of those banks listed on clause (i) of this paragraph or (iii) any other bank organized under the laws of the PRC or Hong Kong, *provided* that, in the case of clause (iii), such deposits do not exceed US$10.0 million (or the Dollar Equivalent thereof) with any single bank or US$30.0 million (or the Dollar Equivalent thereof) in the aggregate on any date of determination.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual fiscal period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available and have been provided to the Trustee; *provided* that only with respect to clause (b)(7) of "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant and the definition of "Permitted Subsidiary Indebtedness," Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness.

"*Trade Payables*" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"*Transaction Date*" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"*Unrestricted Subsidiary*" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture and (2) any Subsidiary of an Unrestricted Subsidiary.

"*U.S. Government Obligations*" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the holder thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"*Voting Stock*" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"*Wholly Owned*" means, with respect to any Subsidiary of any Person, the ownership of 100% of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary. However, for the purposes of "The Subsidiary Guarantees" section, "Wholly Owned" means the ownership of 100% of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands and Hong Kong tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal on the Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to any capital gains, income or corporation tax in the Cayman Islands. The Cayman Islands currently have no exchange control restrictions and are not party to any double taxation treaties. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

No stamp duties or similar taxes or charges are payable under the laws of the Cayman Islands in respect of the execution and issue of the Notes unless they are executed in or brought within (for example, for the purposes of enforcement) the jurisdiction of the Cayman Islands, in which case stamp duty of 0.25% of the face amount thereof may be payable on each Note (up to a maximum of 250 Cayman Islands dollars ("CI$") (US$312.50)) unless stamp duty of CI$500 (US$625) has been paid in respect of the entire issue of Notes.

The above conversions of Cayman Islands dollars to U.S. dollars have been made on the basis of US$1.25 = CI$1.00.

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from August 14, 2007.

British Virgin Islands

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

Hong Kong

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) or interest in respect of the Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently

applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong) of a Note.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest. The New Tax Laws, effective January 1, 2008, impose a tax at the rate of 10% on interest paid to holders of the Notes that are "non-resident enterprises" so long as any such "non-resident enterprise" holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, to the extent such interest is sourced within China. Pursuant to these provisions of the New Tax Laws, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, interest payable to non-resident enterprise holders on the Notes may be treated as income derived from sources within China and be subject to the PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Taxation on Capital Gains. The New Tax Laws, impose a tax at the rate of 10% on capital gains realized by holders of the Notes that are "non-resident enterprises" so long as any such "non-resident enterprise" holder does not have an establishment or place of business in China or, despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. Pursuant to these provisions of the New Tax Laws, despite many uncertainties with respect to their application, if we are considered a PRC resident enterprise, the capital gains realized by holders of the Notes may be treated as income derived from sources within China and be subject to the PRC tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified investors in the Notes.

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside Mainland China) of a Note.

PLAN OF DISTRIBUTION

Under the terms and conditions contained in a purchase agreement dated September 12, 2012, we have agreed to sell to Citigroup Global Markets Limited, Deutsche Bank AG, Singapore Branch and The Hongkong and Shanghai Banking Corporation Limited, as the Initial Purchasers, and the Initial Purchasers have severally agreed to purchase from us, the following principal amount of the Notes:

Initial Purchasers	Principal Amount
Citigroup Global Markets Limited	US$175,000,000
Deutsche Bank AG, Singapore Branch	US$31,250,000
The Hongkong and Shanghai Banking Corporation Limited	US$43,750,000
Total	US$250,000,000

The purchase agreement provides that the obligations of the Initial Purchasers are subject to the approval of certain legal matters by their counsel and certain conditions precedent. The purchase agreement provides that the Initial Purchasers are obligated to purchase all of the Notes if any are purchased. The purchase agreement provides that upon the occurrence of certain events (including a default by the Company), the purchase agreement may be terminated by the Initial Purchasers. The Initial Purchasers propose to offer the Notes initially at the price on the cover page of this offering memorandum (the "Offering Price") and may also offer the Notes to selling group members at the Offering Price less a selling concession. After the initial offering, the Offering Price may be changed.

No action has been taken or will be taken in any country or jurisdiction that would permit a public offering of the Notes or the possession or distribution of the offering memorandum or any other offering material relating to the Notes in any jurisdiction where action for any such purpose may be required.

The Initial Purchasers and their respective affiliates may have engaged in transactions with and performed various investment banking, commercial banking and other services for the Company and its affiliates in the past and may do so from time to time in the future. The Initial Purchasers and their affiliates have received customary fees and commissions for these transactions. We may enter into non-speculative hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

General

Purchasers of the Notes may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the Offering Price on the cover page of this offering memorandum.

We have agreed to indemnify the Initial Purchasers against certain liabilities or to contribute to payments which the Initial Purchasers may be required to make in that respect. The Notes are a new issue of securities for which there currently is no market. Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST.

The Initial Purchasers have advised us that they presently intend to make a market in the Notes as permitted by applicable law. However, they are under no obligation to do so and may discontinue any market-making activities at any time at their sole discretion without any notice. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

We expect delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be the fourth business day following the date of pricing (this settlement cycle being referred to as "T+4"). Accordingly, purchasers who wish to trade the Notes on the date of pricing or the succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the succeeding business days should consult their own adviser.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers.
- Stabilizing transactions permit bids to purchase underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

United States

The Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold within the United States and may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S. See "Transfer Restrictions."

As used herein, the term "United States" has the meaning given to it in Regulation S under the U.S. Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Notes with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") haven not been made and will not be offered to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Initial Purchasers for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Company or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

This offering memorandum is for distribution only to persons who (i) fall within Article 43(2)(b) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"); (ii) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order, (iii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Promotion Order, (iv) are outside the United Kingdom, or (v) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Each of the Initial Purchasers has represented, warranted and agreed that it and each of its affiliates:

(a) have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the U. K. Financial Services and Markets Act 2000 (the "FSMA")) received by them in connection with the issue and sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(b) have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Notes in, from or otherwise involving the United Kingdom.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes but the Notes may be acquired by British Virgin Islands persons who receive the offer outside the British Virgin Islands and in a manner which does not contravene the laws of the jurisdictions in which such offer is received.

Cayman Islands

No Notes will be offered or sold to the public in the Cayman Islands.

Hong Kong

The Notes may not, and will not, be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong). No advertisement, invitation or document relating to the Notes may be, or will be, issued or may be, or will be, in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "Financial Instruments and Exchange Act"). The Notes may not and will not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the Notes are subscribed or purchased in reliance of an exemption under Sections 274 or 275 of the SFA, the Notes shall not be sold within the period of six months from the date of the initial acquisition of the Notes, except to any of the following persons:

(i) an institutional investor (as defined in Section 4A of the SFA);

(ii) a relevant person (as defined in Section 275 (2) of the SFA); or

(iii) any person pursuant to an offer referred to in Section 275 (1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

1. a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

2. a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

   (i) to an institutional investor (under Section 274 of the SFA), or to a relevant person (as defined in Section 275(2) of the SFA) and in accordance with the conditions specified in Section 275 of the SFA;

   (ii) (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

   (iii) where no consideration is or will be given for the transfer;

   (iv) where the transfer is by operation of law; or

   (v) as specified in Section 276(7) of the SFA.

The PRC

This offering memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. Other than to qualified domestic institutional investors in the PRC, the Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements of the PRC, with the exception of qualified domestic institutional investors in the PRC, the Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

TRANSFER RESTRICTIONS

Because of the following restrictions, prospective investors are encouraged to consult their legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

Each purchaser of the Notes will be deemed to:

- represent that it is purchasing the Notes in an offshore transaction in accordance with Regulation S under the U.S. Securities Act;
- acknowledge that the Notes and the Subsidiary Guarantees in respect thereof have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from registration under the U.S. Securities Act;
- agree that it will inform each person to whom it transfers Notes of any restrictions on transfer of such Notes;
- acknowledge that the Notes will be represented by the Global Note, and that transfers thereof are subject to and will only be effected through the records maintained by the Euroclear and Clearstream; and
- acknowledge that the Company and the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify us and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

RATINGS

The Notes have been rated B+ by Standard & Poor's Ratings Services and B1 by Moody's Investors Service. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any Additional Amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. Additionally, we have been assigned a long-term corporate credit rating of B+ with a negative outlook by Standard and Poor's Rating Services, a corporate family rating of B1 with a negative outlook by Moody's Investors Service. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law, Harney Westwood & Riegels as to matters of Cayman Islands law and British Virgin Islands law and King&Wood Mallesons Lawyers as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Shearman & Sterling as to matters of United States federal and New York law and Haiwen & Partners as to matters of PRC law.

INDEPENDENT AUDITOR

Our unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2012 reproduced in this offering memorandum has been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in the report therein and in our interim report for the six months ended June 30, 2012. This information is not audited and accordingly the degree of reliance on such information should be restricted in light of the limited nature of the review procedure applied. Our audited consolidated financial statements as of and for the year ended December 31, 2011 reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in the report therein and in our annual report for the year ended December 31, 2011. Our audited consolidated financial statements as of and for the year ended December 31, 2010 reproduced in this offering memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in the report therein and in our annual report for the year ended December 31, 2010. Our restated consolidated financial information as of and for the year ended December 31, 2009 is included as comparative information within the consolidated financial statements as of and for the year ended December 31, 2010 as stated in our annual report for the year ended December 31, 2010.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our Board of Directors dated September 10, 2012.

Litigation

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Subsidiary Guarantees.

No Material Adverse Change

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2011 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

For so long as any of the Notes is outstanding, copies of the accountants' reports and/or our published financial statements, if any, including the accountants' report set out in the section entitled "Index to Financial Information," may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

Clearing Systems and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream with a Common Code of 082836675 for the Notes. The International Securities Identification Number is XS0828366756 for the Notes.

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and the address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg.

Listing of the Notes

Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes need to be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this offering memorandum. Approval in-principle for the listing and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the Company, the Notes, the Subsidiary Guarantees, the Subsidiary Guarantors or their respective subsidiaries or associated companies (if any).

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore, so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so requires.

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Notes:

(1) The unaudited condensed consolidated interim financial information set out herein has been reproduced from the Company's interim report for the six months ended June 30, 2012 and page references are to pages set forth in such report. The unaudited condensed consolidated interim financial information has not been specifically prepared for inclusion in this offering memorandum.

(2) The audited consolidated financial statements set out herein have been reproduced from the Company's annual report for the year ended December 31, 2011, and page references are references to pages set forth in such report. The audited consolidated financial statements have not been specifically prepared for the inclusion in this offering memorandum.

(3) The audited consolidated financial statements set out herein have been reproduced from the Company's annual report for the year ended December 31, 2010, and page references are references to pages set forth in such report. The audited consolidated financial statements have not been specifically prepared for the inclusion in this offering memorandum.

Independent Auditor's Review Report

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF KAISA GROUP HOLDINGS LTD.
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 36 to 66, which comprises the condensed consolidated balance sheet of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2012

Condensed Consolidated Balance Sheet – Unaudited

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	**162,260**	148,725
Investment properties	6	**7,167,600**	6,375,100
Land use rights	6	**25,392**	20,603
Investment in an associate		**298,771**	298,979
Deferred income tax assets		**180,399**	105,601
		7,834,422	6,949,008
Current assets			
Properties under development		**27,248,724**	22,159,585
Completed properties held for sale		**1,166,117**	1,342,662
Debtors, deposits and other receivables	7	**4,071,751**	3,697,460
Prepayments for proposed development projects		**3,686,763**	2,915,684
Prepaid taxes		**173,293**	153,891
Restricted cash		**422,910**	541,030
Cash and cash equivalents		**3,457,250**	3,945,389
		40,226,808	34,755,701
Total assets		**48,061,230**	41,704,709
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	8	**432,210**	432,210
Share premium	8	**3,816,563**	3,816,563
Reserves	9	**8,386,564**	7,692,893
		12,635,337	11,941,666
Non-controlling interests		**32,961**	7,786
Total equity		**12,668,298**	11,949,452

	Note	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	10	**12,077,698**	11,577,305
Deferred income tax liabilities		**1,187,110**	1,079,415
Financial derivatives	10(e)	**110,381**	–
		13,375,189	12,656,720
Current liabilities			
Advance proceeds received from customers		**13,339,417**	7,241,863
Accrued construction costs		**4,537,178**	5,274,097
Income tax payable		**899,822**	989,100
Borrowings	10	**1,102,817**	2,067,186
Other payables	11	**1,881,924**	1,522,814
Amounts due to non-controlling interests of subsidiaries		**256,585**	3,477
		22,017,743	17,098,537
Total liabilities		**35,392,932**	29,755,257
Total equity and liabilities		**48,061,230**	41,704,709
Net current assets		**18,209,065**	17,657,164
Total assets less current liabilities		**26,043,487**	24,606,172

The notes on pages 41 to 66 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income – Unaudited

	Note	Unaudited Six months ended 30 June 2012 RMB'000	2011 RMB'000
Revenue	5	**2,300,172**	3,707,543
Cost of sales	12	**(1,191,586)**	(2,468,238)
Gross profit		**1,108,586**	1,239,305
Other gains – net		**17,408**	33,137
Selling and marketing costs	12	**(232,008)**	(115,229)
Administrative expenses	12	**(282,740)**	(229,793)
Change in fair value of investment properties	6	**423,874**	467,456
Change in fair value of financial derivatives	10(e)	**3,798**	–
Operating profit		**1,038,918**	1,394,876
Share of result from an associate		**(208)**	(144)
Finance (costs)/income – net	13	**(24,570)**	7,936
Profit before income tax		**1,014,140**	1,402,668
Income tax expenses	14	**(340,509)**	(485,398)
Profit and total comprehensive income for the period		**673,631**	917,270
Profit attributable to:			
Equity holders of the Company		**674,815**	917,434
Non-controlling interests		**(1,184)**	(164)
		673,631	917,270
		RMB	RMB
Earnings per share for profit attributable to equity holders of the Company for the period (expressed in RMB per share)	15		
– Basic		**0.138**	0.187
– Diluted		**0.137**	0.176

The notes on pages 41 to 66 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity – Unaudited

	Unaudited					
	Capital and reserves attributable to equity holders of the Company					
	Share capital RMB'000 (note 8)	**Share premium** RMB'000 (note 8)	**Reserves** RMB'000 (note 9)	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance as at 1 January 2011	432,150	3,815,214	5,741,093	9,988,457	4,936	9,993,393
Total comprehensive income	–	–	917,434	917,434	(164)	917,270
Transactions with owners in their capacity as owners:						
Share-based payments (note 12)	–	–	33,652	33,652	–	33,652
Capital injection by non-controlling interests	–	–	–	–	26	26
Partial disposal of a subsidiary (note 19(c))	–	–	–	–	4,500	4,500
Balances as at 30 June 2011	432,150	3,815,214	6,692,179	10,939,543	9,298	10,948,841
Balance as at 1 January 2012	**432,210**	**3,816,563**	**7,692,893**	**11,941,666**	**7,786**	**11,949,452**
Total comprehensive income	**–**	**–**	**674,815**	**674,815**	**(1,184)**	**673,631**
Transactions with owners in their capacity as owners:						
Share-based payments (note 12)	**–**	**–**	**18,856**	**18,856**	**–**	**18,856**
Acquisition of non-controlling interests (note 19(a))	**–**	**–**	**–**	**–**	**(26)**	**(26)**
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**7,900**	**7,900**
Acquisition of subsidiaries (note 19(b))	**–**	**–**	**–**	**–**	**18,485**	**18,485**
Balances as at 30 June 2012	**432,210**	**3,816,563**	**8,386,564**	**12,635,337**	**32,961**	**12,668,298**

The notes on pages 41 to 66 are an integral part of these condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows – Unaudited

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Net cash generated from/(used in) operating activities	205,117	(4,245,606)
Net cash used in investing activities	(262,805)	(1,074,115)
Net cash (used in)/generated from financing activities	(431,462)	4,934,481
Net decrease in cash and cash equivalents	(489,150)	(385,240)
Cash and cash equivalents at beginning of period	3,945,389	4,339,600
Exchange adjustments	1,011	(5,064)
Cash and cash equivalents at end of period	3,457,250	3,949,296

The notes on pages 41 to 66 are an integral part of these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

1 General Information

Kaisa Group Holdings Ltd. (the "Company") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law (2009 Revision) (as consolidated and revised from time to time) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. During the period, the Company was engaged in investment holding and the subsidiaries of the Company were principally engaged in the property development, property investment and property management.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved by the Board of Directors of the Company for issue on 21 August 2012.

This condensed consolidated interim financial information has not been audited.

2 Basis of Preparation and Accounting Policies

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Effect of adopting amendments to standards and interpretations

The following amendments to standards and interpretations are also mandatory for the Group's financial year beginning on 1 January 2012. The adoption of these amendments to standards and interpretations does not have any significant impact to the results and financial position of the Group.

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

2 Basis of Preparation and Accounting Policies *(Continued)*

(b) New standards, amendments to standards and interpretation that have been issued but are not effective

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning on 1 January 2012 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income	1 July 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 1 (Amendment)	Government Loans	1 January 2013
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

3 Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.

4 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

There have been no changes in the risk management department since year end or in any risk management policies.

5 Revenue and Segment Information

The chief operating decision-maker has been identified as the executive directors of the Company. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Board of Directors assesses the performance of the single operating segment based on a measure of profit before change in fair value of financial derivatives, finance costs/income – net and income tax expenses.

The Board of Directors considers the business from services perspective only. From services perspective, management assesses the performance of sales of properties, rental income and property management services and regards these being the reportable segments. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the People's Republic of China (the "PRC"), which is considered as one geographical location in an economic environment with similar risk and returns.

Turnover consists of the following:

	Unaudited	
	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Sales of properties		
– Completed properties held for sale	**1,465,052**	3,585,034
– Properties under development	**690,000**	–
Rental income	**87,277**	66,286
Property management services	**57,843**	56,223
	2,300,172	3,707,543

5 Revenue and Segment Information *(Continued)*

The segment information provided to the Board of Directors for the reportable segments for the period ended 30 June 2012 is as follows:

	Unaudited				
	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Revenue	2,155,052	87,277	57,843	–	2,300,172
Segment results before change in fair value of investment properties and financial derivatives	603,006	3,119	2,095	3,026	611,246
Change in fair value of investment properties (note 6)	–	423,874	–	–	423,874
Change in fair value of financial derivatives (note 10(e))	–	3,798	–	–	3,798
Segment results	603,006	430,791	2,095	3,026	1,038,918
Share of result from an associate	(208)	–	–	–	(208)
Finance costs – net (note 13)					(24,570)
Profit before income tax					1,014,140
Income tax expenses (note 14)					(340,509)
Profit for the period					673,631
Other information:					
Depreciation (note 6)	11,365	2,430	1,474	2,691	17,960
Amortisation (note 6)	404	–	–	–	404

5 Revenue and Segment Information *(Continued)*

The segment information provided to the Board of Directors for the reportable segments for the period ended 30 June 2011 is as follows:

	Unaudited				
	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Revenue	3,585,034	66,286	56,223	–	3,707,543
Segment results before change in fair value of investment properties	889,970	18,659	7,989	10,802	927,420
Change in fair value of investment properties (note 6)	–	467,456	–	–	467,456
Segment results	889,970	486,115	7,989	10,802	1,394,876
Share of result from an associate	(144)	–	–	–	(144)
Finance income – net (note 13)					7,936
Profit before income tax					1,402,668
Income tax expenses (note 14)					(485,398)
Profit for the period					917,270
Other information:					
Depreciation (note 6)	9,798	1,489	369	1,989	13,645
Amortisation (note 6)	417	–	–	–	417

5 Revenue and Segment Information *(Continued)*

The segment assets and liabilities as at 30 June 2012 are as follows:

	Unaudited					
	Property development RMB'000	**Property investment RMB'000**	**Property management RMB'000**	**Others RMB'000**	**Elimination RMB'000**	**Total RMB'000**
Segment assets	75,089,626	9,188,625	1,294,577	50,147,072	(88,311,133)	47,408,767
Investment in an associate	298,771	–	–	–	–	298,771
Unallocated						353,692
Total assets						48,061,230
Segment liabilities	50,616,423	4,206,124	397,883	35,223,184	(70,318,129)	20,125,485
Unallocated						15,267,447
Total liabilities						35,392,932
Other information:						
Capital expenditure (note 6)	8,841	241,790	938	4,137	–	255,706

The segment assets and liabilities as at 31 December 2011 are as follows:

	Audited					
	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	60,837,718	6,941,867	1,253,851	48,748,768	(76,635,966)	41,146,238
Investment in an associate	298,979	–	–	–	–	298,979
Unallocated						259,492
Total assets						41,704,709
Segment liabilities	37,640,296	2,345,156	305,219	33,145,451	(59,393,871)	14,042,251
Unallocated						15,713,006
Total liabilities						29,755,257
Other information:						
Capital expenditure (note 6)	31,174	488,828	11,634	15,612	–	547,248

5 Revenue and Segment Information *(Continued)*

Other business segments include the investment holding and inactive companies.

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, debtors, deposits and other receivables, prepayments for proposed development projects, restricted cash and cash and cash equivalents. They exclude investment in an associate, deferred income tax assets and prepaid taxes.

Segment liabilities consist primarily of advance proceeds received from customers, accrued construction costs, financial derivatives, other payables and amounts due to non-controlling interests of subsidiaries. They exclude deferred income tax liabilities, income tax payable and borrowings.

Capital expenditure comprises additions to non-current assets other than deferred income tax assets and investment in an associate that are expected to be recovered for more than one year after the balance sheet date.

6 Property and Equipment, Investment Properties and Land Use Rights

	Unaudited		
	Property and equipment RMB'000	**Investment properties RMB'000 (note)**	**Land use rights RMB'000**
Six months ended 30 June 2012			
Opening net book amount at 1 January 2012	148,725	6,375,100	20,603
Transfer from investment properties to property and equipment and land use rights	12,743	(17,936)	5,193
Transfer from completed properties held for sale	–	150,000	–
Additions	19,144	236,562	–
Amortisation (note 12)	–	–	(404)
Depreciation (note 12)	(17,960)	–	–
Disposals	(392)	–	–
Increase in fair value	–	423,874	–
Closing net book amount at 30 June 2012	162,260	7,167,600	25,392

6 Property and Equipment, Investment Properties and Land Use Rights *(Continued)*

	Unaudited		
	Property and equipment RMB'000	Investment properties RMB'000 (note)	Land use rights RMB'000
Six months ended 30 June 2011			
Opening net book amount at 1 January 2011	106,140	5,484,000	18,379
Transfer from completed properties held for sale	7,681	–	3,064
Additions	28,147	140,944	–
Acquisition of subsidiaries	51	–	–
Amortisation (note 12)	–	–	(417)
Depreciation (note 12)	(13,645)	–	–
Disposals	(13,874)	–	(3,264)
Increase in fair value	–	467,456	–
Closing net book amount at 30 June 2011	114,500	6,092,400	17,762

Note:

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least semi-annually.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available, the valuers consider information from a variety of sources including:

(i) Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;

(ii) Discounted cash flow projections based on reliable estimates of future cash flows;

(iii) Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence; and

(iv) The expected total value of the investment properties under construction assuming the properties are completed, taking into consideration of the en-bloc property sale discount, and the estimated costs to completion such as construction costs and anticipated developer's profit with reference to past experience and committed contracts as well as allowances for contingencies.

7 Debtors, Deposits and Other Receivables

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Trade receivables (note a)	870,547	842,679
Other receivables	249,155	258,897
Other deposits	202,812	189,731
Prepayments	81,037	90,533
Deposits for land acquisition (note b)	2,154,384	2,121,917
Prepaid other taxes	513,816	193,703
	4,071,751	3,697,460

Notes:

(a) Trade receivables mainly arose from sale of properties. Generally, no credit terms are granted to customers. The ageing analysis of trade receivables of the Group by due date is as follows:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Not yet due (note i)	517,727	375,900
Within 90 days (note ii)	301,989	466,779
90-180 days (note ii)	2,341	–
180-270 days (note ii)	48,490	–
	870,547	842,679

Notes:

(i) The balance of RMB317,727,000 (31 December 2011: RMB375,900,000) and RMB200,000,000 (31 December 2011: Nil) represented receivables from sales of commercial properties and properties under development to independent third parties expected to be settled before the end of 2012 and 2013 respectively.

(ii) The Group considered the above receivables were past due but not impaired as majority of the balances are due from customers in the process of applying mortgage loans. These relate to a number of independent customers for whom there is no recent history of default.

(b) Deposits for land acquisition arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained.

(c) As at 30 June 2012 and 31 December 2011, there is no provision made for trade and other receivables and no trade and other receivables were impaired.

8 Share Capital and Share Premium

	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:					
As at 1 January 2011 and 30 June 2011	4,904,670,000	490,467	432,150	3,815,214	4,247,364
As at 1 January 2012 and 30 June 2012	4,905,390,000	490,539	432,210	3,816,563	4,248,773

9 Reserves

	Unaudited							
	Merger reserve (note a) RMB'000	Exchange Reserve RMB'000	Statutory reserves (note b) RMB'000	Share option reserve (note c) RMB'000	Capital reserve RMB'000	Conversion option reserve (note 10(c)) RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2011	382	24,835	314,405	78,994	(394,475)	220,824	5,496,128	5,741,093
Profit for the period	–	–	–	–	–	–	917,434	917,434
Share-based payments	–	–	–	33,652	–	–	–	33,652
Balance at 30 June 2011	382	24,835	314,405	112,646	(394,475)	220,824	6,413,562	6,692,179
Balance at 1 January 2012	382	24,835	461,590	129,840	(394,475)	220,824	7,249,897	7,692,893
Profit for the period	–	–	–	–	–	–	674,815	674,815
Share-based payments	–	–	–	18,856	–	–	–	18,856
Balance at 30 June 2012	382	24,835	461,590	148,696	(394,475)	220,824	7,924,712	8,386,564

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of subsidiaries acquired pursuant to the group reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The group reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

9 Reserves *(Continued)*

(b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 10% and 5% to 10% of the profit for the year after setting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the "Statutory Reserves"), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate any percentage of profits to the Statutory Reserves.

For foreign investment enterprises, before 1 January 2006, the percentage of profits to be appropriated to the Statutory Reserves are solely determined by the board of directors of these foreign investment enterprises. After 1 January 2006, these foreign investment enterprises are not required to make any appropriations to the Statutory Reserves.

(c) Share option reserve represents value of employee services in respect of share options granted under the Pre-IPO Share Option Scheme and Share Option Scheme (note 20).

10 Borrowings

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings – secured (note a, f)	**2,841,150**	3,132,251
Bank borrowings – unsecured (note a)	**1,249,819**	1,188,949
Senior Notes (note b)	**4,031,911**	3,994,995
Convertible Bonds (note c)	**1,300,038**	1,277,876
Senior Secured Guaranteed Bonds (note d)	**1,997,186**	1,983,234
Exchangeable Term Loan (note e)	**657,594**	–
	12,077,698	11,577,305
Borrowings included in current liabilities:		
Bank borrowings – secured (note a, f)	**946,700**	1,903,950
Bank borrowings – unsecured (note a)	**156,117**	163,236
	1,102,817	2,067,186
Total borrowings	**13,180,515**	13,644,491

10 Borrowings *(Continued)*

Notes:

(a) Movements in bank borrowings are analysed as follows:

	Unaudited	
	2012	2011
	RMB'000	RMB'000
Six months ended 30 June		
Opening amount as at 1 January	6,388,386	4,369,993
Additions	972,000	2,725,946
Repayments	(2,170,350)	(1,477,850)
Exchange difference	3,750	(16,366)
Closing amount as at 30 June	5,193,786	5,601,723

(b) Senior Notes

On 28 April 2010, the Company issued 13.5% senior note due 2015 in an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,389,205,000) at 100% of face value (the "Senior Note 2010"). On 16 June 2011, the Company issued additional 13.5% senior note due 2015 in an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,944,000,000) at 100% of face value (the "Senior Note 2011") (collectively, the "Senior Notes").

The net proceeds, after deducting the transaction costs, of the Senior Notes are as follows:

	Senior Note	Senior Note
	2011	2010
	RMB'000	RMB'000
Nominal value	1,944,000	2,389,205
Less: transaction costs	(163,215)	(55,698)
Net proceeds	1,780,785	2,333,507

The Senior Notes are listed on the Singapore Exchange Securities Trading Limited.

The Senior Notes are secured by the pledge of shares of the Group's subsidiaries incorporated outside of the PRC, and jointly and severally guarantees given by certain subsidiaries of the Group.

10 Borrowings *(Continued)*

Notes: *(Continued)*

(b) Senior Notes *(Continued)*

Movements in Senior Notes are analysed as follows:

	Unaudited	
	2012	2011
	RMB'000	RMB'000
Six months ended 30 June		
Carrying amount as at 1 January	**3,994,995**	2,320,552
Additions	**–**	1,780,785
Accrued interest (note 13)	**297,113**	171,091
Coupon payment	**(275,313)**	(154,809)
Exchange difference	**15,116**	(55,160)
Closing amount as at 30 June	**4,031,911**	4,062,459

(c) Convertible Bonds

On 20 December 2010, the Company issued RMB denominated US$ settled 8.0% convertible bonds (the "Convertible Bonds"), of an initial principal amount of RMB1,500,000,000 (equivalent to approximately US$225,000,000).

The value of the liability component of RMB1,231,967,000 and the equity conversion component of RMB220,824,000, net of transaction cost of RMB47,209,000, were determined at issuance of the Convertible Bonds.

At the option of bond holders, the aggregate amount of RMB1,500,000,000 will be convertible into fully paid shares with a par value of HK$0.1 each of the Company. The Convertible Bonds mature in five years (December 2015) from the issue date at 100% of the nominal value or can be converted into ordinary shares of the Company on or after 30 January 2011 at an initial conversion price of HK$2.82 per share at a fixed exchange rate of RMB1.00 to HK$1.16560.

The Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited.

The Convertible bonds are secured by the pledge of certain shares of the Group's subsidiaries incorporated outside of the PRC, and jointly and severally guarantees given by certain subsidiaries of the Group.

The fair value of the liability component included in long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in reserves (note 9).

10 Borrowings *(Continued)*

Notes: *(Continued)*

(c) Convertible Bonds *(Continued)*

The Convertible Bonds recognised in the condensed consolidated balance sheet is calculated as follows:

	RMB'000
Face value of the Convertible Bonds on issue	1,500,000
Less: Equity component	(220,824)
Transaction costs	(47,209)
Liability component on initial recognition	1,231,967

	Unaudited	
	2012	2011
	RMB'000	RMB'000
Six months ended 30 June		
Carrying amount as at 1 January	**1,277,876**	1,236,827
Accrued interest (note 13)	**83,162**	80,040
Coupon payment	**(61,000)**	(60,671)
Carrying amount as at 30 June	**1,300,038**	1,256,196

As at 30 June 2012 and 31 December 2011, there was no conversion or redemption of the Convertible Bonds.

(d) Senior Secured Guaranteed Bonds

On 15 March 2011, the Company issued RMB denominated US$ settled 8.5% Senior Secured Guaranteed Bonds due 2014 in an aggregate principal amount of RMB2,000,000,000 at 100% of face value (the "Senior Secured Guaranteed Bonds"). The net proceeds, after deducting the direct issuance costs, amounted to approximately RMB1,911,737,000. The Senior Secured Guaranteed Bonds will mature on 15 March 2014.

The Senior Secured Guaranteed Bonds are listed on the Singapore Exchange Securities Trading Limited.

The Senior Secured Guaranteed Bonds are secured by the pledge of shares of the Group's subsidiaries incorporated outside of the PRC, and jointly and severally guarantees given by certain subsidiaries of the Group.

10 Borrowings *(Continued)*

Notes: *(Continued)*

(d) Senior Secured Guaranteed Bonds *(Continued)*

The Senior Secured Guaranteed Bonds in the condensed consolidated balance sheet are calculated as follows:

	RMB'000
Nominal value	2,000,000
Less: transaction costs	(88,263)
Net proceeds	1,911,737

	Unaudited	
	2012	2011
	RMB'000	RMB'000
Six months ended 30 June		
Carrying amount as at 1 January/issue date	**1,983,234**	1,911,737
Accrued interest (note 13)	**99,896**	58,093
Coupon payment	**(85,944)**	–
Carrying amount as at 30 June	**1,997,186**	1,969,830

(e) Exchangeable Term Loan

On 23 May 2012, the Company entered into a US$120,000,000 (equivalent to approximately RMB758,988,000) term loan with conversion options with an independent third party (the "Exchangeable Term Loan"). The maturity date of the Exchangeable Term Loan is 27 months after the drawdown date, which is 24 August 2014.

The net proceeds received from the Exchangeable Term Loan have been split between a financial derivative component and a liability component as follows:

(i) The financial derivative component represents the fair value of conversion feature of the Exchangeable Term Loan as at issuance date, which is determined using the binomial model. The agreement allows the lender to have the option to convert the outstanding loan into equity interests of certain subsidiaries of the Company on 24 May 2014, three months before the maturity date of the Exchangeable Term Loan.

The financial derivative is classified as a financial liability at fair value through profit or loss and subsequently carried at fair value.

10 Borrowings *(Continued)*

Notes: *(Continued)*

(e) Exchangeable Term Loan *(Continued)*

(ii) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded options derivatives.

The interest charged for the period is calculated by applying an effective interest rate of approximately 22.5% per annum to the liability component since the loan was issued. Interest of 13.5% per annum is payable semiannually in accordance to the agreement.

The value of the liability component of approximately RMB642,632,000 and the financial derivative component of approximately RMB114,357,000, net of transaction cost of US$316,000 (equivalent to approximately RMB1,999,000), were determined at issuance of the Exchangeable Term Loan.

The Exchangeable Term Loan is guaranteed by the Group's subsidiaries incorporated outside of the PRC jointly and severally.

The Exchangeable Term Loan recognised in the condensed consolidated balance sheet is calculated as follows:

	RMB'000
Face value of the Exchangeable Term Loan on issue	758,988
Less: Financial derivative component	(114,357)
Transaction costs	(1,999)
Liability component on initial recognition	642,632

	Unaudited	
	Liability Component	**Derivative Component**
	RMB'000	RMB'000
Six months ended 30 June		
Carrying amount as at issue date	642,632	114,357
Accrued interest (note 13)	14,284	–
Change in fair value	–	(3,798)
Exchange difference	678	(178)
Carrying amount as at 30 Jun 2012	657,594	110,381

As at 30 June 2012, there was no conversion or redemption of the Exchangeable Term Loan.

10 Borrowings *(Continued)*

Notes: *(Continued)*

(f) The Group's bank borrowings of RMB3,787,850,000 (31 December 2011: RMB5,036,201,000) were jointly secured by property and equipment, land use rights, investment properties, properties under development, completed properties held for sale and cash of the Group.

(g) Bank borrowings are guaranteed by:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Group companies		
– Secured	**3,146,100**	4,119,950
– Unsecured	**1,405,936**	1,352,185
	4,552,036	5,472,135

11 Other Payables

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Other payables and accruals	**1,177,478**	878,312
Note payables	**243,238**	209,707
Consideration payables related to purchase of subsidiaries	**350,913**	298,913
Consideration payable related to purchase of an associate	**6,000**	6,000
Other taxes payables	**104,295**	129,882
	1,881,924	1,522,814

12 Expenses by Nature

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Auditor's remuneration	1,200	1,000
Advertising and other promotional costs	148,506	86,200
Agency fee	22,134	8,114
Business taxes (note)	99,807	201,805
Cost of completed properties sold	1,036,404	2,216,417
Donations	2,610	9,319
Legal and professional fees	20,985	14,528
Depreciation (note 6)	17,960	13,645
Amortisation of land use rights (note 6)	404	417
Staff costs including directors' emoluments:		
– salaries, wages and staff benefits costs	147,446	87,531
– share option expenses	18,856	33,652
Office expenses	37,241	28,111
Operating lease rental	13,198	10,242
Others	139,583	102,279
	1,706,334	2,813,260

Note:

The PRC companies comprising the Group are subject to business taxes on their revenue at the following rates:

Category	Rate
Sale of properties	5%
Rental income	5%
Property management	5%

13 Finance Income and Costs

	Unaudited Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Finance income		
Interest income on bank deposits	10,819	6,322
Finance costs		
Interest expense:		
– Bank borrowings	(311,160)	(187,124)
– Senior Notes (note 10(b))	(297,113)	(171,091)
– Convertible Bonds (note 10(c))	(83,162)	(80,040)
– Senior Secured Guaranteed Bonds (note 10(d))	(99,896)	(58,093)
– Exchangeable Term Loan (note 10(e))	(14,284)	–
Total interest expense	(805,615)	(496,348)
Less: interest capitalised	788,583	447,944
	(17,032)	(48,404)
Net exchange (losses)/gains	(18,357)	50,018
Finance (costs)/income, net	(24,570)	7,936

14 Income Tax Expenses

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

Hong Kong profits tax

No Hong Kong profits tax was provided for the six months ended 30 June 2012 and 2011 as the Group has no assessable profits arising in or derived from Hong Kong for the periods.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 25% (2011: 24% and 25%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% (2011: 30% to 60%) on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the condensed consolidated statement of comprehensive income as income tax.

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	**275,396**	262,862
– PRC land appreciation tax	**32,216**	104,642
Deferred income tax	**32,897**	117,894
	340,509	485,398

15 Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Unaudited Six months ended 30 June	
	2012	2011
Profit attributable to equity holders (RMB'000)	**674,815**	917,434
Weighted average number of ordinary shares in issue	**4,905,390,000**	4,904,670,000
Basic earnings per share (RMB)	**0.138**	0.187

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of RMB674,815,000 (2011: RMB917,434,000) and the weighted average of 4,905,390,000 (2011: 4,904,670,000) shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive potential ordinary shares. For the period ended 30 June 2012, the Company has the Convertible Bonds (2011: the Convertible Bonds and share options) that have dilutive potential ordinary shares.

The Convertible Bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average periodic market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise in full of the share options.

15 Earnings Per Share *(Continued)*

	Unaudited Six months ended 30 June	
	2012	2011
Profit attributable to equity holders (RMB'000)	**674,815**	917,434
Adjustment for finance cost on Convertible Bonds	**83,162**	60,030
Profit used to determine diluted earnings per shares (RMB'000)	**757,977**	977,464
Weighted average number of ordinary shares in issue	**4,905,390,000**	4,904,670,000
Adjustment for the Convertible Bonds	**620,000,000**	620,000,000
Adjustment for share options	**–**	42,631,022
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**5,525,390,000**	5,567,301,022
Diluted earnings per share (RMB)	**0.137**	0.176

16 Dividend

No dividend has been paid or declared by the Company for the six months ended 30 June 2012 and 2011.

17 Financial Guarantees Contracts

The Group had the following financial guarantees as at balance sheet dates:

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units	**5,229,495**	3,679,268

The guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the purchasers of properties.

The Directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

18 Commitments

Commitments for property development expenditures

	Unaudited 30 June 2012 RMB'000	Audited 31 December 2011 RMB'000
Contracted but not provided for	19,832,645	18,395,255

Note: The amount represented capital commitments for land use rights, prepayments for proposed development contracts and construction contracts.

19 Acquisitions and Disposal of Subsidiaries

(a) Acquisition of non-controlling interests

Prior to the acquisition, the Group held 60% equity interest in Bakai Investments Limited. On 13 January 2012, the Group acquired the remaining 40% equity interests of Bakai Investments Limited with a cash consideration of US$4,000 (equivalent to approximately RMB26,000).

There are no difference between the purchase consideration paid and the acquired 40% of net assets value of Bakai Investments Limited.

(b) Acquisitions of subsidiaries

During the period ended 30 June 2012, the Group acquired 60% of the equity interest of a subsidiary incorporated in the PRC at a total consideration of approximately RMB142,200,000. This company did not operate any business prior to the acquisition and only held a piece of land. Therefore, the Group considered this would be an acquisition of assets in substance and consideration would be attributable to the carrying value of the land.

During the period ended 30 June 2011 the Group acquired 100% of the equity interest of several subsidiaries at a total consideration of approximately RMB1,355,160,000. These companies did not operate any business prior to the acquisitions and only held a piece of land or a property under development. Therefore, the Group considered these would be acquisitions of assets in substance and as a result the difference between the cash consideration and the net assets acquired would be recognised as adjustments to the carrying value of the lands and properties under development.

The considerations of all these acquisitions were based on the fair value of the lands and properties under development.

(c) Disposal of interest in subsidiaries without loss of control

During the period ended 30 June 2011, the Group disposed its 45% issued share capital of Guangzhou Kaisa Investment Consulting Limited ("廣州佳兆業投資諮詢有限公司"), a formerly wholly-owned subsidiary of the Company, at a consideration of RMB4,500,000 based on its investment cost to an independent third party. As such, the Group recognised an increase in non-controlling interest.

20 Share Option

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009 for adoption of the Pre-IPO Share Option Scheme, options to subscribe for a total of 50,000,000 ordinary shares of the Company have been conditionally granted to 52 eligible participants including directors and selected employees of the Company. The exercise price of HK$3.105 per share under the Pre-IPO Share Option Scheme is determined at a 10% discount to the global offering price, which was HK$3.45 per share, excluding brokerage, Securities and Futures Commission transaction levy and the Hong Kong Stock Exchange trading fee.

The share options may be exercised in the following manner: (i) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2009 and ending on 9 December 2012; (ii) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2010 and ending on 9 December 2012; and (iii) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2011 and ending on 9 December 2012. Exercise of options is conditional upon the achievement of the profit target as may be determined by the Board. The Group has no obligation to repurchase or settle the options in cash. These options will expire on or before 9 December 2012, being the expiry of the period of 36 months commencing on the date of listing of the Company.

Details of the movement of the share options under Pre-IPO Share Option Scheme are as follows:

	Unaudited			
	2012		2011	
	Weighted average exercise price in HK$ per share	Number	Weighted average exercise price in HK$ per share	Number
At 1 January	3.105	35,450,000	3.105	39,800,000
Forfeited during the period	3.105	(1,550,000)	3.105	(3,250,000)
At 30 June	3.105	33,900,000	3.105	36,550,000

20 Share Option *(Continued)*

(a) Pre-IPO Share Option Scheme *(Continued)*

As at 30 June 2012, 33,900,000 (30 June 2011: 24,123,000) outstanding options granted under Pre-IPO Share Option Scheme were exercisable (note).

Note: Terms of share options at the condensed consolidated balance sheet date were as follows:

Exercise period	Exercise price per share (HK$)	Number of share options As at 30 June 2012	Number of share options As at 30 June 2011
19/3/2010–9/12/2012	3.105	**11,187,000**	12,061,500
11/3/2011–9/12/2012	3.105	**11,187,000**	12,061,500
20/3/2012–9/12/2012	3.105	**11,526,000**	12,427,000
		33,900,000	36,550,000

No share options were granted or granted for adjustment, lapsed or cancelled during the period (2011: nil).

The fair value of the options granted determined using the binomial model was HK$83,870,000. The significant inputs to the model were share price of HK$3.45 at the grant date, exercise price of HK$3.105, volatility of 74%, no expected dividend yield, an expected option life of three years and an annual risk free interest rate of 0.72%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past three years of similar listed companies.

(b) Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009, a post-IPO share option scheme ("Share Option Scheme") was conditionally adopted. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

20 Share Option *(Continued)*

(b) Share Option Scheme *(Continued)*

Details of the movement of the share options under Share Option Scheme are as follows:

	Unaudited			
	2012		2011	
	Weighted average exercise price in HK$ per share	Number	Weighted average exercise price in HK$ per share	Number
At 1 January	2.159	173,650,000	2.144	191,450,000
Granted during the period (Note)	1.500	326,790,000	–	–
Forfeited during the period	1.831	(12,530,000)	2.000	(7,900,000)
At 30 June	1.726	487,910,000	2.151	183,550,000

As at 30 June 2012, 53,070,000 (30 June 2011: 16,500,000) outstanding options granted under the Share Option Scheme were exercisable (note).

Note: Terms of share options at the condensed consolidated balance sheet date were as follows:

Exercise period	Exercise price Per share (HK$)	Number of share options 30 June 2012	30 June 2011
9/6/2010–8/6/2015	3.105	8,250,000	8,250,000
11/3/2011–10/3/2016	3.105	8,250,000	8,250,000
20/3/2012–30/12/2017	3.105	8,500,000	8,500,000
23/7/2011–22/7/2020	2.000	28,070,000	31,710,000
23/7/2012–22/7/2020	2.000	28,070,000	31,710,000
23/7/2013–22/7/2020	2.000	28,070,000	31,710,000
23/7/2014–22/7/2020	2.000	28,070,000	31,710,000
23/7/2015–22/7/2020	2.000	28,070,000	31,710,000
6/6/2013–5/6/2022	1.500	64,512,000	–
6/6/2014–5/6/2022	1.500	64,512,000	–
6/6/2015–5/6/2022	1.500	64,512,000	–
6/6/2016–5/6/2022	1.500	64,512,000	–
6/6/2017–5/6/2022	1.500	64,512,000	–
		487,910,000	183,550,000

20 Share Option *(Continued)*

(b) Share Option Scheme *(Continued)*

The Company offered to grant directors and employees (the "June 2012 Grant") of 326,790,000 shares respectively of HK$0.10 each in the capital of the Company on 6 June 2012. The valuation was based on a Binomial Model with the following data and assumptions:

	June 2012 Grant
Fair value under binomial model	HK$161,971,000
Closing share price at grant date	HK$1.39
Exercise price	HK$1.50
Annual risk free interest rate	1.04%
Expected option life	10 years
Expected dividend yield	nil

The volatility of the share price of the Company was determined based on the movement of the share price during the previous years. The volatility rate was 44% per annum.

21 Related Party Transactions

(a) Name and relationship with related parties

Controlling shareholders

Mr. Kwok Chun Wai and Mr. Kwok Ying Shing

(b) Purchasing of services

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Rental expenses	**767**	661

Note: This represents payment of rental expenses for various office premises to controlling shareholders Mr. Kwok Chun Wai and Mr. Kwok Ying Shing. The rental expenses paid during the period was determined at prevailing market rate of respective office premises.

(c) Key management compensation

	Unaudited Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**12,302**	11,879
Retirement scheme contributions	**102**	168
Share option benefits	**8,776**	19,580
	21,180	31,627

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF KAISA GROUP HOLDINGS LTD.
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 74 to 149, which comprise the consolidated and company balance sheets as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2012

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property and equipment	6	**148,725**	106,140
Investment properties	7	**6,375,100**	5,484,000
Land use rights	8	**20,603**	18,379
Investment in an associate	9	**298,979**	299,521
Deferred income tax assets	20	**105,601**	75,075
		6,949,008	5,983,115
Current assets			
Properties under development	11	**22,159,585**	10,521,175
Completed properties held for sale	12	**1,342,662**	603,321
Debtors, deposits and other receivables	13	**3,697,460**	2,482,284
Prepayments for proposed development projects	14	**2,915,684**	1,827,183
Prepaid taxes		**153,891**	135,797
Restricted cash	15	**541,030**	530,067
Cash and cash equivalents	16	**3,945,389**	4,339,600
		34,755,701	20,439,427
Total assets		**41,704,709**	26,422,542
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17	**432,210**	432,150
Share premium	17	**3,816,563**	3,815,214
Reserves	18	**7,692,893**	5,741,093
		11,941,666	9,988,457
Non-controlling interests		**7,786**	4,936
Total equity		**11,949,452**	9,993,393

CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	**11,577,305**	6,175,664
Deferred income tax liabilities	20	**1,079,415**	971,237
		12,656,720	7,146,901
Current liabilities			
Advance proceeds received from customers		**7,241,863**	4,494,353
Accrued construction costs		**5,274,097**	1,325,983
Income tax payable		**989,100**	866,390
Borrowings	19	**2,067,186**	1,751,708
Other payables	21	**1,522,814**	806,337
Amount due to non-controlling interest of a subsidiary		**3,477**	37,477
		17,098,537	9,282,248
Total liabilities		**29,755,257**	16,429,149
Total equity and liabilities		**41,704,709**	26,422,542
Net current assets		**17,657,164**	11,157,179
Total assets less current liabilities		**24,606,172**	17,140,294

The notes on pages 80 to 149 are an integral part of these financial statements.

The financial statements on pages 74 to 149 were approved by the Board of Directors on 19 March 2012 and were signed on its behalf.

Director *Director*

BALANCE SHEET

As at 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Subsidiaries	10	**11,890,875**	79,001
Current assets			
Debtors, deposits and other receivables	13	**2,213**	1,896
Due from a subsidiary	10	**–**	7,923,183
Cash and cash equivalents	16	**510,450**	957,157
		512,663	8,882,236
Total assets		**12,403,538**	8,961,237
EQUITY			
Share capital	17	**432,210**	432,150
Share premium	17	**3,816,563**	3,815,214
Reserves	18	**888,762**	1,147,153
Total equity		**5,137,535**	5,394,517
LIABILITIES			
Non-current liabilities			
Borrowings	19	**7,256,105**	3,557,379
		7,256,105	3,557,379
Current liabilities			
Other payables	21	**9,898**	9,341
Total liabilities		**7,266,003**	3,566,720
Total equity and liabilities		**12,403,538**	8,961,237
Net current assets		**502,765**	8,872,895
Total assets less current liabilities		**12,393,640**	8,951,896

The notes on pages 80 to 149 are an integral part of these financial statements.

The financial statements on pages 74 to 149 were approved by the Board of Directors on 19 March 2012 and were signed on its behalf.

Director *Director*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Revenue	5	**10,834,726**	7,755,890
Cost of sales	23	**(7,601,182)**	(4,745,012)
Gross profit		**3,233,544**	3,010,878
Other gains	22	**43,309**	5,962
Selling and marketing costs	23	**(404,841)**	(183,308)
Administrative expenses	23	**(565,048)**	(411,155)
Change in fair value of investment properties	7	**432,712**	2,970,144
Operating profit		**2,739,676**	5,392,521
Share of result from an associate	9	**(542)**	(479)
Finance income/(costs) – net		**85,834**	(45,842)
Profit before income tax		**2,824,968**	5,346,200
Income tax expenses	27	**(925,690)**	(1,709,544)
Profit and total comprehensive income for the year		**1,899,278**	3,636,656
Profit attributable to:			
Equity holders of the Company		**1,900,954**	3,636,699
Non-controlling interests		**(1,676)**	(43)
		1,899,278	3,636,656
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)	28		
– Basic		**0.388**	0.738
– Diluted		**0.372**	0.736

The notes on pages 80 to 149 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Capital and reserves attributable to equity holders of the Company					
	Share capital RMB'000 (note 17)	**Share premium** RMB'000 (note 17)	**Reserves** RMB'000 (note 18)	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance as at 1 January 2010	440,550	4,024,775	2,203,702	6,669,027	(40,494)	6,628,533
Total comprehensive income for the year	–	–	3,636,699	3,636,699	(43)	3,636,656
Transactions with owners in their capacity as owners:						
Acquisition of a subsidiary	–	–	–	–	998	998
Acquisition of additional interest in a subsidiary	–	–	(394,475)	(394,475)	44,475	(350,000)
Repurchase of ordinary shares (note 17(a))	(8,400)	(209,561)	–	(217,961)	–	(217,961)
Equity component of convertible bonds (note 19(b))	–	–	220,824	220,824	–	220,824
Share-based payments	–	–	74,343	74,343	–	74,343
Balances as at 31 December 2010	432,150	3,815,214	5,741,093	9,988,457	4,936	9,993,393
Balance as at 1 January 2011	**432,150**	**3,815,214**	**5,741,093**	**9,988,457**	**4,936**	**9,993,393**
Total comprehensive income for the year	**–**	**–**	**1,900,954**	**1,900,954**	**(1,676)**	**1,899,278**
Transactions with owners in their capacity as owners:						
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**26**	**26**
Partial disposal of a subsidiary (note 34(a))	**–**	**–**	**–**	**–**	**4,500**	**4,500**
Exercise of share options (note 17(b))	**60**	**1,349**	**(211)**	**1,198**	**–**	**1,198**
Share-based payments	**–**	**–**	**51,057**	**51,057**	**–**	**51,057**
Balances as at 31 December 2011	**432,210**	**3,816,563**	**7,692,893**	**11,941,666**	**7,786**	**11,949,452**

The notes on pages 80 to 149 are an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	29	**(2,210,711)**	1,910,006
Income tax paid		**(743,422)**	(454,266)
Interest paid		**(1,095,597)**	(228,853)
Net cash (used in)/generated from operating activities		**(4,049,730)**	1,226,887
Cash flows from investing activities			
Purchase of property and equipment		**(69,749)**	(33,821)
Additions to investment properties		**(473,188)**	–
Acquisition of subsidiaries, net of cash acquired	33(b)	**(1,170,407)**	(967,599)
Acquisition of additional interest in a subsidiary	33(a)	**–**	(265,169)
Investment in an associate		**–**	(265,000)
Payment for consideration payable related to purchase of subsidiaries		**(303,398)**	(77,084)
Proceeds from partial disposal of interest in a subsidiary	34(a)	**4,500**	–
Proceeds from disposal of property and equipment	29	**181**	–
Repurchase of Senior Notes	19(a)	**(11,390)**	–
Interest received		**20,959**	11,031
Net cash used in investing activities		**(2,002,492)**	(1,597,642)
Cash flows from financing activities			
Proceeds from borrowings		**5,652,251**	2,619,027
Repayments of borrowings		**(3,633,859)**	(4,110,912)
Repurchase of ordinary shares		**–**	(217,961)
Repayment of loan with detachable warrants		**–**	(682,820)
Proceeds from issuance of Senior Notes	19(a)	**1,780,785**	2,333,507
Proceeds from issuance of convertible bonds	19(b)	**–**	1,452,791
Proceeds from issuance of senior bonds	19(c)	**1,911,737**	–
Capital injection by non-controlling interests		**26**	–
Proceeds from exercise of share options	17(b)	**1,198**	–
Net cash generated from financing activities		**5,712,138**	1,393,632
Net (decrease)/increase in cash and cash equivalents		**(340,084)**	1,022,877
Cash and cash equivalents at beginning of year		**4,339,600**	3,344,453
Exchange adjustments		**(54,127)**	(27,730)
Cash and cash equivalents at end of year	16	**3,945,389**	4,339,600

The notes on pages 80 to 149 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "Company") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law (2009 Revision) (as consolidated and revised from time to time) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1–1111 Cayman Islands. During the year, the Company was engaged in investment holding and the subsidiaries of the Company were principally engaged in the property development, property investment and property management.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements were approved by the Board of Directors of the Company for issue on 19 March 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties at fair value.

The preparation of consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 below.

The adoption of new/revised HKFRSs

i. Adoption of revised standards, amendments and interpretations

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011 and are relevant to the Group's operations.

- HKAS 24 (Revised), "Related Party Disclosures"
- Improvement to HKFRSs 2010

The adoption of the above revised standards, amendments and interpretations had no material financial impact on the consolidated financial statements of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRSs *(Continued)*

ii. Standards, amendments and interpretations which are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2012, but the Group has not early adopted them:

	Applicable for accounting periods beginning on/after
Amendments to HKAS 1 (revised), 'Presentation of financial statements – presentation of items of other comprehensive income'	1 July 2012
HKAS 19 (2011), 'Employee benefits'	1 January 2013
HKAS 27 (2011), 'Separate financial statements'	1 January 2013
HKAS 28 (2011), 'Investments in associates and joint ventures	1 January 2013
HKAS 32 (amendment), 'Offsetting financial assets and financial liabilities'	1 January 2014
HKFRS 7 (amendment), 'Disclosures – Transfers of financial assets'	1 July 2011
HKFRS 7 (amendment), 'Disclosures – offsetting financial assets and financial liabilities'	1 January 2013
HKFRS 9, 'Financial instruments'	1 January 2015
HKFRS 10, 'Consolidated financial statements'	1 January 2013
HKFRS 11, 'Joint arrangements'	1 January 2013
HKFRS 12, 'Disclosure of interests in other entities'	1 January 2013
HKFRS 13, 'Fair value measurement'	1 January 2013

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the companies comprising the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and the presentation currency of the Company and the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of the fair value gain on loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial positions of all the companies comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet of the companies comprising the Group presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each statement of comprehensive income companies comprising the Group are translated at average exchange rates; and

– all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other gains/(losses), net" in the statement of comprehensive income.

(h) Investment properties

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. It also includes properties that are under construction but with a plan to use as investment properties in the future.

Investment property comprises land and buildings held under operating leases.

Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statement of comprehensive income as part of a valuation gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Investment properties *(Continued)*

Where fair value of investment property under construction is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of comprehensive income during the financial period in which they are incurred.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to completed properties held for sale at its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as land use rights and property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If the land use rights and the attached properties for own-use become an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of the land use rights and the attached properties under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the statement of comprehensive income to the extent that is reverses a previous impairment loss, with any remaining increase recognised directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to statement of comprehensive income.

Any revaluation reserve balance of the property is transferred to retained earnings in the statement of comprehensive income upon the subsequent disposal of the investment property.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are recognised as "debtors, deposits and other receivables" in the balance sheet.

Loans and receivables are carried at amortised cost using the effective interest method.

(j) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on marketing conditions.

Development cost of property comprises construction costs, depreciation of machinery and equipment, land use rights in relation to properties under development for subsequent sale, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale and buildings within property and equipment.

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.

(l) Completed properties held for sale

Completed properties remaining unsold at the balance sheet dates are stated as inventory (or current assets held for sale) at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

(m) Trade and other receivables

Trade receivables are amounts due from customers for properties sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(n) Cash and cash equivalents

Cash and cash equivalent includes cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Restricted cash are not included in cash and cash equivalents.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the company.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet dates.

(r) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(s) Senior Notes and Senior Secured Guaranteed Bonds

Senior Notes and Senior Secured Guaranteed Bonds issued by the Company are recognised at fair value at date of issue, net of transaction costs incurred. After initial recognition, the Senior Notes and Senior Secured Guaranteed Bonds are carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Convertible bonds

(i) Convertible bonds with equity component

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry or when the Company redeems some or all of the convertible bonds upon exercise of the put option by the bond holders (note 19).

(ii) Convertible bonds without equity component

All other convertible bonds which do not exhibit the characteristics mentioned in (i) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract. At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability under the contract. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the statement of comprehensive income. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the convertible bonds are converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the convertible bonds are redeemed, any difference between the redemption amount and the carrying amounts of both components are recognised in the statement of comprehensive income.

(u) Borrowing costs

Borrowing costs are charged to the statement of comprehensive income in the accounting period in which they are incurred, except for costs related to funding of the construction and acquisition of properties under development which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees in Hong Kong.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Employee benefits *(Continued)*

(iv) Share-based payments

The Group operates equity-settled share option schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market performance vesting conditions. Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(x) Provisions, contingent liabilities and contingent assets

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Provisions, contingent liabilities and contingent assets *(Continued)*

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(y) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services, stated net of discounts, returns and value added tax, in the ordinary course of the Group's activities. Revenue is shown after eliminating sales with the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as advanced proceeds received from customers under current liabilities.

(ii) Rental income

Rental income from properties letting under operating leases is recognised on a straight-line basis over the lease terms.

(iii) Property management

Commission arising from property management is recognised in the accounting period in which the service is rendered.

(iv) Interest income

Interest income is recognised using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated balance sheet based on the nature of the assets. Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

(aa) Land use rights

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or the Board of Directors, where applicable.

(ac) Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

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

3 FINANCIAL RISK MANAGEMENT

The Group conducts its operations in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's major financial instruments include trade and other receivables, cash at bank and in hand, restricted cash, accrued construction costs, other payables, purchase consideration of subsidiaries and an associate and bank borrowing. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and bank borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

Risk management is carried out by the Group's management under the supervision of the Finance Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board provides guidance for overall risk management.

(a) Financial risk factors

(i) Market risk

(1) Foreign currency exchange risk

The Group

The Group's businesses are principally conducted in RMB, except that borrowings are in other foreign currencies. The major non-RMB assets and liabilities are borrowings and bank deposits denominated in Hong Kong dollar ("HKD") and the United States dollar ("USD").

The Company and all of its subsidiaries' functional currency is RMB, so the bank balances and borrowings denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2011, if RMB had strengthened/weakened by 5% against HKD and USD, with all other variables held constant, the Group's post-tax profit for the year would have been approximately RMB202,542,000 higher/lower (2010: RMB17,105,000, higher/lower), mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated bank deposits and bank borrowings.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Market risk *(Continued)*

(1) Foreign currency exchange risk (Continued)

The Company

As at 31 December 2011, if RMB had strengthened/weakened by 5% against HKD and USD, with all other variables held constant, the Company's post-tax profit for the year would have been approximately RMB165,931,000 lower/higher (2010: RMB65,269,000, lower/higher), mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated bank deposits and bank borrowings.

(2) Interest rate risk

The Group

The Group has been exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings which carry prevailing market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from interest bearing bank deposits, bank borrowings, Convertible Bonds, Senior Notes and Senior Secured Guaranteed Bonds. Bank deposits and bank borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Convertible Bonds, Senior Notes and Senior Secured Guaranteed Bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2011, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's post-tax profit for the year would have been RMB28,460,000 higher/lower (2010: RMB28,480,000 higher/lower).

The Company

The Company's interest rate risk arises from interest bearing bank deposits, Convertible Bonds and Senior Notes. Bank deposits at variable rates expose the Company to cash flow interest-rate risk. Convertible Bonds and Senior Notes issued at fixed rates expose the Company to fair value interest rate risk.

As at 31 December 2011, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Company's post-tax profit for the year would have been RMB4,526,000 higher/lower (2010: RMB8,908,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Credit risk

The Group has no significant concentration of credit risk. The carrying amounts of restricted cash, cash at bank and in hand, trade and other receivables and prepayments for proposed development project, represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group reviews the recoverable amount of trade and other receivables and prepayments for proposed development project on a regular basis and an allowance for doubtful debts is made where there is an identified loss.

In order to minimise the credit risk, management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and certain amounts of prepayments for proposed development projects. In addition, the Group reviews the recoverable amount of each debtor at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is limited.

The credit risk on liquid funds is limited because the counterparties are state-owned financial institutions and reputable banks with high credit rankings.

The Group has arranged bank financing for certain purchasers of property units for an amount up to 70% of the total purchase price of the property, and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly low.

(iii) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

The Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction plans for properties under development, implementing cost control measures, accelerating sales with more flexible pricing, seeking joint venture partners to co-develop quality projects and renegotiating payment terms with counterparties for certain land acquisitions. The Group will, based on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk *(Continued)*

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table represents both interest and principal cash flows.

The Group

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2011					
Borrowings	**3,756,535**	**2,732,236**	**10,949,001**	**776,450**	**18,214,222**
Accrued construction costs	**5,274,097**	**–**	**–**	**–**	**5,274,097**
Other payables	**1,522,814**	**–**	**–**	**–**	**1,522,814**
Amount due to non-controlling interest of a subsidiary	**3,477**	**–**	**–**	**–**	**3,477**
Total	**10,556,923**	**2,732,236**	**10,949,001**	**776,450**	**25,014,610**
At 31 December 2010					
Borrowings	2,387,828	1,384,600	6,184,364	781,795	10,738,587
Accrued construction costs	1,325,983	–	–	–	1,325,983
Other payables	806,337	–	–	–	806,337
Amount due to non-controlling interest of a subsidiary	37,477	–	–	–	37,477
Total	4,557,625	1,384,600	6,184,364	781,795	12,908,384

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk *(Continued)*

The Company

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
At 31 December 2011				
Borrowings	**810,129**	**810,129**	**8,522,620**	**10,142,878**
Other payables	**9,898**	**–**	**–**	**9,898**
Total	**820,027**	**810,129**	**8,522,620**	**10,152,776**
At 31 December 2010				
Borrowings	434,590	434,923	4,903,953	5,773,466
Other payables	9,341	–	–	9,341
Total	443,931	434,923	4,903,953	5,782,807

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19 and equity attributable to equity holders of the Company, comprising share capital and reserves.

The Directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepared the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the Directors of the Company consider the cost of capital and the risks associated with each class of capital. The Directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents and restricted cash. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management *(Continued)*

The gearing ratios of the Group at 31 December 2011 and 2010 were as follows:

	2011 **RMB'000**	2010 RMB'000
Total borrowings (note 19)	**13,644,491**	7,927,372
Less: cash at bank and in hand (note 16)	**(4,486,419)**	(4,869,667)
Net debt	**9,158,072**	3,057,705
Total equity	**11,949,452**	9,993,393
Gearing ratio	**76.6%**	30.6%

The increase in the gearing ratio during 2011 resulted primarily from the increase in properties under development.

(c) Fair value estimation

The carrying value less impairment provisions of trade and other receivables and the carrying value of other payables approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in the statement of comprehensive income. It obtains independent valuations at least annually. In making the judgment, consideration is given to assumptions that are mainly based on market conditions existing at the balance sheet date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's portfolio of properties are set out in note 7.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(b) Provision for properties under development and completed properties held for sale

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgment and estimates.

Based on management's best estimates, there is no material impairment for properties under development and completed properties held for sale as at 31 December 2011.

(c) Prepayments for proposed development projects and deposits for land acquisitions

The Group assesses the carrying amounts of deposits for land acquisitions and prepayments for proposed development projects according to their net recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(d) Income taxes, land appreciation taxes, withholding taxes and deferred income taxes

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

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred income tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have been increased by the same amount of approximately RMB344,426,000.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Board of Directors assesses the performance of the single operating segment based on a measure of profit before finance costs and income tax expenses.

The Board of Directors considers the business from services perspective only. From services perspective, management assesses the performance of sales of properties, rental income and property management services and regards these being the reportable segments. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risk and returns.

Revenue for the year consists of the following:

	2011 **RMB'000**	2010 RMB'000
Sales of properties		
– Completed properties held for sale	**10,065,614**	5,630,783
– Properties under development	**510,000**	1,900,000
Rental income	**151,024**	119,517
Property management services	**108,088**	105,590
	10,834,726	7,755,890

5 SEGMENT INFORMATION *(Continued)*

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2011 is as follows:

	Property development RMB'000	Property investment RMB'000	Property Management RMB'000	Others RMB'000	Total RMB'000
Revenue	**10,575,614**	**151,024**	**108,088**	**–**	**10,834,726**
Segment results before change in fair value of investment properties	**2,857,963**	**23,382**	**17,850**	**(592,231)**	**2,306,964**
Change in fair value of investment properties	**–**	**432,712**	**–**	**–**	**432,712**
Segment results	**2,857,963**	**456,094**	**17,850**	**(592,231)**	**2,739,676**
Share of result from an associate	**(542)**	**–**	**–**	**–**	**(542)**
Finance income – net					**85,834**
Profit before income tax					**2,824,968**
Income tax expenses					**(925,690)**
Profit for the year					**1,899,278**
Other information:					
Depreciation (note 6)	**16,600**	**3,325**	**3,135**	**7,149**	**30,209**
Amortisation of land use right (note 8)	**791**	**–**	**–**	**–**	**791**

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	**60,837,718**	**6,941,867**	**1,253,851**	**48,748,768**	**(76,635,966)**	**41,146,238**
Investment in an associate	**298,979**	**–**	**–**	**–**	**–**	**298,979**
Unallocated						**259,492**
Total assets						**41,704,709**
Segment liabilities	**37,640,296**	**2,345,156**	**305,219**	**33,145,451**	**(59,393,871)**	**14,042,251**
Unallocated						**15,713,006**
Total liabilities						**29,755,257**
Other information:						
Capital expenditure (notes 6, 7 and 8)	**31,174**	**488,828**	**11,634**	**15,612**	**–**	**547,248**

5 SEGMENT INFORMATION *(Continued)*

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2010 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Revenue	7,530,783	119,517	105,590	–	7,755,890
Segment results before change in fair value of investment properties	2,472,702	78,793	35,384	(164,502)	2,422,377
Change in fair value of investment properties	–	2,970,144	–	–	2,970,144
Segment results	2,472,702	3,048,937	35,384	(164,502)	5,392,521
Share of result from an associate	(479)	–	–	–	(479)
Finance costs – net					(45,842)
Profit before income tax					5,346,200
Income tax expenses					(1,709,544)
Profit for the year					3,636,656
Other information:					
Depreciation (note 6)	13,841	1,062	692	2,686	18,281
Amortisation	419	–	–	–	419
Reversal of impairment loss on properties under development and completed properties held for sales	155,000	–	–	–	155,000

5 SEGMENT INFORMATION *(Continued)*

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	36,231,346	6,669,134	995,645	31,578,737	(49,562,713)	25,912,149
Investment in an associate	299,521	–	–	–	–	299,521
Unallocated						210,872
Total assets						26,422,542
Segment liabilities	22,707,960	1,238,642	74,404	21,169,512	(38,526,368)	6,664,150
Unallocated						9,764,999
Total liabilities						16,429,149
Other information:						
Capital expenditure (notes 6, 7 and 8)	22,667	365	668	13,121	–	36,821

No inter-segment transfers or transactions are entered during the years ended 31 December 2011 and 2010.

Other business segments include the investment holding and inactive companies.

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, debtors, deposits and other receivables, prepayments for proposed development projects, restricted cash and, cash and cash equivalents. They exclude investment in an associate, deferred income tax assets and prepaid taxes.

Segment liabilities consist primarily of advance proceeds received from customers, accrued construction costs, other payables and amount due to non-controlling interest of a subsidiary. They exclude deferred income tax liabilities, income tax payable and borrowings.

Capital expenditure comprises additions to non-current assets other than deferred income tax assets and investment in an associate that are expected to be recovered for more than one year after the balance sheet date.

6 PROPERTY AND EQUIPMENT

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
At 1 January 2010				
Cost	63,796	18,872	42,770	125,438
Accumulated depreciation	(9,486)	(11,631)	(12,590)	(33,707)
Net book amount	54,310	7,241	30,180	91,731
Year ended 31 December 2010				
Opening net book amount	54,310	7,241	30,180	91,731
Acquisition of subsidiaries (note 33)	–	–	3,000	3,000
Additions	–	16,237	17,584	33,821
Disposals	–	(2,086)	(2,045)	(4,131)
Depreciation	(3,838)	(3,301)	(11,142)	(18,281)
Closing net book amount	50,472	18,091	37,577	106,140
At 31 December 2010				
Cost	63,796	32,749	60,164	156,709
Accumulated depreciation	(13,324)	(14,658)	(22,587)	(50,569)
Net book amount	50,472	18,091	37,577	106,140

6 PROPERTY AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Motor vehicles RMB'000	Furniture, fitting and equipment RMB'000	Total RMB'000
Year ended 31 December 2011				
Opening net book amount	**50,472**	**18,091**	**37,577**	**106,140**
Acquisition of subsidiaries (note 33)	**–**	**–**	**2,585**	**2,585**
Transfer from completed properties held for sale	**2,664**	**–**	**–**	**2,664**
Additions	**633**	**20,442**	**48,674**	**69,749**
Disposals	**–**	**(388)**	**(1,816)**	**(2,204)**
Depreciation	**(3,474)**	**(6,619)**	**(20,116)**	**(30,209)**
Closing net book amount	**50,295**	**31,526**	**66,904**	**148,725**
At 31 December 2011				
Cost	**67,094**	**51,514**	**92,707**	**211,315**
Accumulated depreciation	**(16,799)**	**(19,988)**	**(25,803)**	**(62,590)**
Net book amount	**50,295**	**31,526**	**66,904**	**148,725**

As at 31 December 2011, buildings with net book amounts totalling RMB16,485,000 (2010: RMB17,610,000) were pledged as collateral for the Group's borrowings (note 19).

Depreciation expense of RMB30,209,000 (2010: RMB18,281,000) has been charged in administrative expenses during the year.

7 INVESTMENT PROPERTIES

	Under construction (note) RMB'000	Completed RMB'000	Total RMB'000
As at 1 January 2010	–	1,578,600	1,578,600
Transfer from properties under development	926,760	–	926,760
Transfer from completed properties held for sale	–	8,496	8,496
Increase in fair value	2,709,340	260,804	2,970,144
As at 31 December 2010	3,636,100	1,847,900	5,484,000
Additions	473,188	–	473,188
Disposals	–	(14,800)	(14,800)
Increase in fair value	371,912	60,800	432,712
As at 31 December 2011	4,481,200	1,893,900	6,375,100

Note: The amount includes an investment property amounting to RMB2,560,000,000 (2010: RMB2,299,000,000) which is in the process of obtaining the land use rights certificate.

The following amounts have been recognised in the statement of comprehensive income for investment properties:

	2011 RMB'000	2010 RMB'000
Rental income	**111,106**	94,175
Direct operating expenses arising from investment properties that generate rental income	**43,714**	25,618

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least annually.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available, the valuers consider information from a variety of sources including:

(i) Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;

(ii) Discounted cash flow projections based on reliable estimates of future cash flows;

(iii) Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence; and

(iv) The expected total value of the investment properties under construction assuming the properties are completed, taking into consideration of the en-bloc property sale discount, and the estimated costs to completion such as construction costs and anticipated developer's profit with reference to past experience and committed contracts as well as allowances for contingencies.

7 INVESTMENT PROPERTIES *(Continued)*

As at 31 December 2011, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of properties:

	2011	2010
Capitalisation rate	**4.5–7.0%**	4.5–7.5%
Discount rate	**6.1–6.9%**	5.9–6.2%
Expected vacancy rate	**5.0%**	5.0–8.0%
Monthly rental (RMB/sqm/month)	**173–419**	156–390
Budgeted construction cost (RMB/sqm)	**2,500–7,100**	2,500–7,000
Anticipated developer's profit margin	**12.0–25.0%**	20.0–35.0%
En-bloc property sale discount	**5.0–7.0%**	3.5–4.0%

The Group's interests in investment properties are analysed as follows:

	2011 RMB'000	2010 RMB'000
In the PRC, held on:		
Leases of over 50 years	**1,012,000**	764,200
Leases of between 10 to 50 years	**5,363,100**	4,719,800
	6,375,100	5,484,000

As at 31 December 2011, the investment properties with carrying values totaling RMB2,292,300,000 (2010: RMB2,029,700,000) were pledged as collateral for the Group's borrowings (note 19).

8 LAND USE RIGHTS

	2011 RMB'000	2010 RMB'000
At beginning of year	**18,379**	18,798
Transfer from completed properties held for sale	**4,553**	–
Additions	**1,726**	–
Disposals	**(3,264)**	–
Amortisation – expensed in administrative expenses	**(791)**	(419)
At end of year	**20,603**	18,379
In the PRC, held on:		
Leases of over 50 years	**9,115**	9,289
Leases of between 10–50 years	**11,488**	9,090
	20,603	18,379

As at 31 December 2011, land use rights with net book amounts totaling RMB5,380,000 (2010: RMB5,562,000) were pledged as collateral for the Group's borrowings (note 19).

9 INVESTMENT IN AN ASSOCIATE

	2011 RMB'000	2010 RMB'000
Unlisted shares, share of net assets	**298,979**	299,521

The Group's interest in its associate, of which is unlisted, is as follows:

Name	Particulars of registered capital RMB'000	Place of Incorporation	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Net loss RMB'000	Interest indirectly held %
31 December 2011							
Xing Huo Ju Long Technology Investment Co., Ltd. 星火巨龍科技投資有限公司	68,000	PRC	139,049	115,242	–	542	49%
31 December 2010							
Xing Huo Ju Long Technology Investment Co., Ltd. 星火巨龍科技投資有限公司	68,000	PRC	111,278	86,929	–	479	49%

10 SUBSIDIARIES

	Company	
	2011	2010
	RMB'000	RMB'000
Non-current assets		
Unlisted shares, at cost	**7**	7
Share options issued on behalf of subsidiaries (note 18(c))	**130,051**	78,994
Due from a subsidiary (note b)	**11,760,817**	–
	11,890,875	79,001
Current assets		
Due from a subsidiary (note b)	**–**	7,923,183

Notes:

(a) Details of the subsidiaries are set out in note 38.

(b) In 2011, the balance due from a subsidiary represent equity funding by the Company to a subsidiary as the Company does not expect repayment in the foreseeable future. As at 31 December 2010, the balance due from a subsidiary was receivable in nature and was unsecured, non-interest bearing and had no fixed terms of repayment.

11 PROPERTIES UNDER DEVELOPMENT

	2011	2010
	RMB'000	RMB'000
Amount comprises:		
Construction costs	**9,163,779**	3,370,710
Interest capitalised	**912,618**	358,290
Land use rights	**12,083,188**	6,792,175
	22,159,585	10,521,175

The properties under development are all located in the PRC.

As at 31 December 2011, properties under development of approximately RMB9,178,530,000 (2010: RMB3,999,383,000) were pledged as collateral for the Group's borrowings (note 19).

12 COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are all located in the PRC.

As at 31 December 2011 and 2010, completed properties held for sale of approximately RMB47,036,000 (2010: RMB47,036,000) were pledged as collateral for the Group's bank borrowings (note 19).

13 DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (note a)	**842,679**	177,133	**–**	–
Other receivables	**258,897**	74,981	**–**	–
Other deposits	**189,731**	241,751	**2,213**	1,896
Prepayments	**90,533**	246,996	**–**	–
Deposits for land acquisitions (note b)	**2,121,917**	1,585,759	**–**	–
Prepaid other taxes	**193,703**	155,664	**–**	–
	3,697,460	2,482,284	**2,213**	1,896

Notes:

(a) Trade receivables mainly arose from sale of properties. Generally, no credit terms are granted to customers. The ageing analysis of trade receivables of the Group by due date is as follows:

	2011	2010
	RMB'000	RMB'000
Not yet due (note i)	**375,900**	–
Within 90 days (note ii)	**466,779**	176,077
91–180 days	**–**	1,056
	842,679	177,133

(i) As at 31 December 2011, the balance represented receivables from sales of commercial properties and property under development from independent third parties to be settled before the end of 2012.

(ii) The Group considered the above receivables were past due but not impaired as majority of the balances are due from customers in the process of applying mortgage loans (see note 3(a)(ii)). These relate to a number of independent customers for whom there is no recent history of default. Subsequent to 31 December 2011 and up to the date of this report, trade receivables of RMB195,975,000 have been settled.

(b) Deposits for land acquisitions arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained.

(c) As at 31 December 2011, there is no provision made for trade and other receivables and no trade and other receivables were impaired.

(d) The maximum credit risk exposure is the amount shown on the balance sheet.

(e) The carrying amounts of the Group's receivables are mainly denominated in Renminbi.

14 PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contracts of property development projects with independent third parties and has made prepayments in accordance with the terms of the contracts. These prepayments would be converted into properties under development when the rights to use the lands have been obtained.

15 RESTRICTED CASH

Restricted cash mainly comprised of:

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for construction materials and construction fees of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2011, such guarantee deposits amounted to RMB68,669,000 (2010: RMB246,569,000). They will be released after pre-sale properties are completed or their property ownership certificates are issued, whichever is the earlier.

(b) As at 31 December 2011, the Group's cash of RMB321,322,000 (2010: RMB250,528,000) was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities (note 31) granted by the banks to the purchasers of the Group's properties.

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Denominated in – RMB	**3,704,694**	2,174,786	**2**	7,256
Denominated in – HKD	**388,389**	650,949	**130,428**	5,253
Denominated in – USD	**393,336**	2,043,932	**380,020**	944,648
	4,486,419	4,869,667	**510,450**	957,157
Less: Restricted cash (note 15)	**(541,030)**	(530,067)	**–**	–
Cash at bank and in hand	**3,945,389**	4,339,600	**510,450**	957,157

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

17 SHARE CAPITAL AND SHARE PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:						
Ordinary share of HK$0.10 each						
As at 1 January 2010, 31 December 2010 and 2011		50,000,000,000	5,000,000	4,405,545	–	4,405,545
Issue and fully paid:						
As at 1 January 2010		5,000,000,000	500,000	440,550	4,024,775	4,465,325
Repurchase of ordinary shares	(a)	(95,330,000)	(9,533)	(8,400)	(209,561)	(217,961)
As at 31 December 2010		4,904,670,000	490,467	432,150	3,815,214	4,247,364
At 1 January 2011		4,904,670,000	490,467	432,150	3,815,214	4,247,364
Exercise of share options	(b)	720,000	72	60	1,349	1,409
As at 31 December 2011		4,905,390,000	490,539	432,210	3,816,563	4,248,773

Notes:

(a) For the year ended 31 December 2010, the Company repurchased 95,330,000 of its own ordinary shares, in aggregate, on the market at a total consideration of HK$247,241,280 (equivalent to approximately RMB217,961,000). The repurchased shares were subsequently cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

(b) For the year ended 31 December 2011, 720,000 (2010: nil) shares were issued upon exercise of share options. Total proceeds were HK$1,439,000 (equivalent to approximately RMB1,198,000). The weighted average share price at the time of exercise was HK$2.54 per share. The related transactions costs were from the proceeds received.

18 RESERVES

	Group							
	Merger reserve (note a)	Exchange reserve	Statutory reserves (note b)	Share option reserve (note c)	Capital reserve (note d)	Conversion option reserve (note 19(b))	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010	382	24,835	244,278	4,651	–	–	1,929,556	2,203,702
Profit for the year	–	–	–	–	–	–	3,636,699	3,636,699
Issuance of Convertible Bonds	–	–	–	–	–	220,824	–	220,824
Transfer to statutory reserves	–	–	70,127	–	–	–	(70,127)	–
Acquisition of additional interest in a subsidiary (note d)	–	–	–	–	(394,475)	–	–	(394,475)
Share-based payments (note c)	–	–	–	74,343	–	–	–	74,343
Balance at 31 December 2010	382	24,835	314,405	78,994	(394,475)	220,824	5,496,128	5,741,093
Profit for the year	–	–	–	–	–	–	1,900,954	1,900,954
Transfer to statutory reserves	–	–	147,185	–	–	–	(147,185)	–
Exercise of share options (note 17(b))	–	–	–	(211)	–	–	–	(211)
Share-based payments (note c)	–	–	–	51,057	–	–	–	51,057
Balance at 31 December 2011	382	24,835	461,590	129,840	(394,475)	220,824	7,249,897	7,692,893

	Company			
	Share option reserve (note c)	Conversion option reserves (note 19(b))	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010	4,651	–	7,117	11,768
Profit for the year	–	–	840,218	840,218
Issuance of Convertible Bonds	–	220,824	–	220,824
Share-based payments (note c)	74,343	–	–	74,343
Balance at 31 December 2010	78,994	220,824	847,335	1,147,153
Loss for the year	–	–	(309,237)	(309,237)
Exercise of share options (note 17(b))	(211)	–	–	(211)
Share-based payments (note c)	51,057	–	–	51,057
Balance at 31 December 2011	129,840	220,824	538,098	888,762

18 RESERVES *(Continued)*

Notes:

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the group reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

(b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 10% and 5% to 10% of the profit for the year after setting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the "Statutory Reserves"), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate any percentage of profits to the Statutory Reserves.

For foreign investment enterprises, before 1 January 2006, the percentage of profits to be appropriated to the Statutory Reserves are solely determined by the board of directors of these foreign investment enterprises. After 1 January 2006, these foreign investment enterprises are not required to make any appropriations to the Statutory Reserves.

For the year ended 31 December 2011, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB147,185,000 (2010: RMB70,127,000) to the Statutory Reserves.

(c) Share option reserve represents value of employee services in respect of share options granted under the Pre-IPO Share Option Scheme (note 35(a)) and share option scheme (note 35(b)).

(d) During the year ended 31 December 2010, the Group acquired the remaining 45% non-controlling interest of a subsidiary for a total cash consideration of RMB350,000,000.

19 BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Senior Notes (note a)	**3,994,995**	2,320,552	**3,994,995**	2,320,552
Convertible Bonds (note b)	**1,277,876**	1,236,827	**1,277,876**	1,236,827
Senior Secured Guaranteed Bonds (note c)	**1,983,234**	–	**1,983,234**	–
Borrowings included in non-current liabilities:				
Bank borrowings – secured (note d)	**3,132,251**	2,000,000	**–**	–
Bank borrowings – unsecured	**1,188,949**	618,285	**–**	–
	11,577,305	6,175,664	**7,256,105**	3,557,379
Borrowings included in current liabilities:				
Bank borrowings – secured (note d)	**1,903,950**	808,750	**–**	–
Bank borrowings – unsecured	**163,236**	942,958	**–**	–
	2,067,186	1,751,708	**–**	–
Total borrowings	**13,644,491**	7,927,372	**7,256,105**	3,557,379

19 BORROWINGS *(Continued)*

Notes:

(a) Senior Notes

On 28 April 2010, the Company issued 13.5% senior note due 2015 in an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,389,205,000) at 100% of face value (the "Senior Note 2010"). On 16 June 2011, the Company issued additional 13.5% senior note due 2015 in an aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,944,000,000) at 100% of face value (the "Senior Note 2011") (collectively, the "Senior Notes").

The net proceeds, after deducting the transaction costs, of Senior Notes are as follows:

	Senior Note 2011 RMB'000	Senior Note 2010 RMB'000
Nominal value	**1,944,000**	2,389,205
Less: transaction costs	**(163,215)**	(55,698)
Net proceeds	**1,780,785**	2,333,507

The Senior Notes are listed on the Singapore Exchange Securities Trading Limited.

The Senior Notes are secured by the pledge of shares of the Group's subsidiaries incorporated outside of the PRC, and jointly and severally guarantees given by certain subsidiaries of the Group.

	Group and Company	
	2011 RMB'000	2010 RMB'000
Carrying amount as at 1 January	**2,320,552**	–
Additions	**1,780,785**	2,333,507
Repurchase	**(11,390)**	–
Accrued interest (note 24)	**470,280**	213,533
Coupon payment	**(398,862)**	(158,313)
Exchange difference	**(166,370)**	(68,175)
Closing amount as at 31 December	**3,994,995**	2,320,552

(b) Convertible Bonds

On 20 December 2010, the Company issued RMB denominated US$ settled 8.0% convertible bonds (the "Convertible Bonds"), of an initial principal amount of RMB1,500,000,000 (equivalent to approximately US$225,000,000).

The value of the liability component of RMB1,231,967,000 and the equity conversion component of RMB220,824,000, net of transaction cost of RMB47,209,000, were determined at issuance of the Convertible Bonds.

At the option of bond holders, the aggregate amount of RMB1,500,000,000 will be convertible into fully paid shares with a par value of HK$0.1 each of the Company. The Convertible Bonds will mature in five years (December 2015) from the issue date at 100% of the nominal value or can be converted into ordinary shares of the Company on or after 30 January 2011 at an initial conversion price of HK$2.82 per share at a fixed exchange rate of RMB1.00 to HK$1.16560.

The Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited.

The Convertible Bonds are secured by the pledge of certain shares of the Group's subsidiaries incorporated outside of the PRC, and jointly and severally guarantees given by certain subsidiaries of the Group.

The fair value of the liability component included in long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in reserves (note 18).

19 BORROWINGS *(Continued)*

Notes: *(Continued)*

(b) Convertible Bonds *(Continued)*

The Convertible Bonds recognised in the balance sheet is calculated as follows:

	Group and Company 2011 RMB'000
Face value of the Convertible Bonds on issue	**1,500,000**
Equity component	**(220,824)**
Less: transaction costs	**(47,209)**
Liability component on initial recognition	**1,231,967**
Accrued interest	**4,860**
Carrying amount as at 1 January 2011	**1,236,827**
Accrued interest (note 24)	**162,721**
Coupon payment	**(121,672)**
Carrying amount as at 31 December 2011	**1,277,876**

Interest expenses on the liability component of the Convertible Bonds are calculated using the effective interest method, applying the effective interest rate of 13.1% per annum to the liability component.

The fair value of the liability component of the Convertible Bonds at 31 December 2011 amounted to RMB1,102,500,000 (2010: RMB1,567,500,000). The fair value is calculated using the market price of the Convertible Bonds on the balance sheet date (or the nearest day of trading).

As at 31 December 2011 and 2010, there was no conversion or redemption of the Convertible Bonds.

(c) Senior Secured Guaranteed Bonds

On 15 March 2011, the Company issued RMB denominated US$ settled 8.5% Senior Secured Guarantee Bonds due 2014 in an aggregate principal amount of RMB2,000,000,000 at 100% of face value (the "Senior Secured Guaranteed Bonds"). The net proceeds, after deducting the direct issuance costs, amounted to approximately RMB1,911,737,000. The Senior Secured Guaranteed Bonds will mature on 15 March 2014.

The Senior Secured Guaranteed Bonds are listed on The Singapore Exchange Security Trading Limited.

The Senior Secured Guaranteed Bonds are secured by the pledge of certain shares of the Group's subsidiaries incorporated outside of the PRC, and jointly and severability guarantees given by certain subsidiaries of the Group.

The Senior Secured Guaranteed Bonds in the balance sheet are calculated as follows:

	2011 RMB'000
Nominal value	**2,000,000**
Less: transaction costs	**(88,263)**
Fair value at the date of issuance	**1,911,737**
Accrued interest (note 24)	**158,387**
Coupon payment	**(86,890)**
Carrying amount as at 31 December	**1,983,234**

19 BORROWINGS *(Continued)*

Notes: *(Continued)*

(d) The Group's bank borrowings of RMB5,036,201,000 (2010: RMB2,808,750,000) were jointly secured by certain properties, land use rights, investment properties, properties under development and cash of the Group (notes 6, 7, 8, 11 and 12).

(e) Bank borrowings are guaranteed by:

	2011 RMB'000	2010 RMB'000
Group companies		
– Secured	**4,119,950**	1,811,750
– Unsecured	**1,352,185**	1,561,243
	5,472,135	3,372,993

(f) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date, whichever is earlier, are as follows:

	6 months or less RMB'000	**6–12 months** RMB'000	**1–5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2011	2,359,109	1,812,090	7,406,106	–	11,577,305
At 31 December 2010	1,348,035	1,270,250	3,557,379	–	6,175,664
Borrowings included in current liabilities:					
At 31 December 2011	1,117,186	950,000	–	–	2,067,186
At 31 December 2010	1,077,618	674,090	–	–	1,751,708

The exposure of the Company's borrowings to interest-rate changes and the contractual repricing dates or maturity date, whichever is earlier, are as follows:

	6 months or less RMB'000	**6–12 months** RMB'000	**1–5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2011	–	–	7,256,105	–	7,256,105
At 31 December 2010	–	–	3,557,379	–	3,557,379
Borrowings included in current liabilities:					
At 31 December 2011	–	–	–	–	–
At 31 December 2010	–	–	–	–	–

19 BORROWINGS *(Continued)*

Notes: *(Continued)*

(g) The maturity of the borrowings included in non-current liabilities is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Between 1 and 2 years	**1,649,297**	800,000	**–**	–
Between 2 and 5 years	**9,380,758**	4,857,164	**7,256,105**	3,557,379
Over 5 years	**547,250**	518,500	**–**	–
	11,577,305	6,175,664	**7,256,105**	3,557,379

The effective interest rates at each of the balance sheet dates were as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank borrowings, included in non-current liabilities	**6.5%**	5.6%	**–**	–
Bank borrowings, included in current liabilities	**11.6%**	6.1%	**–**	–
Senior Notes	**14.1%**	14.1%	**14.1%**	14.1%
Convertible Bonds	**13.1%**	13.1%	**13.1%**	13.1%
Senior Secured Guaranteed Bonds	**10.4%**	–	**10.4%**	–

The carrying amounts of the Group's borrowings are denominated in RMB except for Senior Notes and bank borrowings of USD156,500,000 (2010: USD67,500,000), which are denominated in USD, and approximate to their fair value.

20 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**85,561**	65,134
– to be recovered within 12 months	**20,040**	9,941
	105,601	75,075
Deferred income tax liabilities:		
– to be settled after more than 12 months	**(1,079,415)**	(971,237)
The net movement on the deferred income tax is as follows:		
Beginning of the year	**(896,162)**	(109,142)
Recognised in the consolidated statement of comprehensive income (note 27)	**(77,652)**	(787,020)
End of the year	**(973,814)**	(896,162)

20 DEFERRED INCOME TAX *(Continued)*

The movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred income tax assets:

	Group		
	Tax losses RMB'000	**Provisions** RMB'000	**Total** RMB'000
At 1 January 2010	75,386	44,173	119,559
Charged to the consolidated statement of comprehensive income	(311)	(44,173)	(44,484)
At 31 December 2010	75,075	–	75,075
Charged to the consolidated statement of comprehensive income	30,526	–	30,526
At 31 December 2011	105,601	–	105,601

Deferred income tax liabilities:

	Group
	Revaluation arising from investment properties RMB'000
At 1 January 2010	228,701
Charged to the consolidated statement of comprehensive income	742,536
At 31 December 2010	971,237
Charged to the consolidated statement of comprehensive income	108,178
At 31 December 2011	1,079,415

At 31 December 2011, the unrecognised deferred income tax liabilities were RMB344,426,000 (2010: RMB173,024,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the Directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2011 amounted to RMB6,888,520,000 (2010: RMB3,460,481,000).

21 OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables and accruals (note a)	**878,312**	307,421	**9,898**	9,341
Note payables	**209,707**	32,970	**–**	–
Consideration payable related to purchase of subsidiaries	**298,913**	380,922	**–**	–
Consideration payable related to purchase of an associate	**6,000**	35,000	**–**	–
Other taxes payables	**129,882**	50,024	**–**	–
	1,522,814	806,337	**9,898**	9,341

Notes:

(a) The amount included a balance of RMB492,710,000 representing the deposit received for project development from an independent third party for the potential acquisition of a piece of land in PRC.

(b) The carrying amounts of other payables are denominated in RMB and approximate to their fair value.

22 OTHER GAINS

	2011	2010
	RMB'000	RMB'000
Forfeited customer deposits	**2,181**	5,962
Investment return from an infrastructure project	**32,375**	–
Others	**8,753**	–
	43,309	5,962

23 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2011 RMB'000	2010 RMB'000
Auditor's remuneration	**5,000**	4,459
Advertising and other promotional costs	**290,417**	128,633
Agency fee	**42,827**	30,564
Business taxes (note)	**568,625**	327,270
Cost of completed properties sold	**6,933,997**	4,352,621
Donations	**14,455**	15,874
Legal and professional fees	**24,391**	22,413
Depreciation (note 6)	**30,209**	18,281
Amortisation of land use rights (note 8)	**791**	419
Staff costs – including directors' emoluments (note 25)	**306,911**	242,200
Operating lease rental	**21,878**	15,711
Others	**331,570**	181,030
	8,571,071	5,339,475

Note:

The PRC companies comprising the Group are subject to business taxes on their revenues at the following rates:

Category	Rate
Sale of properties	5%
Rental income	5%
Property management	5%

24 FINANCE INCOME/(COSTS) – NET

	2011 RMB'000	2010 RMB'000
Finance income:		
Interest income on bank deposits	**20,959**	11,031
Interest expense:		
– Bank borrowings	**488,174**	281,555
– Loan with detachable warrants	**–**	16,972
– Senior Notes (note 19)	**470,280**	213,533
– Convertible Bonds (note 19)	**162,721**	4,860
– Senior Secured Guaranteed Bonds (note 19)	**158,387**	–
– Other borrowings	**–**	5,461
Total interest expense	**1,279,562**	522,381
Less: interest capitalised (note)	**(1,210,275)**	(425,063)
	69,287	97,318
Net exchange gains	**134,162**	40,445
Finance income/(costs), net	**85,834**	(45,842)

Note: The capitalisation rate of borrowings is 8.87% (2010: 5.33%) for the year.

25 STAFF COSTS – INCLUDING DIRECTORS' EMOLUMENTS

	2011 RMB'000	2010 RMB'000
Wages and salaries	**198,003**	140,321
Pension costs – statutory pension	**13,920**	5,774
Medical benefits	**5,570**	2,164
Share-based payments	**51,057**	74,343
Other allowances and benefits	**38,361**	19,598
	306,911	242,200

26 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' emoluments

Details of emoluments paid to each director for the year ended 31 December 2011 are as follows:

	Year ended 31 December 2011						
	Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Share option benefits (note vi)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director							
Mr. Chen Gengxian	–	1,387	–	42	26	3,248	4,703
Mr. Fok Hei Yu	–	248	–	–	–	404	652
Mr. Han Zhenjie (note iv)	–	1,884	–	42	26	1,242	3,194
Dr. Huang Chuanqi (note iii)	1,650	1,545	–	42	16	2,394	5,647
Ms. Jin Jane (note v)	–	113	–	7	2	–	122
Mr. Kwok Ying Shing	–	3,465	–	–	10	–	3,475
Mr. Kwok Ying Chi	–	1,980	–	–	10	–	1,990
Mr. Rao Yong	–	248	–	–	–	269	517
Mr. Sun Yuenan	–	1,482	–	42	26	3,292	4,842
Dr. Tam Lai Ling (note i)	3,300	–	–	79	10	8,446	11,835
Mr. Zhang Yizhao	–	248	–	–	–	269	517
	4,950	12,600	–	254	126	19,564	37,494

26 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(a) Directors' emoluments *(Continued)*

Details of emoluments paid to each director for the year ended 31 December 2010 are as follows:

	Year ended 31 December 2010						
	Fees	Salary	Discretionary bonuses	Other benefits	Contribution to pension scheme	Share option benefits (note vi)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director							
Mr. Chen Gengxian	–	1,221	–	100	36	4,846	6,203
Mr. Fok Hei Yu	–	255	–	–	–	977	1,232
Mr. Han Zhenjie (note iv)	–	1,302	–	114	31	2,478	3,925
Dr. Huang Chuanqi (note iii)	1,061	895	–	62	20	1,586	3,624
Ms. Jin Jane (note v)	–	1,001	340	82	10	2,478	3,911
Mr. Kwok Ying Shing	–	3,574	–	–	10	–	3,584
Mr. Kwok Ying Chi	–	2,042	–	–	10	–	2,052
Mr. Rao Yong	–	255	–	–	–	651	906
Mr. Sun Yuenan	–	1,378	–	100	36	5,018	6,532
Dr. Tam Lai Ling (note i)	2,836	–	851	68	9	17,822	21,586
Mr. Ye Jiansheng (note ii)	–	538	–	48	24	–	610
Mr. Zhang Yizhao	–	255	–	–	–	651	906
	3,897	12,716	1,191	574	186	36,507	55,071

During the years ended 31 December 2011 and 2010, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; no director waived or has agreed to waive any emoluments.

Notes:

(i) Appointed on 8 March 2010
(ii) Resigned on 15 June 2010
(iii) Appointed on 15 June 2010 and resigned on 8 February 2012
(iv) Appointed on 24 November 2010
(v) Resigned on 11 February 2011
(vi) Share option benefits represent fair value of share options granted to the relevant Director which was charged to the consolidated statement of comprehensive income in accordance with HKFRS 2.

26 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 5 directors (2010: 4), whose emoluments are reflected in note (a) above. In 2010, the emoluments for the remaining individual are as follows:

	2011 **RMB'000**	2010 RMB'000
Salaries and other benefits	**–**	1,045
Discretionary bonuses	**–**	76
Contribution to pension schemes	**–**	26
Share option benefits	**–**	2,887
	–	4,034

The emoluments of the five highest paid individuals fell within the following bands:

	2011	2010
HK$1,000,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$5,000,000	**1**	2
HK$5,000,001 to HK$10,000,000	**3**	2
HK$10,000,001 or above	**1**	1
	5	5

During the years ended 31 December 2011 and 2010, none of the above individuals has received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; none of the above individuals has waived or has agreed to waive any emoluments.

27 INCOME TAX EXPENSES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 24% and 25% (2010: 22% and 25%).

Hong Kong profits tax

No Hong Kong profits tax was provided for the years ended 31 December 2011 and 2010 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of comprehensive income as income tax.

	2011 RMB'000	2010 RMB'000
Current income tax		
– PRC enterprise income tax	**632,084**	512,743
– PRC land appreciation tax	**271,870**	409,781
Overprovision in prior years		
– PRC land appreciation tax	**(55,916)**	–
Deferred income tax (note 20)	**77,652**	787,020
	925,690	1,709,544

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies comprising the Group as follows:

	2011 RMB'000	2010 RMB'000
Profit before income tax	**2,824,968**	5,346,200
Less: Share of result from an associate	**(542)**	(479)
	2,824,426	5,345,721
Calculated at PRC foreign enterprise income tax rate of 24% (2010: 22%)	**677,862**	1,176,059
Effect of different income tax rates of certain companies	**(37,419)**	23,835
Effect of change in income tax rates of certain companies	**16,267**	20,989
Income not subject to tax	**(20,246)**	(8,113)
Expenses not deductible for tax purposes	**41,164**	65,556
Tax losses not recognised	**32,108**	21,437
PRC enterprise income tax	**709,736**	1,299,763
PRC land appreciation tax	**215,954**	409,781
Income tax expenses	**925,690**	1,709,544

28 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2011	2010
Profit attributable to equity holders (RMB'000)	**1,900,954**	3,636,699
Weighted average number of ordinary shares in issue	**4,904,936,959**	4,927,948,822
Basic earnings per share (RMB)	**0.388**	0.738

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of RMB1,900,954,000 (2010: RMB3,636,699,000) and the weighted average of 4,904,936,959 shares (2010: 4,927,948,822 shares) in issue during the year. The weighted average number of ordinary shares in issue as at 31 December 2010 has taken into consideration the shares repurchased during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2011, the Company has the Convertible Bonds and share options that have dilutive potential ordinary shares. The Convertible Bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses less the tax effect. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2011	2010
Profit attributable to equity holders (RMB'000)	**1,900,954**	3,636,699
Adjustment for finance cost on Convertible Bonds	**162,721**	4,860
Profit used to determine diluted earnings per shares (RMB'000)	**2,063,675**	3,641,559
Weighted average number of ordinary shares in issue	**4,904,936,959**	4,927,948,822
Adjustment for Convertible Bonds	**620,000,000**	20,383,562
Adjustment for share options	**23,825,339**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**5,548,762,298**	4,948,332,384
– Diluted earnings per share (RMB)	**0.372**	0.736

29 CASH (USED IN)/GENERATED FROM OPERATIONS

	2011 RMB'000	2010 RMB'000
Profit for the year	**1,899,278**	3,636,656
Adjustments for:		
Income tax expenses (note 27)	**925,690**	1,709,544
Interest income (note 24)	**(20,959)**	(11,031)
Interest expense (note 24)	**69,287**	97,318
Net exchange gains	**(112,243)**	(40,445)
Depreciation (note 6)	**30,209**	18,281
Amortisation (note 8)	**791**	419
Share of result for an associate	**542**	479
Loss on disposals of property and equipment (note)	**2,023**	4,131
Share-based payments	**51,057**	74,343
Change in fair value of investment properties	**(432,712)**	(2,970,144)
Changes in working capital:		
Properties under development and completed properties held for sale	**(9,439,537)**	(1,680,633)
Debtors, deposits and other receivables	**(1,205,055)**	(448,996)
Prepayments for proposed development projects	**(1,088,501)**	(368,749)
Restricted cash	**(10,963)**	(147,101)
Advanced proceeds received from customers	**2,747,510**	2,228,278
Accrued construction costs	**3,951,378**	206,434
Other payables	**455,494**	(398,778)
Amount due to non-controlling interest of a subsidiary	**(34,000)**	–
Cash (used in)/generated from operations	**(2,210,711)**	1,910,006

Note:

Loss on disposals of property and equipment are as follows:

	2011 RMB'000	2010 RMB'000
Net book amount disposed	**2,204**	4,131
Proceeds received	**(181)**	–
Loss on disposals	**2,023**	4,131

30 DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2011 and 2010.

31 FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at balance sheet dates:

	2011 RMB'000	2010 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units	**3,679,268**	4,366,964

The guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

32 COMMITMENTS

(a) Commitments for property development expenditures

	2011 RMB'000	2010 RMB'000
Contracted but not provided for	**18,395,255**	9,181,209

Note:

The amount represented capital commitments for land use rights, prepayments for proposed development contracts and construction contracts.

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2011 RMB'000	2010 RMB'000
Not later than one year	**30,857**	13,808
Later than one year and not later than five years	**27,088**	10,095
	57,945	23,903

32 COMMITMENTS *(Continued)*

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	2011 RMB'000	2010 RMB'000
Not later than one year	**94,820**	100,143
Later than one year and not later than five years	**248,328**	339,691
Later than five years	**178,170**	286,266
	521,318	726,100

33 ACQUISITIONS

(a) Transaction with non-controlling interest

For the year ended 31 December 2010, the Group acquired an additional 45% of the issued shares of Fenglong Group Co., Ltd. ("Fenglong") for a purchase consideration of RMB350,000,000. The Group's carrying amount of the non-controlling interest in Fenglong on the date of acquisition was a net liabilities of RMB44,475,000. The Group recognised a decrease in non-controlling interests of RMB44,475,000 and the excess of consideration paid over the carrying amount was recorded in the capital reserve (note 18). The consideration payable amounted to RMB84,831,000 settled in January 2011.

(b) Acquisitions of interests in subsidiaries

For the year ended 31 December 2011, the Group acquired 100% of the equity interest of several subsidiaries at a total consideration of approximately RMB1,356,160,000. These companies did not operate any business prior to the acquisitions and only held a piece of land or a property under development. As such, the Group considered these are acquisitions of assets in substance and as a result the difference between the cash consideration and the net assets acquired has been recognised as adjustments to the carrying value of the lands and properties under development.

For the year ended 31 December 2010, the Group acquired 100% of the equity interest of several subsidiaries, except for Guangdong Guanji Investments Company Limited ("廣東冠基投資有限公司") of which only 80% equity interest was being acquired from respective third parties at a total consideration of approximately RMB1,666,331,000. These companies did not operate any business prior to the acquisitions and only held a piece of land or a property under development. Therefore, the Group considered these are acquisitions of assets in substance and as a result the difference between the cash consideration and the net assets acquired was recognised as adjustments to the carrying value of the properties under development.

The considerations of all these acquisitions were based on the fair value of the lands and properties under development.

33 ACQUISITIONS *(Continued)*

(b) Acquisitions of interests in subsidiaries *(Continued)*

The assets and liabilities arising from the acquisitions are as follows:

	2011 RMB'000	2010 RMB'000
Property and equipment	**2,585**	3,000
Properties under development	**961,623**	295,637
Debtors, deposits and other receivables	**10,121**	43,844
Cash and cash equivalents	**4,753**	508
Other payables	**(383,381)**	(198,621)
Net assets	**595,701**	144,368
Less: non-controlling interests	**–**	(998)
Net assets acquired	**595,701**	143,370
Purchase consideration settled in cash	**1,175,160**	968,107
Cash and bank balances in subsidiaries acquired	**(4,753)**	(508)
Cash outflow on acquisition	**1,170,407**	967,599

	2011 RMB'000	2010 RMB'000
Total purchase consideration:		
– Cash paid during the year	**1,175,160**	968,107
– Deposit paid in prior years	**–**	484,834
– Payable	**181,000**	213,390
	1,356,160	1,666,331
Fair value of net assets acquired shown as above	**(595,701)**	(143,370)
Adjustments to the carrying amount of properties under development	**760,459**	1,522,961

34 DISPOSALS OF SUBSIDIARIES

(a) Disposal of interest in subsidiaries without loss of control

For the year ended 31 December 2011, the Group disposed its 45% issued share capital of Guangzhou Kaisa Investment Consulting Limited ("廣州佳兆業投資咨詢有限公司"), a formerly wholly-owned subsidiary of the Company, at a consideration of RMB4,500,000 based on its investment cost to an independent third party. As such, the Group recognised an increase in non-controlling interest.

(b) Disposal of interest in subsidiaries

For the year ended 31 December 2010, the Group disposed its entire issued share capital of certain subsidiaries. Certain of these companies solely held a completed properties held for sale in Guangzhou. Therefore, the Group regarded this disposal as sales of properties and its related cash inflow as cash generated from operations.

The aggregate assets and liabilities in respect of the above disposals were as follows:

	2010 RMB'000
Cash and cash equivalent	79,063
Properties under development	885,290
Debtors, deposits and other receivables	1,383
Accrued construction costs	(72,158)
Other payables	(346)
Net assets disposed	893,232
Consideration	
– cash received	1,900,000
– receivable	6,905
	1,906,905
Less: cash and cash equivalents in the subsidiaries and businesses disposed	(79,063)
Cash inflow on disposals	1,820,937

35 SHARE OPTION

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009 for adoption of the Pre-IPO Share Option Scheme, options to subscribe for a total of 50,000,000 ordinary shares of the Company have been conditionally granted to 52 eligible participants including directors and selected employees of the Company. The exercise price of HK$3.105 per share under the Pre-IPO Share Option Scheme is determined at a 10% discount to the global offering price, which was HK$3.45 per share, excluding brokerage, Securities and Futures Commission transaction levy and the Hong Kong Stock Exchange trading fee.

The share options may be exercised in the following manner: (i) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2009 and ending on 9 December 2012; (ii) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2010 and ending on 9 December 2012; and (iii) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2011 and ending on 9 December 2012. Exercise of options is conditional upon the achievement of the profit target as may be determined by the Board. The Group has no obligation to repurchase or settle the options in cash. These options will expire on or before 9 December 2012, being the expiry of the period of 36 months commencing on the date of listing of the Company.

	2011		2010	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**3.105**	**39,800,000**	3.105	50,000,000
Forfeited during the year	**3.105**	**(4,350,000)**	3.105	(10,200,000)
At 31 December	**3.105**	**35,450,000**	3.105	39,800,000

As at 31 December 2011, 23,397,000 (2010: 13,134,000) outstanding options granted under Pre-IPO Share Option Scheme were exercisable (note).

35 SHARE OPTION *(Continued)*

(a) Pre-IPO Share Option Scheme *(Continued)*

Note: Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK$)	Number of share options 2011	2010
19 March 2010–9 December 2012	3.105	**11,698,500**	13,134,000
11 March 2011–9 December 2012	3.105	**11,698,500**	13,134,000
20 March 2012–9 December 2012	3.105	**12,053,000**	13,532,000
		35,450,000	39,800,000

No share options were granted or granted for adjustment, lapsed or cancelled during the year (2010: nil).

The fair value of the options granted determined using the binomial model was HK$83,870,000. The significant inputs to the model were share price of HK$3.45 at the grant date, exercise price of HK$3.105, volatility of 74%, no expected dividend yield, an expected option life of three years and an annual risk free interest rate of 0.72%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past three years of similar listed companies.

(b) Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009, a post-IPO share option scheme ("Share Option Scheme") was conditionally adopted. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

35 SHARE OPTION *(Continued)*

(b) Share Option Scheme *(Continued)*

Details of the movement of the share options under Share Option Scheme are as follows:

	2011		2010	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**2.144**	**191,450,000**	–	–
Granted during the year	**–**	**–**	2.135	204,750,000
Exercised during the year	**2**	**720,000**	–	–
Forfeited during the year	**2**	**17,080,000**	2	13,300,000
At 31 December	**2.159**	**173,650,000**	2.144	191,450,000

As at 31 December 2011, 46,230,000 (2010: 8,250,000) outstanding options granted under the Share Option Scheme were exercisable (note).

Note: Terms of share options at the end of the reporting period were as follows:

Exercise period	**Exercise price per share** (HK$)	**Number of share options** **2011**	2010
9/6/2010–8/6/2015	3.105	**8,250,000**	8,250,000
11/3/2011–10/3/2016	3.105	**8,250,000**	8,250,000
20/3/2012–30/12/2017	3.105	**8,500,000**	8,500,000
23/7/2011–22/7/2020	2.000	**29,730,000**	33,290,000
23/7/2012–22/7/2020	2.000	**29,730,000**	33,290,000
23/7/2013–22/7/2020	2.000	**29,730,000**	33,290,000
23/7/2014–22/7/2020	2.000	**29,730,000**	33,290,000
23/7/2015–22/7/2020	2.000	**29,730,000**	33,290,000
		173,650,000	191,450,000

The Company offered to grant Dr. Tam Lai Ling (the "March Grant"); and several directors and senior management (the "July Grant") of 25,000,000 and 179,750,000 shares respectively of HK$0.10 each in the capital of the Company on 23 March 2010 and 23 July 2010 respectively. The valuation was based on a Binomial Model with the following data and assumptions:

	March Grant	**July Grant**
Fair value under binomial model	HK$22,355,000	HK$142,362,000
Closing share price at grant date	HK$2.56	HK$1.71
Exercise price	HK$3.105	HK$2.00
Annual risk free interest rate	1.82% – 2.33%	2.29%
Expected option life	5–7 years	10 years
Expected divided yield	Nil	Nil

The volatility of the share price of the Company was determined based on the movement of the share price during the year 2010. The volatility rate was 40% per annum.

36 FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	Loans and receivables		Loans and receivables	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (note 13)	**842,679**	177,133	**–**	–
Other receivables (note 13)	**258,897**	74,981	**–**	–
Other deposits (note 13)	**189,731**	241,751	**2,213**	1,896
Restricted cash (note 15)	**541,030**	530,067	**–**	–
Cash at bank and in hand (note 16)	**3,945,389**	4,339,600	**510,450**	957,157
	5,777,726	5,363,532	**512,663**	959,053

	Group		Company	
	Other financial liabilities at amortised cost		Other financial liabilities at amortised cost	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables and accruals (note 21)	**878,312**	307,421	**9,898**	9,341
Note payables (note 21)	**209,707**	32,970	**–**	–
Consideration payable related to purchase of subsidiaries (note 21)	**298,913**	380,922	**–**	–
Consideration payable related to purchase of an associate (note 21)	**6,000**	35,000	**–**	–
Borrowings (note 19)	**13,644,491**	7,927,372	**7,256,105**	3,557,379
Amount due to non-controlling interest of a subsidiary	**3,477**	37,477	**–**	–
	15,040,900	8,721,162	**7,266,003**	3,566,720

37 RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Controlling shareholders

Mr. Kwok Chun Wai and Mr. Kwok Ying Shing

(b) Key management compensation

	2011 RMB'000	2010 RMB'000
Salaries and other short-term employee benefits	**25,475**	23,508
Retirement scheme contributions	**241**	285
Share option benefits	**26,794**	44,025
	52,510	67,818

(c) Purchasing of services

	2011 RMB'000	2010 RMB'000
Rental expense (note)	**1,222**	1,204

Notes:

This represents payment of rental expense for various office premises to controlling shareholders Mr. Kwok Chun Wai and Mr. Kwok Ying Shing and Prime Yield Holdings Limited respectively. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2011 are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Established and operate in the PRC, all of which are foreign investment enterprises:				
Shenzhen Naiao Kasia Property Development Co., Ltd. 深圳市南澳佳兆業房地產開發有限公司	15 February 2004	RMB640,000,000	100%	Property development
Kaisa Property (Shenzhen) Co., Ltd. 佳兆業地產(深圳)有限公司	3 June 1999	RMB2,826,160,000	100%	Property development
Kaisa Technology (Shenzhen) Co., Ltd, 佳兆業科技(深圳)有限公司	27 July 2001	HK$714,000,000	100%	Property development
Leisure Land Hotel Management (Shenzhen) Co., Ltd. 可域酒店管理(深圳)有限公司	23 May 2005	RMB540,000,000	100%	Property management
Huizhou Canrong Property Co., Ltd. 惠州燦榮房產有限公司	14 January 1994	HK$31,878,000	100%	Property development
Kaisa Zhiye (Shenzhen) Co., Ltd. 佳兆業置業發展(深圳)有限公司	26 March 2004	RMB10,000,000	100%	Property development
Changzhou Kaisa Property Development Co., Ltd. 常州佳兆業房地產開發有限公司	8 December 2010	USD36,896,980	100%	Property development
Zhuzhou Kaisa Zhiye Co., Ltd 株洲佳兆業置業有限公司	13 January 2011	HK$515,300,000	100%	Property development
Bakai Property Development (Weifang) Co., Ltd 八凱房地產開發(濰坊)有限公司	22 June 2011	USD23,749,658.08	100%	Property development
Leisure Land Hotel Zhiye Management (Suizhong) Co., Ltd 可域酒店置業管理(綏中)有限公司	20 December 2010	HK$170,000,000	100%	Hotel management
Zhao Rui Jing Hotel Zhiye Management (Suizhong) Co., Ltd 兆瑞景酒店置業管理(綏中)有限公司	20 December 2010	HK$68,300,000	100%	Hotel management

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Dai River East Property (Suizhong) Co., Ltd 東戴河地產(綏中)有限公司	15 July 2011	HK$22,320,000	100%	Property development
Kaisa Property (Suizhong) Co., Ltd 佳兆業地產(綏中)有限公司	15 July 2011	HK$154,250,000	100%	Property development
Wan Tai Chang Property (Anshan) Co., Limited 萬泰昌地產(鞍山)有限公司	16 December 2010	USD10,664,200	100%	Property development
Kaisa Property (Anshan) Co., Ltd. 佳兆業地產(鞍山)有限公司	16 December 2010	USD40,767,500	100%	Property development
Wan Rui Fa Property (Anshan) Co., Ltd 萬瑞發地產(鞍山)有限公司	28 June 2011	USD19,115,864	100%	Property development
Anshan Monarch Residence Property Development Co., Ltd 鞍山君匯上品房地產開發有限公司	28 June 2011	USD11,327,919	100%	Property development
Woodland Height Property (Yingkou) Co., Ltd 桂芳園地產(營口)有限公司	14 December 2010	USD37,939,500	100%	Property development
Zhaoruijing Property (Yingkou) Co., Ltd. 兆瑞景地產(營口)有限公司	14 December 2010	USD8,656,200	100%	Property development
Wan Tai Chang Property (Yingkou) Company Limited 萬泰昌地產(營口)有限公司	14 December 2010	USD11,084,500	100%	Property development
Kaisa Property (Yingkou) Co., Ltd. 佳兆業地產(營口)有限公司	14 December 2010	USD36,407,700	100%	Property development
Kasia Real Estate (Benxi) Co., Ltd. 佳兆業地產(本溪)有限公司	7 March 2011	HK$210,000,000	100%	Property development
Kaisa Commerce Property Management (Panjin) Co., Ltd 佳兆業商業置業管理(盤錦)有限公司	16 March 2011	USD20,000,000	100%	Commerce management

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Cornwell Holdings (Shenzhen) Co., Ltd 冠華基業實業(深圳)有限公司	23 August 2004	RMB550,000,000	100%	Property development
Kaisa Zhiye (Nanchong) Co., Ltd. 佳兆業置業(南充)有限公司	28 December 2010	RMB850,000,000	100%	Property development
Kaisa Property (Wuhan) Co., Ltd 佳兆業地產(武漢)有限公司	1 July 2011	RMB293,880,000	100%	Property development
Zhuhai Kaisa Property Development Co., Ltd 珠海市佳兆業房地產開發有限公司	9 June 2011	RMB10,000,000	100%	Property development
Established and operate in the PRC, all of which are local investment enterprises:				
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司	3 March 2006	RMB10,000,000	100%	Property development
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	21 March 1997	RMB12,000,000	100%	Property development
Chengdu Kaisa Property Development Co., Ltd. 成都佳兆業房地產開發有限公司	31 July 2006	RMB10,000,000	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	27 October 2005	RMB202,500,000	100%	Property development
Shenzhen Daye Property Development Co., Ltd. 深圳市大業房地產開發有限公司	26 January 2007	RMB10,000,000	100%	Property development
Shenzhen Longgang Kaisa Property Development Co., Ltd. 深圳市龍崗佳兆業房地產開發有限公司	14 November 2006	RMB204,680,000	100%	Property development
Shenzhen Zhaoruijing Commerce Operation Management Co., Ltd. 深圳市兆瑞景商業經營管理有限公司	19 July 2004	RMB401,000,000	100%	Commerce management

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Shenzhen Zhongwei Investment Consulting Co., Ltd. 深圳市中衛投資諮詢有限公司	31 August 2005	RMB13,480,000	100%	Property development
Sichuan Kaisa Zhiye Co., Ltd. 四川佳兆業置業有限公司	16 May 2007	RMB10,000,000	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	11 April 1993	RMB50,000,000	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司	29 January 2007	RMB50,000,000	100%	Property development
Dongguan Kaisa Property Development Co., Ltd. 東莞市佳兆業房地產開發有限公司	6 September 2004	RMB38,000,000	100%	Property development
Chengdu Nanxing Yinji Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	5 November 2004	RMB420,000,000	100%	Property development
Dongguan Kaisa Property Management Co., Ltd. 東莞市佳兆業物業管理有限公司	18 July 2007	RMB2,500,000	100%	Property development
Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司	12 July 2007	RMB10,000,000	100%	Property development
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	14 September 2007	RMB1,000,000	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	22 June 2007	RMB20,000,000	100%	Property development

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Guangzhou Kaisa Commerce Operation Management Co., Ltd. 廣州市佳兆業商業經營管理有限公司	11 October 2007	RMB2,000,000	100%	Commerce management
Shenzhen Xingwoer Shihua Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司	29 January 1999	RMB10,000,000	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	4 January 2007	RMB10,000,000	100%	Property development
Chengdu Kaisa Property Management Co. Ltd. 成都市佳兆業物業管理有限公司	30 January 2008	RMB3,000,000	100%	Property management
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司	22 November 2007	RMB155,000,000	100%	Property development
Shanghai Xinwan Investment Development Co. Ltd. 上海新灣投資發展有限公司	17 January 2007	RMB35,000,000	100%	Property development
Chengdu Kaisa Commerce Operation Management Co., Ltd. 成都市佳兆業商業經營管理有限公司	29 January 2008	RMB2,000,000	100%	Commerce management
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	29 August 2007	RMB60,000,000	100%	Property development
Boluo Kaisa Property Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司	2 June 2008	RMB10,000,000	100%	Property development
Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司	2 June 2008	RMB10,000,000	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	4 July 2008	RMB10,000,000	80%	Property development

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Shenzhen Golden Bay Resort Co., Ltd. 深圳市金沙灣大酒店有限公司	17 June 1997	RMB50,000,000	100%	Hotel
Shenzhen Tianli'an Industrial Development Co., Ltd. 深圳市天利安實業發展有限公司	4 September 2002	RMB46,000,000	100%	Property development
Boji (Shenzhen) Company Limited 寶吉工藝品(深圳)有限公司	28 December 1988	RMB442,180,000	100%	Property development
Foshan Shunde Huaren Property Co., Ltd. 佛山市順德區華仁房產投資有限公司	7 December 2009	RMB10,000,000	100%	Property development
Foshan Shunde Kaisa Property Development Co., Ltd. 佛山市順德區佳兆業房地產開發有限公司	2 November 2010	RMB10,000,000	100%	Property development
Kaisa Property (Taichang) Co. Ltd. 佳兆業地產(太倉)有限公司	4 November 2010	RMB210,000,000	100%	Property development
Jiangyin Property Development Co., Ltd. 江陰水岸華府房地產開發有限公司	10 December 2010	RMB20,000,000	100%	Property development
Nanchong Kaisa Property Development Co., Ltd. 南充市佳兆業房地產有限公司	10 December 2010	RMB10,000,000	100%	Property development
Jiangyin Juicui Garden Property Development Co., Ltd. 江陰金翠園房地產開發有限公司	22 February 2011	RMB20,000,000	100%	Property development
Shenzhen Woodland Height Shiye Co., Ltd 深圳市桂芳園實業有限公司	13 October 2003	RMB10,000,000	100%	Property development
Shenzhen Yantian Kaisa Property Development Co., Ltd. 深圳市鹽田佳兆業房地產開發有限公司	19 April 2011	RMB160,000,000	100%	Property development
Hunan Kaisa Property Development Co., Ltd 湖南佳兆業房地產開發有限公司	21 August 2007	RMB20,000,000	100%	Property development

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Zhejiang Wufeng Zhiye Co., Ltd. 浙江伍豐置業有限公司	7 January 2010	RMB100,000,000	100%	Property development
Kaisa Dai River East Property Development Co., Ltd 佳兆業東戴河房地產開發有限公司	6 July 2011	RMB50,000,000	100%	Property development
Kaisa Property (Dalian) Co., Ltd 佳兆業地產(大連)有限公司	28 July 2011	RMB10,000,000	100%	Property development
Foshan Shunde Ideal City Real Estate Investment Co., Ltd. 佛山市順德區理想城房地產投資有限公司	9 October 2010	RMB360,000,000	100%	Property development
Shenzhen Kaisa Commerce Management Co., Ltd. 深圳市佳兆業商業管理有限公司	13 August 2010	RMB10,000,000	100%	Hotel management
Huizhuou Kaisa Commerce Operation Management Co. Ltd. 惠州市佳兆業商業經營管理有限公司	7 April 2009	RMB5,000,000	100%	Commerce management
Dalian Kaisa Commerce Operation Management Co., Ltd 大連市佳兆業商業經營管理有限公司	18 March 2011	RMB20,000,000	100%	Commerce management
Shenzhen Kaisa Cinema Investment Management Co., Ltd 深圳市佳兆業影院投資管理有限公司	13 July 2011	RMB10,000,000	100%	Commerce management
Shenzhen Kaisa Baihuo Co., Ltd 深圳市佳兆業百貨有限公司	13 June 2002	RMB6,000,000	100%	Commerce management
Dongguan City Oasis Garden Property Development Co., Ltd. 東莞市城市綠洲花園房地產開發有限公司	21 October 2011	RMB10,000,000	100%	Property development
Anshan Kaisa Baihuo Co., Ltd 鞍山佳兆業百貨有限公司	17 October 2011	RMB8,000,000	100%	Commerce management

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Established and operate in the PRC, all of which are sino-foreign equity joint venture enterprises:				
Fenglong Group Co., Ltd. 豐隆集團有限公司	29 October 1993	RMB168,000,000	100%	Property development
Sichuan Tianzi Zhiye Co., Ltd. 四川天姿置業有限公司	15 September 2006	RMB20,000,000	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	14 January 1994	HK$256,026,685	100%	Property development
Huizhou Jinhu Property Co., Ltd. 惠州市金湖房地產有限公司	26 March 1993	RMB100,000,000	100%	Property development
Huizhou Jinhu Entertainment Park Co., Ltd. 金湖遊樂園(惠州)有限公司	11 June 1993	USD4,800,000	100%	Property development
Huizhou Jinhu Resort Village Development Co., Ltd. 金湖渡假村(惠州)發展有限公司	2 June 1993	USD12,000,000	100%	Property development
Kaisa Property (Liaoning) Co. Ltd. 佳兆業地產(遼寧)有限公司	28 January 2010	RMB1,086,670,000	100%	Property development
Jiangyin Woodland Height Property Co., Ltd. 江陰桂芳園房地產有限公司	22 March 2010	USD24,280,000	100%	Property development
Kaisa Jiangyin Real Estate Co., Ltd. 佳兆業地產江陰有限公司	15 October 2009	RMB320,695,660	100%	Property development
Guangdong Guanji Investments Company Limited 廣東冠基投資有限公司	1 August 2005	RMB5,000,000	80%	Property development
Kaisa Technology (Huizhou) Co., Ltd. 佳兆業科技(惠州)有限公司	24 March 2008	USD37,942,560	100%	Property development

Independent Auditor's Report

TO THE SHAREHOLDERS OF KAISA GROUP HOLDINGS LTD.
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kaisa Group Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 68 to 149, which comprise the consolidated and company balance sheets as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinances, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statement that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 March 2011

Consolidated Balance Sheet

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000 (Restated)	As at 1 January 2009 RMB'000 (Restated)
ASSETS				
Non-current assets				
Property and equipment	6	**106,140**	91,731	76,692
Investment properties	7	**5,484,000**	1,578,600	1,278,400
Land use rights	8	**18,379**	18,798	19,237
Investment in an associate	9	**299,521**	–	–
Deferred income tax assets	21	**75,075**	119,559	91,122
		5,983,115	1,808,688	1,465,451
Current assets				
Properties under development	11	**10,521,175**	7,379,830	6,691,753
Completed properties held for sale	12	**603,321**	1,013,120	1,782,933
Debtors, deposits and other receivables	13	**2,482,284**	2,526,713	1,318,719
Prepayments for proposed development projects	14	**1,827,183**	1,383,871	1,144,409
Prepaid taxes		**135,797**	142,571	108,821
Restricted cash	15	**530,067**	382,966	105,836
Cash and cash equivalents	16	**4,339,600**	3,344,453	679,271
		20,439,427	16,173,524	11,831,742
Total assets		**26,422,542**	17,982,212	13,297,193
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	17	**432,150**	440,550	1
Share premium	17	**3,815,214**	4,024,775	1,490,772
Reserves	18	**5,741,093**	2,203,702	1,651,180
		9,988,457	6,669,027	3,141,953
Non-controlling interests		**4,936**	(40,494)	(40,480)
Total equity		**9,993,393**	6,628,533	3,101,473

Consolidated Balance Sheet (Continued)

As at 31 December 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000 (Restated)	As at 1 January 2009 RMB'000 (Restated)
LIABILITIES				
Non-current liabilities				
Borrowings	19	**6,175,664**	2,812,890	2,991,925
Deferred income tax liabilities	21	**971,237**	228,701	156,239
		7,146,901	3,041,591	3,148,164
Current liabilities				
Advance proceeds received from customers		**4,494,353**	2,266,075	1,155,926
Accrued construction costs		**1,325,983**	1,119,549	1,144,981
Income tax payable		**866,390**	404,906	277,969
Borrowings	19	**1,751,708**	3,048,988	2,200,000
Loan with detachable warrants	20(c)	**–**	684,736	1,305,546
Financial derivatives	20(c)	**–**	–	80,522
Other payables	22	**806,337**	750,357	880,776
Amount due to non-controlling interest of a subsidiary		**37,477**	37,477	–
Amount due to a related party		**–**	–	1,836
		9,282,248	8,312,088	7,047,556
Total liabilities		**16,429,149**	11,353,679	10,195,720
Total equity and liabilities		**26,422,542**	17,982,212	13,297,193
Net current assets		**11,157,179**	7,861,436	4,784,186
Total assets less current liabilities		**17,140,294**	9,670,124	6,249,637

The notes on pages 74 to 149 are an integral part of these financial statements.

The financial statements on pages 68 to 149 were approved by the Board of Directors on 10 March 2011 and were signed on its behalf.

Kwok Ying Shing
Director

Huang Chuanqi
Director

Balance Sheet

As at 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
ASSETS			
Non-current assets			
Subsidiaries	10	**79,001**	4,658
Current assets			
Debtors, deposits and other receivables	13	**1,896**	15,022
Due from a subsidiary	10	**7,923,183**	3,213,228
Cash and cash equivalents	16	**957,157**	1,955,112
		8,882,236	5,183,362
Total assets		**8,961,237**	5,188,020
EQUITY			
Share capital	17	**432,150**	440,550
Share premium	17	**3,815,214**	4,024,775
Reserves	18	**1,147,153**	11,768
Total equity		**5,394,517**	4,477,093
LIABILITIES			
Non-current liabilities			
Borrowings	19	**3,557,379**	–
		3,557,379	–
Current liabilities			
Loan with detachable warrants	20(c)	**–**	684,736
Other payables	22	**9,341**	26,191
		9,341	710,927
Total liabilities		**3,566,720**	710,927
Total equity and liabilities		**8,961,237**	5,188,020
Net current assets		**8,872,895**	4,472,435
Total assets less current liabilities		**8,951,896**	4,477,093

The notes on pages 74 to 149 are an integral part of these financial statements.

The financial statements on pages 68 to 149 were approved by the Board of Directors on 10 March 2011 and were signed on its behalf.

Kwok Ying Shing
Director

Huang Chuanqi
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	**2010 RMB'000**	2009 RMB'000
Revenue	5	**7,755,890**	4,672,156
Cost of sales	24	**(4,745,012)**	(3,352,040)
Gross profit		**3,010,878**	1,320,116
Other gains	23	**5,962**	37,201
Selling and marketing costs	24	**(183,308)**	(163,543)
Administrative expenses	24	**(411,155)**	(250,105)
Change in fair value of investment properties	7	**2,970,144**	289,847
Change in fair value of financial derivatives	20(c)	**–**	(85,339)
Operating profit		**5,392,521**	1,148,177
Share of result from an associate		**(479)**	–
Finance income	25	**11,031**	9,958
Finance costs	25	**(56,873)**	(204,740)
Finance costs – net		**(45,842)**	(194,782)
Profit before income tax		**5,346,200**	953,395
Income tax expenses	28	**(1,709,544)**	(405,538)
Profit for the year and total comprehensive income for the year		**3,636,656**	547,857
Profit attributable to:			
Equity holders of the Company		**3,636,699**	547,871
Non-controlling interests		**(43)**	(14)
		3,636,656	547,857
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)	29		
– Basic		**0.738**	0.138
– Diluted		**0.736**	0.138

The notes on pages 74 to 149 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital RMB'000 (note 17)	Share premium RMB'000 (note 17)	Reserves RMB'000 (note 18)	Total RMB'000	RMB'000	RMB'000
Balance as at 1 January 2009	1	1,490,772	1,651,180	3,141,953	(40,480)	3,101,473
Profit and comprehensive income for the year	–	–	547,871	547,871	(14)	547,857
Transactions with owners:						
Issue of shares in connection with the initial public offering (the "IPO") (note 17(b))	88,110	2,951,686	–	3,039,796	–	3,039,796
Capitalisation of share premium (note 17(c))	344,697	(344,697)	–	–	–	–
Issue of shares to warrant holders (note 17(d))	7,742	(4,407)	–	3,335	–	3,335
Transfer from financial derivatives (note 20(c))	–	165,727	–	165,727	–	165,727
Share issue expense	–	(234,306)	–	(234,306)	–	(234,306)
Share-based payments	–	–	4,651	4,651	–	4,651
Balances as at 31 December 2009	440,550	4,024,775	2,203,702	6,669,027	(40,494)	6,628,533
Balance as at 1 January 2010	**440,550**	**4,024,775**	**2,203,702**	**6,669,027**	**(40,494)**	**6,628,533**
Profit and comprehensive income for the year	**–**	**–**	**3,636,699**	**3,636,699**	**(43)**	**3,636,656**
Transactions with owners:						
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**998**	**998**
Acquisition of additional interest in a subsidiary	**–**	**–**	**(394,475)**	**(394,475)**	**44,475**	**(350,000)**
Repurchase of ordinary shares (note 17(e))	**(8,400)**	**(209,561)**	**–**	**(217,961)**	**–**	**(217,961)**
Equity component of Convertible Bonds (note 19(b))	**–**	**–**	**220,824**	**220,824**	**–**	**220,824**
Share-based payments	**–**	**–**	**74,343**	**74,343**	**–**	**74,343**
Balances as at 31 December 2010	**432,150**	**3,815,214**	**5,741,093**	**9,988,457**	**4,936**	**9,993,393**

The notes on pages 74 to 149 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	**2010 RMB'000**	2009 RMB'000
Cash flows from operating activities			
Cash generated from operations	30	**1,910,006**	1,036,847
Income tax paid		**(454,266)**	(268,326)
Interest paid		**(228,853)**	(490,923)
Net cash generated from operating activities		**1,226,887**	277,598
Cash flows from investing activities			
Purchase of property and equipment	6	**(33,821)**	(25,284)
Acquisition of subsidiaries, net of cash acquired	34	**(967,599)**	(259,891)
Acquisition of additional interest in a subsidiary	34(a)	**(265,169)**	–
Investment in an associate		**(265,000)**	–
Payment for consideration payable related to purchase of subsidiaries		**(77,084)**	(170,365)
Proceeds from disposal of property and equipment	30	**–**	1,623
Interest received	25	**11,031**	9,958
Net cash used in investing activities		**(1,597,642)**	(443,959)
Cash flows from financing activities			
Proceeds from borrowings		**2,619,027**	3,622,224
Repayments of borrowings		**(4,110,912)**	(2,952,271)
Repurchase of ordinary Shares		**(217,961)**	–
Repayment of loan with detachable warrants	20(c)	**(682,820)**	(682,876)
Proceeds from issuing shares in connection with the IPO	17(b)	**–**	3,039,796
Proceeds from issuing shares to warrant holders	17(d)	**–**	3,335
Proceeds from issuance of Convertible Bonds	19(b)	**1,452,791**	–
Proceeds from issuance of Senior Notes	19(a)	**2,333,507**	–
Issuance expense		**–**	(234,306)
Decrease in amount due to a related party		**–**	(1,836)
Increase in amount due to non-controlling interest of a subsidiary		**–**	37,477
Net cash generated from financing activities		**1,393,632**	2,831,543
Net increase in cash and cash equivalents		**1,022,877**	2,665,182
Cash and cash equivalents at beginning of year		**3,344,453**	679,271
Exchange adjustments		**(27,730)**	–
Cash and cash equivalents at end of year	16	**4,339,600**	3,344,453

The notes on pages 74 to 149 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2010

1 GENERAL INFORMATION

Kaisa Group Holdings Ltd. (the "Company") was incorporated in the Cayman Islands on 2 August 2007 as an exempted company with limited liability under the Companies Law (2009 Revision) (as consolidated and revised from time to time) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. During the year, the Company was engaged in investment holding and the subsidiaries of the Company were principally engaged in the property development, property investment and property management.

In preparation for the Company's listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company and its subsidiaries (collectively the "Group") underwent the reorganisation, which was completed in December 2007. Upon completion of the reorganisation, the Company became the holding company of the Group.

The Company's shares were listed on the Stock Exchange on 9 December 2009.

These consolidated financial statements were approved by the Board of Directors of the Company for issue on 10 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties at fair value.

The preparation of consolidated financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 below.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Change in accounting policy

As at 1 January 2010, the Group changed its accounting policy for land use rights held for development and subsequent sale and the accounting policy has been applied retrospectively.

Land use rights which are held for development and subsequent sale meet the definition of both inventories under HKAS 2 "Inventories" and leasehold land under HKAS 17 "Leases".

Previously, land use rights which are held for development and subsequent sale were classified as prepaid operating leases and payments were amortised on a straight line basis over the period of the lease in accordance with HKAS 17. Amortisation of leasehold land during the development phase was capitalised as part of the construction cost of the property. Amortisation charges incurred prior to development and following completion of the property were recognised in the consolidated statement of comprehensive income.

Subsequent to the change in the accounting policy, land use rights relating to property held for development and subsequent sale are classified as inventories in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Management believes that the new classification of land use rights as inventories results in a more relevant presentation of the financial position of the Group, and of its performance for the year. The revised treatment reflects the management's intention on the use of the land use rights and results in a presentation consistent with the industry practice.

Since development commenced almost immediately after land use rights were obtained, and a large majority of completed properties were sold in the same period in which the respective properties were completed, substantially all amortisation charges have been capitalised in prior years. Accordingly, the change in accounting policy has no material impact to the consolidated statement of comprehensive income of the Group for the comparative periods. The change resulted in a reclassification of certain items in the consolidated balance sheet is summarised as follows:

	At 31 December 2010 RMB'000	At 31 December 2009 RMB'000	At 1 January 2009 RMB'000
Non-current assets			
Decrease in land use rights	**(3,524)**	(3,836)	(4,011)
Current assets			
Increase in completed properties held for sale	**276,429**	263,407	503,278
Increase in properties under development	**6,467,311**	4,128,892	4,316,736
Decrease in land use rights	**(6,740,216)**	(4,388,463)	(4,816,003)

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRSs

In 2010, the Group adopted the new/revised accounting standards, amendments and interpretations of HKFRSs below, which are relevant to its operations.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after 1 January 2010.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  The Group has applied the revised standard to account for the business combinations during the year as set out in note 34 to the financial statements.

  HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

  The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised HKAS 27, 'Consolidated and separate financial statements', became effective. The revision to HKAS 27 contained consequential amendments to HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures'.

  Previously, transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

  Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date of control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

  The Group has applied the revised standard to account for the transactions with non-controlling interests during the year as set out in note 34(a) to the financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRSs *(Continued)*

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Land use rights", and amortised over the lease term.

  HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and considered the leasehold land in the People's Republic of China (the "PRC") remained as operating lease. As a result of the reassessment, there is no material impact on the Group's financial statements.

- HK Int-5 – The HKICPA issued on 29 November 2010 HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". This Interpretation, as a clarification of an existing standard, is effective immediately. According to the Interpretation, the classification of a term loan in accordance with paragraph 69(d) of HKAS 1 shall depend on whether or not the borrower has an unconditional right to defer payment for at least twelve months after the reporting period. Consequently, amounts repayable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time shall be classified by the borrower as current in its balance sheet. This Interpretation did not have a material impact on the Group's financial statements.

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRSs *(Continued)*

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group.

HKAS 7 (Amendment)	Statements of cash flows
HKAS 18 (Amendment)	Revenue
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets
HKAS 39 (Amendment)	Financial instruments: Recognition and Measurement
HKFRS 2 (Amendment)	Scope of HKFRS 2 and revised HKFRS 3
HKFRS 5 (Amendment)	Disclosures of non-current assets (or disposal group) classified as held for sale and discontinued operations
HK(IFRIC) – Int 9	Reassessment of embedded derivates
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – Int 17	Distributions on Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers

Standards, amendments and interpretations which are not yet effective

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 2011, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKAS 32 (Amendment)	Classification of rights issues	1 January 2011
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HK(IFRIC) – Int 14	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments	1 January 2011
	Improvements to HKFRS 2010 (annual improvements project)	1 January 2011 (unless otherwise stated)
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKFRS 9	Financial instruments	1 January 2013

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Standards, amendments and interpretations which are not yet effective *(Continued)*

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fail values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the share of the Group of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the companies comprising the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and the presentation currency of the Company and the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of comprehensive income as part of the fair value gain on loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale investments revaluation reserve in equity.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial positions of all the companies comprising the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet of the companies comprising the Group presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each statement of comprehensive income companies comprising the Group are translated at average exchange rates; and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "Other gains/(losses), net" in the statement of comprehensive income.

(g) Investment properties

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. It also includes properties that are under construction but with a plan to use as investment properties in the future.

Investment property comprises land and buildings held under operating leases.

Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statement of comprehensive income as part of a valuation gain or loss.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Investment properties *(Continued)*

Where fair value of investment property under construction is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the statement of comprehensive income during the financial period in which they are incurred.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to completed properties held for sale at its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as land use rights and property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If the land use rights and the attached properties for own-use become an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of the land use rights and the attached properties under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the statement of comprehensive income to the extent that is reverses a previous impairment loss, with any remaining increase recognised directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to statement of comprehensive income.

Any revaluation reserve balance of the property is transferred to retained earnings in the statement of comprehensive income upon the subsequent disposal of the investment property.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are recognised as debtors, deposits and other receivables in the balance sheet.

Loans and receivables are carried at amortised cost using the effective interest method.

(i) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of financial assets carried at amortised cost *(Continued)*

The Group first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(j) Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on marketing conditions.

Development cost of property comprises construction costs, depreciation of machinery and equipment, land use rights in relation to properties under development for subsequent sale, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale and buildings within property and equipment.

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.

(k) Completed properties held for sale

Completed properties remaining unsold at the balance sheet dates are stated as inventory (or current assets held for sale) at the lower of cost and net realisable value.

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary (other than common control combinations) at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(m) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(n) Cash and cash equivalents

Cash and cash equivalent includes cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Restricted cash are not included in cash and cash equivalents.

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet dates.

(q) Loan with detachable warrants

Loan with detachable warrants that contain liability, warrants, and options are classified as loan liabilities, equity instruments and derivatives on initial recognition.

Derivatives and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Loan with detachable warrants is initially recognised at fair value and is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the loan using the effective interest method.

The derivatives are initially recognised at fair value and are remeasured at their fair value with changes recognised in the statement of comprehensive income.

Issue costs are allocated proportionately to the loan, equity instruments and financial liabilities based on their relative fair values at the date of issue.

(r) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(s) Senior Notes

Senior Notes issued by the Company are recognised at fair value at date of issue, net of transaction costs incurred. After initial recognition, the Senior Notes are carried at amortised cost using the effective interest method.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Convertible bonds

(i) Convertible bonds with equity component

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry or when the Company redeems some or all of the convertible bonds upon exercise of the put option by the bond holders (note 19).

(ii) Convertible bonds without equity component

All other convertible bonds which do not exhibit the characteristics mentioned in (i) above are accounted for as hybrid instruments consisting of an embedded derivative and a host debt contract. At initial recognition, the embedded derivative of the convertible bonds is accounted for as derivative financial instruments and is measured at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability under the contract. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability under the contract.

The derivative component is subsequently carried at fair value and changes in fair value are recognised in the statement of comprehensive income. The liability under the contract is subsequently carried at amortised cost, calculated using the effective interest method, until extinguished on conversion or maturity.

When the convertible bonds are converted, the carrying amount of the liability under the contract together with the fair value of the relevant derivative component at the time of conversion are transferred to share capital and share premium as consideration for the shares issued. When the convertible bonds are redeemed, any difference between the redemption amount and the carrying amounts of both components are recognised in the statement of comprehensive income.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Borrowing costs

Borrowing costs are charged to the statement of comprehensive income in the accounting period in which they are incurred, except for costs related to funding of the construction and acquisition of properties under development which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

(v) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds. Other than the contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees in Hong Kong.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Employee benefits *(Continued)*

(iv) Share-based payments

The Group operates equity-settled share option schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The subsidiaries measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, and record expense in the financial statements of the subsidiaries, with a corresponding increase recognised in equity as a contribution from the Company.

(x) Provisions, contingent liabilities and contingent assets

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of properties and services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales with the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as advanced proceeds received from customers under current liabilities.

(ii) Rental income

Rental income from properties letting under operating leases is recognised on a straight-line basis over the lease terms.

(iii) Property management

Commission arising from property management is recognised in the accounting period in which the service is rendered.

(iv) Interest income

Interest income is recognised using the effective interest method.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) The Group is the lessor

When assets are leased out under an operating lease, the assets are included in the consolidated balance sheet based on the nature of the assets. Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

(aa) Land use rights

The Group made upfront payments to obtain operating leases of land use rights. The upfront payments of the land use rights are recorded as assets. The amortisation of land use rights is recognised as an expense on a straight-line basis over the unexpired period of the land use rights.

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or the Board of Directors, where applicable.

(ac) Financial guarantee liabilities

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the property purchasers.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such contracts are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation.

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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT

The Group conducts its operations in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Group's major financial instruments include trade and other receivables, cash at bank and in hand, restricted cash, accrued construction costs, other payables, purchase consideration of subsidiaries, refundable deposits received for renovation contract, bank borrowings, loan with detachable warrants and instruments. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC, which will affect the volumes of property transactions and selling prices. The Group mainly relies on sales of properties and bank borrowings to fund its operations. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

Risk management is carried out by the Group's management under the supervision of the Finance Committee. The Group's management identifies, evaluates and manages significant financial risks in the Group's individual operating units. The Board provides guidance for overall risk management.

(a) Financial risk factor

(i) Market risk

(1) Foreign currency exchange risk

The Group

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from the IPO and borrowings are in other foreign currencies. The major non-RMB assets and liabilities are borrowings and bank deposits denominated in Hong Kong dollar ("HKD") and the United States dollar ("USD").

The Company and all of its subsidiaries' functional currency is RMB, so the bank balances and borrowings denominated in foreign currencies are subject to retranslation at each reporting date. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations.

The Group does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 31 December 2010, if RMB had strengthened/weakened by 5% against HKD and USD, with all other variables held constant, the Group's post-tax profit for the year would have been approximately RMB17,105,000 higher/lower (2009: RMB69,449,000 lower/higher), mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated bank deposits and bank borrowings.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor *(Continued)*

(i) Market risk *(Continued)*

(1) Foreign currency exchange risk (Continued)

The Company

As at 31 December 2010, if RMB had strengthened/weakened by 5% against HKD and USD, with all other variables held constant, the Company's post-tax profit for the year would have been approximately RMB65,269,000 higher/lower (2009: RMB60,585,000, lower/higher), mainly as a result of net foreign exchange gains/losses on translation of HKD and USD denominated bank deposits and bank borrowings.

(2) Interest rate risk

The Group

The Group has been exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank borrowings which carry prevailing market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from interest bearing bank deposits, bank borrowings, Convertible Bonds and Senior Notes. Bank deposits and bank borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Convertible Bonds and Senior Notes issued at fixed rates expose the Group to fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2010, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's post-tax profit for the year would have been RMB28,480,000 higher/lower (2009: RMB16,069,000 higher/lower).

The Company

The Company's interest rate risk arises from interest bearing bank deposits, Convertible Bonds and Senior Notes. Bank deposits at variable rates expose the Company to cash flow interest-rate risk. Convertible Bonds and Senior Notes issued at fixed rates expose the Company to fair value interest rate risk.

As at 31 December 2010, if interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Company's post-tax profit for the year would have been RMB8,908,000 higher/lower (2009: RMB12,704,000 higher/lower).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor *(Continued)*

(ii) Credit risk

The Group has no significant concentration of credit risk. The carrying amounts of restricted cash, cash at bank and in hand, trade and other receivables and prepayments for proposed development project, represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group reviews the recoverable amount of trade and other receivables and prepayments for proposed development project on a regular basis and an allowance for doubtful debts is made where there is an identified loss.

In order to minimise the credit risk, management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and certain amounts of prepayments for proposed development projects. In addition, the Group reviews the recoverable amount of each debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is limited.

The credit risk on liquid funds is limited because the counterparties are banks with high credit rankings.

The Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the customer's deposit and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is significantly low.

(iii) Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term bank loans to meet its construction commitments. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through having available sources of financing.

The Group has certain alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include adjusting and further slowing down the construction plans for properties under development, implementing cost control measures, accelerating sales with more flexible pricing, seeking joint venture partners to co-develop quality projects and renegotiating payment terms with counterparties for certain land acquisitions. The Group will, based on its assessment of the relevant future costs and benefits, pursue such options as are appropriate.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor *(Continued)*

(iii) Liquidity risk *(Continued)*

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table represents both interest and principal cash flows.

The Group

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2010					
Borrowings	**2,387,828**	**1,384,600**	**6,184,364**	**781,795**	**10,738,587**
Accrued construction costs	**1,325,983**	**–**	**–**	**–**	**1,325,983**
Other payables	**806,337**	**–**	**–**	**–**	**806,337**
Amount due to non-controlling interest of a subsidiary	**37,477**	**–**	**–**	**–**	**37,477**
Total	**4,557,625**	**1,384,600**	**6,184,364**	**781,795**	**12,908,384**
At 31 December 2009					
Borrowings	3,293,699	752,964	1,729,888	767,286	6,543,837
Loan with detachable warrants	712,575	–	–	–	712,575
Accrued construction costs	1,119,549	–	–	–	1,119,549
Other payables	750,357	–	–	–	750,357
Amount due to non-controlling interest of a subsidiary	37,477	–	–	–	37,477
Total	5,913,657	752,964	1,729,888	767,286	9,163,795

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factor *(Continued)*

(iii) Liquidity risk *(Continued)*

The Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2010				
Borrowings	**434,590**	**434,923**	**4,903,953**	**5,773,466**
Other payables	**9,341**	**–**	**–**	**9,341**
Total	**443,931**	**434,923**	**4,903,953**	**5,782,807**
At 31 December 2009				
Loan with detachable warrants	712,575	–	–	712,575
Other payables	26,191	–	–	26,191
Total	738,766	–	–	738,766

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, loan with detachable warrants disclosed in note 20 and equity attributable to equity holders of the Company, comprising share capital and reserves.

The Directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company assess the annual budget prepared by the treasury department which reviews the planned construction projects proposed by engineering department and prepared the annual budget taking into account of the provision of funding. Based on the proposed annual budget, the Directors of the Company consider the cost of capital and the risks associated with each class of capital. The Directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management *(Continued)*

The gearing ratios of the Group at 31 December 2010 and 2009 were as follows:

	2010	2009
	RMB'000	RMB'000
Total borrowings (note 19)	**7,927,372**	5,861,878
Loan with detachable warrants (note 20)	**–**	684,736
Less: cash and cash equivalents (note 16)	**(4,339,600)**	(3,344,453)
Net debt	**3,587,772**	3,202,161
Total equity	**9,993,393**	6,628,533
Total capital	**13,581,165**	9,830,694
Gearing ratio	**26%**	33%

The decrease in the gearing ratio during 2010 resulted primarily from the increase in profit after tax of the year.

(c) Fair value estimation

The carrying value less impairment provisions of trade and other receivables and the carrying value of other payables approximate their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 31 December 2009, the financial derivatives are categorised in level 2 but the fair values amounted to nil.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the consolidated financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of investment properties

The Group carries its investment properties at fair value with changes in the fair values recognised in the statement of comprehensive income. It obtains independent valuations at least annually. In making the judgment, consideration is given to assumptions that are mainly based on market conditions existing at the balance sheet date, expected rental from future leases in the light of current market conditions and appropriate capitalisation rates. Changes in subjective input assumptions can materially affect the fair value estimate. The key assumptions used in the valuation in determining fair value for the Group's portfolio of properties are set out in note 7.

(b) Provision for land use rights, properties under development and completed properties held for sale.

The Group performs impairment tests for its land use rights in accordance with the accounting policies stated in note 2(e).

The management has assessed the recoverable amounts of land use rights by reference to the market condition, value-in-use calculations and the Group's latest business plan. The value-in-use calculations require the use of estimates such as the projection of future cash inflow generated by the underlying assets (cash generating units) and appropriate discount rates.

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties, taking into account estimated costs to completion based on past experience (properties under development only) and estimated net sales value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(c) Prepayments for proposed development projects and deposits for land acquisitions

The Group assesses the carrying amounts of deposits for land acquisitions and prepayments for proposed development projects according to their net recoverable amounts based on the realisability of these land use rights and property development projects, taking into account estimated net sales values based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(d) Income taxes, land appreciation taxes, withholding taxes and deferred income taxes

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

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provision in the periods in which such taxes have been finalised with local tax authorities.

Deferred income tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

If those undistributed earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have been increased by the same amount of approximately RMB173,024,000.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Board of Directors assesses the performance of the single operating segment based on a measure of profit before finance costs and income tax expenses.

The Board of Directors considers the business from services perspective only. From services perspective, management assesses the performance of sales of properties, rental income and property management services and regards these being the reportable segments. No geographical segment analysis is presented as the majority of the assets and operation of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risk and returns.

Revenue for the year consists of the following:

	2010	2009
	RMB'000	RMB'000
Sales of properties	**7,530,783**	4,513,257
Rental income	**119,517**	100,405
Property management services	**105,590**	58,494
	7,755,890	4,672,156

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

5 SEGMENT INFORMATION *(Continued)*

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2010 is as follows:

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Revenue	**7,530,783**	**119,517**	**105,590**	**–**	**7,755,890**
Segment results before change in fair value of investment properties	**2,472,702**	**78,793**	**35,384**	**(164,502)**	**2,422,377**
Change in fair value of investment properties	**–**	**2,970,144**	**–**	**–**	**2,970,144**
Segment results	**2,472,702**	**3,048,937**	**35,384**	**(164,502)**	**5,392,521**
Share of result from an associate	**(479)**	**–**	**–**	**–**	**(479)**
Finance income					**11,031**
Finance costs					**(56,873)**
Finance costs – net					**(45,842)**
Profit before income tax					**5,346,200**
Income tax expenses					**(1,709,544)**
Profit for the year					**3,636,656**
Other information:					
Depreciation (note 6)	**13,841**	**1,062**	**692**	**2,686**	**18,281**
Amortisation	**419**	**–**	**–**	**–**	**419**
Reversal of impairment loss on properties under development and completed properties held for sale	**155,000**	**–**	**–**	**–**	**155,000**

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

5 SEGMENT INFORMATION *(Continued)*

	Property development RMB'000	Property investment RMB'000	Property management RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	**36,231,346**	**6,669,134**	**995,645**	**31,578,737**	**(49,562,713)**	**25,912,149**
Investment in an associate	**299,521**	**–**	**–**	**–**	**–**	**299,521**
Unallocated						**210,872**
Total assets						**26,422,542**
Segment liabilities	**22,707,960**	**1,238,642**	**74,404**	**21,169,512**	**(38,526,368)**	**6,664,150**
Unallocated						**9,764,999**
Total liabilities						**16,429,149**
Other information:						
Capital expenditure (notes 6, 7 and 8)	**22,667**	**365**	**668**	**13,121**	**–**	**36,821**

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

5 SEGMENT INFORMATION *(Continued)*

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2009 is as follows:

	Property development RMB'000	Property investment and agency RMB'000	Property management RMB'000	Others RMB'000	Total RMB'000
Revenue	4,513,257	100,405	58,494	–	4,672,156
Segment results before change in fair value of investment properties and financial derivatives	874,892	65,766	18,279	(15,268)	943,669
Change in fair value of investment properties	–	289,847	–	–	289,847
Change in fair value of financial derivatives	–	–	–	(85,339)	(85,339)
Segment results	874,892	355,613	18,279	(100,607)	1,148,177
Finance income					9,958
Finance costs					(204,740)
Finance costs – net					(194,782)
Profit before income tax					953,395
Income tax expenses					(405,538)
Profit for the year					547,857
Other information:					
Depreciation (note 6)	10,973	1,033	613	1,009	13,628
Amortisation	10,741	–	–	–	10,741

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

5 SEGMENT INFORMATION *(Continued)*

	Property development RMB'000	Property investment and agency RMB'000	Property management RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Segment assets	29,073,029	3,831,972	1,030,766	12,569,267	(28,784,952)	17,720,082
Unallocated						262,130
Total assets						17,982,212
Segment liabilities	20,144,965	1,709,044	259,949	6,619,877	(24,560,377)	4,173,458
Unallocated						7,180,221
Total liabilities						11,353,679
Other information:						
Capital expenditure (notes 6, 7 and 8)	25,003	277	365	4,153	–	29,798

No inter-segment transfers or transactions are entered during the years ended 31 December 2010 and 2009.

Other business segments include the investment holding and inactive companies.

Segment assets consist primarily of property and equipment, investment properties, land use rights, properties under development, completed properties held for sale, debtors, deposits and other receivables, prepayments for proposed development projects, restricted cash and, cash and cash equivalents. They exclude deferred income tax assets and prepaid taxes.

Segment liabilities consist primarily of advance proceeds received from customers, accrued construction costs and other payables and amount due to non-controlling interest of a subsidiary. They exclude deferred income tax liabilities, income tax payable, long-term loan with detachable warrants, borrowings and financial derivatives.

Capital expenditure comprises additions to non-current assets other than deferred income tax assets and investment in an associate that are expected to be recovered for more than one year after the balance sheet date.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

6 PROPERTY AND EQUIPMENT

	Buildings	Motor vehicles	Furniture, fitting and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009				
Cost	50,784	17,149	32,309	100,242
Accumulated depreciation	(5,643)	(9,948)	(7,959)	(23,550)
Net book amount	45,141	7,201	24,350	76,692
Year ended 31 December 2009				
Opening net book amount	45,141	7,201	24,350	76,692
Acquisition of subsidiaries (note 34)	–	27	4,487	4,514
Additions	13,012	3,806	8,466	25,284
Disposals	–	(780)	(351)	(1,131)
Depreciation	(3,843)	(3,013)	(6,772)	(13,628)
Closing net book amount	54,310	7,241	30,180	91,731
At 31 December 2009				
Cost	63,796	18,872	42,770	125,438
Accumulated depreciation	(9,486)	(11,631)	(12,590)	(33,707)
Net book amount	54,310	7,241	30,180	91,731
Year ended 31 December 2010				
Opening net book amount	**54,310**	**7,241**	**30,180**	**91,731**
Acquisition of subsidiaries (note 34)	**–**	**–**	**3,000**	**3,000**
Additions	**–**	**16,237**	**17,584**	**33,821**
Disposals	**–**	**(2,086)**	**(2,045)**	**(4,131)**
Depreciation	**(3,838)**	**(3,301)**	**(11,142)**	**(18,281)**
Closing net book amount	**50,472**	**18,091**	**37,577**	**106,140**
At 31 December 2010				
Cost	**63,796**	**32,749**	**60,164**	**156,709**
Accumulated depreciation	**(13,324)**	**(14,658)**	**(22,587)**	**(50,569)**
Net book amount	**50,472**	**18,091**	**37,577**	**106,140**

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

6 PROPERTY AND EQUIPMENT *(Continued)*

As at 31 December 2010, buildings with net book amounts totalling RMB17,610,000 (2009: RMB18,735,000) were pledged as collateral for the Group's borrowings (note 19).

Depreciation expense of RMB18,281,000 (2009: RMB13,628,000) has been charged in administrative expenses during the year.

7 INVESTMENT PROPERTIES

	2010	2009
	RMB'000	RMB'000
At beginning of year	**1,578,600**	1,278,400
Transfer from properties under development	**926,760**	–
Transfer from completed properties held for sale	**8,496**	10,353
Increase in fair value	**2,970,144**	289,847
At end of year (note)	**5,484,000**	1,578,600

Note: The amount includes an investment property amounting to RMB2,299,000,000 which is in the process of obtaining the land use rights certificate.

The following amounts have been recognised in the statement of comprehensive income for investment properties:

	2010	2009
	RMB'000	RMB'000
Rental income	**94,175**	60,488
Direct operating expenses arising from investment properties that generated rental income	**25,618**	11,168

The Group obtains independent valuations from Savills Valuation and Professional Services Limited, for its investment properties at least annually.

The best evidence of fair value is current prices in an active market for similar investment properties. Where such information is not available, the valuers consider information from a variety of sources including:

(i) current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences;

(ii) discounted cash flow projections based on reliable estimates of future cash flows;

(iii) capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence; and

(iv) the expected total value of the investment properties under construction assuming the properties are completed, taking into consideration of the en-bloc property sale discount, and the estimated costs to completion such as construction costs and anticipated developer's profit with reference to past experience and committed contracts as well as allowances for contingencies.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

7 INVESTMENT PROPERTIES *(Continued)*

As at 31 December 2010, the key assumptions adopted in the valuation in determining fair value were in the following ranges for the Group's portfolio of properties:

	2010
Capitalisation rate	**4.5–7.5%**
Discount rate	**5.9–6.2%**
Expected vacancy rate	**5.0–8.0%**
Monthly rental (RMB/sqm/month)	**156–390**
Budgeted construction cost (RMB/sqm)	**2,500–7,000**
Anticipated developer's profit margin	**20.0–35.0%**
En-bloc property sale discount	**3.5–4.0%**

The Group's interests in investment properties are analysed as follows:

	2010	2009
	RMB'000	RMB'000
In the PRC, held on:		
Leases of over 50 years	**764,200**	149,800
Leases of between 10 to 50 years	**4,719,800**	1,428,800
	5,484,000	1,578,600

As at 31 December 2010, the investment properties with carrying values totaling RMB2,029,700,000 (2009: RMB1,428,800,000) were pledged as collateral for the Group's borrowings (note 19).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

8 LAND USE RIGHTS

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
		(Restated)
Opening net book amount, as previously reported	**4,411,097**	4,839,251
Effect of adoption of change in accounting policy (note 2)	**(4,392,299)**	(4,820,014)
Opening net book amount, as restated	**18,798**	19,237
Amortisation		
– expensed in administrative expenses	**(419)**	(439)
Closing net book amount	**18,379**	18,798
In the PRC, held on:		
Leases of over 50 years	**5,234**	5,326
Leases of between 10-50 years	**13,145**	13,472
	18,379	18,798

As at 31 December 2010, land use rights with net book amounts totalling RMB8,245,000 (2009 (Restated): RMB8,446,000) were pledged as collateral for the Group's borrowings (note 19).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

9 INVESTMENT IN AN ASSOCIATE

	2010	2009
	RMB'000	RMB'000
Unlisted shares, share of net assets (note a)	**299,521**	–

Notes:

(a) In 2010, the Group acquired 49% of the equity interest of Xing Huo Ju Long Technology Investment Co., Ltd. ("Xing Huo") from a third party at a total cash consideration of RMB300,000,000. This company has been loss making and did not operate any business prior to the acquisition, and only held a piece of land. Therefore, the Group considered that this would be acquisition of asset in substance and as a result the difference between the cash consideration and the net assets acquired would be recognised as an adjustment to the carrying value of the investment in an associate.

(b) As at 31 December 2010, the Group's interest in its associate, of which is unlisted, is as follows:

Name	**Particulars of registered capital** RMB'000	**Place of incorporation**	**Assets** RMB'000	**Liabilities** RMB'000	**Revenue** RMB'000	**Net loss** RMB'000	**Interest indirectly held** %
Xing Huo 星火巨龍科技投資有限公司	68,000	PRC	111,278	86,929	–	479	49%

10 SUBSIDIARIES

	Company	
	2010	2009
	RMB'000	RMB'000
Non-current assets		
Unlisted shares, at cost	**7**	7
Share options issued on behalf of subsidiaries (note 18(c))	**78,994**	4,651
	79,001	4,658
Current assets		
Due from a subsidiary (note b)	**7,923,183**	3,213,228

Notes:

(a) Details of the subsidiaries are set out in note 38.

(b) The amount due from a subsidiary is unsecured, interest-free and has no fixed term of repayment.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

11 PROPERTIES UNDER DEVELOPMENT

	2010	2009
	RMB'000	RMB'000
		(Restated)
Amount comprises:		
Construction costs	**3,370,710**	2,754,307
Interest capitalised	**358,290**	333,691
Land use rights	**6,792,175**	4,291,832
	10,521,175	7,379,830

The properties under development are all located in the PRC.

As at 31 December 2010, properties under development of approximately RMB3,999,383,000 (2009 (Restated): RMB4,208,393,000) were pledged as collateral for the Group's borrowings (note 19).

12 COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are all located in the PRC.

As at 31 December 2010 and 2009, completed properties held for sale of approximately RMB47,036,000 (2009: Nil) were pledged as collateral for the Group's bank borrowings (note 19).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

13 DEBTORS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables (note a)	**177,133**	91,432	**–**	–
Other receivables	**167,082**	134,616	**–**	–
Other deposits	**149,650**	55,000	**1,896**	–
Prepayments	**246,996**	247,900	**–**	–
Deposits for land acquisitions (note b)	**1,585,759**	1,919,117	**–**	–
Prepaid interest for loan with detachable warrants	**–**	15,022	**–**	15,022
Prepaid other taxes	**155,664**	63,626	**–**	–
	2,482,284	2,526,713	**1,896**	15,022

Notes:

(a) The ageing analysis of trade receivables of the Group is as follows:

	2010	2009
	RMB'000	RMB'000
Within 90 days	**176,077**	81,080
91 – 180 days (note c)	**1,056**	10,352
	177,133	91,432

Trade receivables mainly arose from sales of properties. Customers are generally granted credit terms of 1 to 3 months for property development business.

(b) Deposits for land acquisitions arise from the acquisition of land in various regions in the PRC. These deposits would be converted into land use rights when the rights to use the lands have been obtained.

(c) As at 31 December 2010, trade receivables of HK$1,056,000 (2009:Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010	2009
	RMB'000	RMB'000
Up to 3 months	**1,056**	–

Note: As at 31 December 2009, the amount of RMB10,352,000 recoverable from the independent customers will be settled on or before 30 June 2010 in accordance with the sales and purchases agreements of the property units. Such amount was received before 30 June 2010.

(d) As at 31 December 2010, there is no provision made for trade and other receivables and no trade and other receivables were impaired.

(e) The maximum credit risk exposure is the amount shown on the balance sheet.

(f) The carrying amounts of the Group's receivables are mainly denominated in Renminbi.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

14 PREPAYMENTS FOR PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contracts of property development projects and has made prepayments in accordance with the terms of the contracts. These prepayments would be converted into properties under development when the rights to use the lands have been obtained.

15 RESTRICTED CASH

Restricted cash mainly comprised of:

(a) In accordance with relevant documents issued by local State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amount of presale proceeds of properties as guarantee deposits for constructions of related properties. The deposits can only be used for construction materials and construction fees of the relevant property projects when approvals are obtained from local State-Owned Land and Resource Bureau. As at 31 December 2010, such guarantee deposits amounted to RMB246,569,000 (2009: RMB196,819,000). They will be released after pre-sold properties are completed or their property ownership certificates are issued, whichever is the earlier.

(b) As at 31 December 2010, the Group's cash of RMB250,528,000 (2009: RMB171,647,000) was deposited in certain banks as guarantee deposits for the benefit of mortgage loan facilities (note 32) granted by the banks to the purchasers of the Group's properties.

16 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Denominated in – RMB	**2,174,786**	1,539,623	**7,256**	–
Denominated in – HKD	**650,949**	1,914,492	**5,253**	1,750,265
Denominated in – USD	**2,043,932**	273,304	**944,648**	204,847
	4,869,667	3,727,419	**957,157**	1,955,112
Less: Restricted cash (note 15)	**(530,067)**	(382,966)	**–**	–
Cash at bank and in hand	**4,339,600**	3,344,453	**957,157**	1,955,112

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

17 SHARE CAPITAL AND SHARE PREMIUM

	Note	Number of ordinary shares	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised:						
Ordinary share of HK$0.10 each						
As at 1 January 2009		3,800,000	380	380	–	380
Increase in authorised share capital	(a)	49,996,200,000	4,999,620	4,405,165	–	4,405,165
As at 31 December 2009 and 2010		50,000,000,000	5,000,000	4,405,545	–	4,405,545
Issue and fully paid:						
At 1 January 2009		10,870	1	1	1,490,772	1,490,773
Issue of shares in connection with the IPO	(b)	1,000,000,000	100,000	88,110	2,951,686	3,039,796
Capitalisation of share premium	(c)	3,912,116,622	391,212	344,697	(344,697)	–
Issue of shares to warrant holders	(d)	87,872,508	8,787	7,742	(4,407)	3,335
Transfer from financial derivatives	20(c)	–	–	–	165,727	165,727
Share issue expenses		–	–	–	(234,306)	(234,306)
As at 31 December 2009 and at 1 January 2010		5,000,000,000	500,000	440,550	4,024,775	4,465,325
Repurchase of ordinary shares	(e)	(95,330,000)	(9,533)	(8,400)	(209,561)	(217,961)
As at 31 December 2010		4,904,670,000	490,467	432,150	3,815,214	4,247,364

Notes:

(a) On 22 November 2009, the authorised share capital of the Company was increased from HK$380,000 to HK$5,000,000,000 by the creation of 49,996,200,000 ordinary shares of HK$0.10 each.

(b) On 9 December 2009, the Company issued 1,000,000,000 ordinary shares of HK$0.10 each at HK$3.45 per share in connection with the IPO, and raised gross proceeds of approximately HK$3,450,000,000 (equivalent to RMB3,039,796,000).

(c) On 9 December 2009, pursuant to the written resolutions of shareholders of the Company passed on 22 November 2009, 3,912,116,622 ordinary shares of the Company were issued at par as fully paid to the shareholders whose names appeared on the register of members of the Company on 22 November 2009 in proportion to their then existing shareholdings in the Company. The amount was paid up in full by applying an amount of HK$391,212,000 (equivalent to RMB344,697,000) standing to the credit of the share premium of the Company.

(d) On 9 December 2009, the Company issued 87,872,508 ordinary shares of HK$0.10 each to the warrant holders pursuant to the tranche A and tranche B warrants (note 20(b)).

(e) For the year ended 31 December 2010, the Company repurchased 95,330,000 of its own ordinary shares, in aggregate, on the market at a total consideration of HK$247,241,280 (equivalent to approximately RMB217,961,000). The repurchased shares were subsequently cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

18 RESERVES

	Group							
	Merger reserve (note a) RMB'000	Exchange reserve RMB'000	Statutory reserves (note b) RMB'000	Share option reserve (note c) RMB'000	Revenue reserve (note d) RMB'000	Conversion option reserve (note 19(b)) RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2009	382	24,835	231,020	–	–	–	1,394,943	1,651,180
Profit for the year	–	–	–	–	–	–	547,871	547,871
Transfer to statutory reserves	–	–	13,258	–	–	–	(13,258)	–
Share-based payments	–	–	–	4,651	–	–	–	4,651
Balance at 31 December 2009	382	24,835	244,278	4,651	–	–	1,929,556	2,203,702
Profit for the year	–	–	–	–	–	–	3,636,699	3,636,699
Issuance of Convertible Bonds	–	–	–	–	–	220,824	–	220,824
Transfer to statutory reserves	–	–	70,127	–	–	–	(70,127)	–
Acquisition of additional interest in a subsidiary	–	–	–	–	(394,475)	–	–	(394,475)
Share-based payments (note c)	–	–	–	74,343	–	–	–	74,343
Balance at 31 December 2010	382	24,835	314,405	78,994	(394,475)	220,824	5,496,128	5,741,093

	Company			
	Share option reserve (note c) RMB'000	Conversion option reserves (note 19(b)) RMB'000	(Accumulated losses)/retained profits RMB'000	Total RMB'000
Balance at 1 January 2009	–	–	(353,017)	(353,017)
Profit for the year	–	–	360,134	360,134
Share options issued (note c)	4,651	–	–	4,651
Balance at 31 December 2009	4,651	–	7,117	11,768
Profit for the year	–	–	840,218	840,218
Issuance of Convertible Bonds	–	220,824	–	220,824
Share options issued (note c)	74,343	–	–	74,343
Balance at 31 December 2010	78,994	220,824	847,335	1,147,153

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

18 RESERVES *(Continued)*
Notes:

(a) The merger reserve of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to the Reorganisation in December 2007 and the nominal value of the share capital of the Company issued in exchange thereof. The Reorganisation qualifies as common control combinations and has been accounted for using merger accounting.

(b) In accordance with the relevant rules and regulations in the PRC and the provision of the articles of association of the PRC companies comprising the Group, before 1 January 2006, the local investment enterprises were required to appropriate at each year end 10% and 5% to 10% of the profit for the year after setting off the accumulated losses brought forward (based on figures reported in the statutory financial statements) to the statutory surplus reserve and the statutory public welfare fund (collectively the "Statutory Reserves"), respectively. After 1 January 2006, the local investment enterprises are allowed to appropriate any percentage of profits to the Statutory Reserves.

For foreign investment enterprises, before 1 January 2006, the percentage of profits to be appropriated to the Statutory Reserves are solely determined by the board of directors of these foreign investment enterprises. After 1 January 2006, these foreign investment enterprises are not required to make any appropriations to the Statutory Reserves.

For the year ended 31 December 2010, the Board of Directors of the Company's subsidiaries in the PRC, including both local and foreign investment enterprises, appropriated RMB70,127,000 (2009: RMB13,258,000) to the Statutory Reserves.

(c) Share option reserve represents value of employee services in respect of share options granted under the Pre-IPO Share Option Scheme (note 36(a) and share option scheme (note 36(b)).

(d) During the year ended 31 December 2010, the Group acquired the remaining 45% non-controlling interest of a subsidiary for a total cash consideration of RMB350,000,000.

19 BORROWINGS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Borrowings included in non-current liabilities:				
Bank borrowings – secured	**2,000,000**	2,552,890	**–**	–
Bank borrowings – unsecured	**618,285**	260,000	**–**	–
Senior Notes (note a)	**2,320,552**	–	**2,320,552**	–
Convertible Bonds (note b)	**1,236,827**	–	**1,236,827**	–
	6,175,664	2,812,890	**3,557,379**	–
Borrowings included in current liabilities:				
Bank borrowings – secured	**808,750**	1,050,500	**–**	–
Bank borrowings – unsecured	**942,958**	1,724,600	**–**	–
Other borrowings – secured (note d)	**–**	273,888	**–**	–
	1,751,708	3,048,988	**–**	–

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

19 BORROWINGS *(Continued)*
Notes:

(a) Senior Notes

On 28 April 2010, the Company issued 13.5% senior notes due 2015 in an aggregate principal amount of US$350,000,000 (equivalent to approximately RMB2,389,205,000) at 100% of face value (the "Senior Notes"). The net proceeds, after deducting the direct issuance costs, amounted to approximately US$341,800,000 (equivalent to approximately RMB2,333,507,000). The Senior Notes will mature on 28 April 2015.

The Senior Notes are listed on the Singapore Exchange Securities Trading Limited.

The Senior Notes are secured by the pledge of shares of the Group's subsidiaries incorporated outside of the PRC, and jointly and severally guarantees given by certain subsidiaries of the Group.

The Senior Notes recognised in the balance sheet are calculated as follows:

Group and Company	**2010 RMB'000**
Nominal value	**2,389,205**
Issue costs	**(55,698)**
Fair value at the date of issuance	**2,333,507**
Accrued interest	**213,533**
Coupon payment	**(158,313)**
Exchange gain	**(68,175)**
Carrying amount at 31 December 2010	**2,320,552**

The fair value of the Senior Notes at 31 December 2010 amounted to RMB2,404,868,000.The fair value is calculated using the market price of the Senior Notes on the balance sheet date (or the nearest day of trading).

(b) Convertible Bonds

On 20 December 2010, the Company issued RMB denominated US$ settled 8.0% convertible bonds (the "Convertible Bonds"), of an initial principal amount of RMB1,500,000,000 (equivalent to approximately US$225,000,000).

The value of the liability component of RMB1,231,967,000 and the equity conversion component of RMB220,824,000, net of transaction cost of RMB47,209,000, were determined at issuance of the Convertible Bonds.

At the option of bond holders, the aggregate amount of RMB1,500,000,000 will be convertible into fully paid shares with a par value of HK$0.1 each of the Company. The Convertible Bonds mature in five years (December 2015) from the issue date at 100% of the nominal value or can be converted into ordinary shares of the Company on or after 30 January 2011 at an initial conversion price of HK$2.82 per share at a fixed exchange rate of RMB1.00 to HK$1.16560.

The Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited.

The fair value of the liability component included in long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in reserves (note 18).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

19 BORROWINGS *(Continued)*
Notes:

(b) **Convertible Bonds** *(Continued)*
The Convertible Bonds recognised in the balance sheet is calculated as follows:

Group and Company	**2010 RMB'000**
Nominal value of the Convertible Bonds at the date of issuance	**1,500,000**
Equity component	**(220,824)**
Issue costs	**(47,209)**
Liability component at the date of issuance	**1,231,967**
Accrued interest	**4,860**
Carrying amount at 31 December 2010	**1,236,827**

Interest expenses on the liability component of the Convertible Bonds are calculated using the effective interest method, applying the effective interest rate of 13.1% per annum to the liability component.

The fair value of the liability component of the Convertible Bonds at 31 December 2010 amounted to RMB1,567,500,000. The fair value is calculated using the market price of the Convertible Bonds on the balance sheet date (or the nearest day of trading).

Up to 31 December 2010, there was no conversion or redemption of the Convertible Bonds.

(c) The Group's bank borrowings of RMB2,808,750,000 (2009: RMB3,588,890,000) were jointly secured by certain properties and land use rights of the Group (notes 6, 7, 8, 11 and 12).

(d) Other borrowings from third parties were secured, interest-bearing at 8%. Other borrowings were initially recognised at fair value which was determined at the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate, and then subsequently stated at amortised cost.

(e) Bank borrowings are guaranteed by:

	2010 RMB'000	2009 RMB'000
Group companies		
– Secured	**1,811,750**	2,784,390
– Unsecured	**1,561,243**	1,948,488
	3,372,993	4,732,878

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

19 BORROWINGS *(Continued)*
Notes:

(f) The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	6 months or less RMB'000	**6-12 months** RMB'000	**1-5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Borrowings included in non-current liabilities:					
At 31 December 2010	1,348,035	1,270,250	3,557,379	–	6,175,664
At 31 December 2009	989,600	–	1,823,290	–	2,812,890
Borrowings included in current liabilities:					
At 31 December 2010	1,077,618	674,090	–	–	1,751,708
At 31 December 2009	2,231,988	817,000	–	–	3,048,988

(g) The maturity of the borrowings included in non-current liabilities is as follows:

	2010 RMB'000	2009 RMB'000
Between 1 and 2 years	**800,000**	635,000
Between 2 and 5 years	**4,857,164**	1,568,890
Over 5 years	**518,500**	609,000
	6,175,664	2,812,890

The effective interest rates at each of the balance sheet dates were as follows:

	2010	2009
Bank borrowings, included in non-current liabilities	**5.6%**	5.7%
Bank borrowings, included in current liabilities	**6.1%**	5.8%
Other borrowings	**–**	8.0%
Senior Notes	**14.1%**	–
Convertible Bonds	**13.1%**	–

The carrying amounts of the Group's borrowings are denominated in RMB except for Senior Notes, which are denominated in US$, and approximate to their fair value.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

20 LOAN WITH DETACHABLE WARRANTS

(a) On 24 August 2007 (as amended and restated on 12 September 2007), the Company entered into a 36 months, USD200,000,000 term loan with detachable warrants agreements (the "Loan Plus Warrant Agreements") with a number of financial institutions.

There are two tranches of warrants, A and B, of the Loan Plus Warrant Agreements which would be converted into a certain number of shares of the Company under certain circumstances including initial public offering (the "IPO") of the Company. Also, both lenders and the Company have prepayment options in requesting for loan repayment prior to maturity date.

The net proceeds received from the Loan Plus Warrant Agreements have been split amongst a liability component, a number of financial derivatives and an equity component as follows:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 13.5% per annum to the liability component since the loan was issued. Interest of 8.8% per annum is payable semi-annually in accordance to the Loan Plus Warrant Agreements.

(ii) Financial derivatives represent tranche B warrants and prepayment options.

(iii) Equity component represents the tranche A warrants.

(b) According to the amended Loan Plus Warrant Agreements, the maturity date of the liability component was extended to 1 December 2010 and the effective interest rate was changed from 13.5% to 8.4% since 24 October 2009. Both tranches A and B warrants were converted into shares of the Company in December 2009. Certain prepayment options were expired upon the date of the IPO.

USD100,000,000 was repaid as at 31 December 2009. The remaining USD100,000,000 balance was repaid during the year ended 31 December 2010.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

20 LOAN WITH DETACHABLE WARRANTS *(Continued)*

(c) The movements of the liability and derivative components of the Loan Plus Warrant Agreement are set out as below:

	Group and Company	
	Liability component	**Derivative component**
	RMB'000	RMB'000
At 1 January 2009	1,305,546	80,522
Repayments	(682,876)	–
Interest charged	180,643	–
Interest paid/payable	(120,793)	–
Change in fair value	–	85,339
Exchange difference	2,216	(134)
Transfer to share premium	–	(165,727)
At 31 December 2009	684,736	–
Repayments	(682,820)	–
Interest charged	16,972	–
Interest paid	(18,888)	–
At 31 December 2010	–	–

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

21 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**65,134**	75,386
– to be recovered within 12 months	**9,941**	44,173
	75,075	119,559
Deferred income tax liabilities:		
– to be settled after more than 12 months	**(971,237)**	(228,701)
The net movement on the deferred income tax is as follows:		
Beginning of the year	**(109,142)**	(65,117)
Recognised in the consolidated statement of comprehensive income (note 28)	**(787,020)**	(44,025)
End of the year	**(896,162)**	(109,142)

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

21 DEFERRED INCOME TAX *(Continued)*

The movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred income tax assets:

	Group			
	Fair value change arising from financial derivatives	**Tax losses**	**Provisions**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	(1,297)	42,069	50,350	91,122
Credited/(charged) to the consolidated statement of comprehensive income	1,297	33,317	(6,177)	28,437
At 31 December 2009	–	75,386	44,173	119,559
Charged to the consolidated statement of comprehensive income	–	(311)	(44,173)	(44,484)
At 31 December 2010	–	75,075	–	75,075

Deferred income tax liabilities:

	Group
	Revaluation arising from investment properties
	RMB'000
At 1 January 2009	156,239
Charged to the consolidated statement of comprehensive income	72,462
At 31 December 2009	228,701
Charged to the consolidated statement of comprehensive income	742,536
At 31 December 2010	971,237

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

21 DEFERRED INCOME TAX *(Continued)*

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise tax losses amounting to RMB216,780,000 (2009: RMB107,227,000) that can be carried forward against future taxable income. These tax losses have no expiry dates.

At 31 December 2010, the unrecognised deferred income tax liabilities were RMB173,024,000 (2009 (restated): RMB55,699,000), relating to withholding tax that would be payable for undistributed profits of PRC subsidiaries, as the Directors consider that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these PRC subsidiaries as at 31 December 2010 amounted to RMB3,460,481,000 (2009 (restated): RMB556,992,000).

22 OTHER PAYABLES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables and accruals	**340,391**	223,015	**9,341**	26,191
Consideration payable related to purchase of subsidiaries	**380,922**	338,978	**–**	–
Consideration payable related to purchase of an associate	**35,000**	–	**–**	–
Refundable deposit received for renovation contract	**–**	150,101	**–**	–
Other taxes payables	**50,024**	38,263	**–**	–
	806,337	750,357	**9,341**	26,191

Note: The carrying amount of other payables are denominated in RMB and approximate to their fair value.

23 OTHER GAINS

	2010	2009
	RMB'000	RMB'000
Forfeited customer deposits	**5,962**	2,628
Compensation from termination of proposed development projects	**–**	14,395
Investment return from primary land development	**–**	17,782
Others	**–**	2,396
	5,962	37,201

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

24 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2010	2009
	RMB'000	RMB'000
Auditors' remuneration	**4,459**	2,863
Advertising and other promotional costs	**128,633**	122,627
Agency fee	**30,564**	28,661
Business taxes (note)	**327,270**	246,748
Cost of completed properties sold	**4,352,621**	3,054,987
Donations	**15,874**	3,707
Legal and professional fees	**22,413**	12,606
Depreciation (note 6)	**18,281**	13,628
Amortisation of land use rights	**419**	10,741
Staff costs – including directors' emoluments (note 26)	**242,200**	131,796
Operating lease rental	**15,711**	11,879
Others	**181,030**	125,445
	5,339,475	3,765,688

Note:

The PRC companies comprising the Group are subject to business taxes on their revenues at the following rates:

Category	**Rate**
Sales of properties	5%
Rental income	5%
Property management	5%

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

25 FINANCE INCOME AND COSTS

	2010	2009
	RMB'000	RMB'000
Interest expense:		
– Bank borrowings	**281,555**	348,284
– Loan with detachable warrants	**16,972**	180,643
– Senior Notes	**213,533**	–
– Convertible Bonds	**4,860**	–
– Other borrowings	**5,461**	21,846
Total interest expense	**522,381**	550,773
Less: interest capitalised (note)	**(425,063)**	(346,033)
	97,318	204,740
Net exchange gain	**(40,445)**	–
Finance costs	**56,873**	204,740
Finance income:		
Interest income on bank deposits	**11,031**	9,958

Note: The capitalisation rate of borrowings is 5.33% (2009: 5.31%) for the year.

26 STAFF COSTS — INCLUDING DIRECTORS' EMOLUMENTS

	2010	2009
	RMB'000	RMB'000
Wages and salaries	**140,321**	113,518
Pension costs — statutory pension	**5,774**	3,672
Medical benefits	**2,164**	1,732
Share-based payments	**74,343**	4,651
Other allowances and benefits	**19,598**	8,223
	242,200	131,796

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

27 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors' emoluments

Details of emoluments paid to each director for the year ended 31 December 2010 are as follows:

	Year ended 31 December 2010						
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share option benefits (note f)	Total RMB'000
Name of director							
Mr. Chen Gengxian	–	1,221	–	100	36	4,846	6,203
Mr. Fok Hei Yu	–	255	–	–	–	977	1,232
Mr. Han Zhenjie (note d)	–	1,302	–	114	31	2,478	3,925
Dr. Huang Chuanqi (note c)	1,061	895	–	62	20	1,586	3,624
Mrs. Jin Jane (note e)	–	1,001	340	82	10	2,478	3,911
Mr. Kwok Ying Shing	–	3,574	–	–	10	–	3,584
Mr. Kwok Ying Chi	–	2,042	–	–	10	–	2,052
Mr. Rao Yong	–	255	–	–	–	651	906
Mr. Sun Yuenan	–	1,378	–	100	36	5,018	6,532
Dr. Tam Lai Ling (note a)	2,836	–	851	68	9	17,822	21,586
Mr. Ye Jiansheng (note b)	–	538	–	48	24	–	610
Mr. Zhang Yizhao	–	255	–	–	–	651	906
	3,897	12,716	1,191	574	186	36,507	55,071

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

27 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(a) Directors' emoluments *(Continued)*

Details of emoluments paid to each director for the year ended 31 December 2009 are as follows:

	Year ended 31 December 2009						
	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Other benefits RMB'000	Contribution to pension scheme RMB'000	Share option benefits (note f) RMB'000	Total RMB'000
Name of director							
Mr. Chen Gengxian	–	937	200	2	36	265	1,440
Mrs. Jin Jane	–	169	86	–	–	163	418
Mr. Fok Hei Yu	–	32	–	–	–	70	102
Mr. Kwok Ying Shing	–	4,006	–	–	11	–	4,017
Mr. Kwok Ying Chi	–	2,289	–	–	11	–	2,300
Mr. Rao Yong	–	32	–	–	–	47	79
Mr. Sun Yuenan	–	1,074	200	2	36	279	1,591
Mr. Ye Jiansheng	–	966	200	2	47	270	1,485
Mr. Zhang Yizhao	–	32	–	–	–	47	79
	–	9,537	686	6	141	1,141	11,511

During the years ended 31 December 2010 and 2009, no director received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; no director waived or has agreed to waive any emoluments.

Notes:

(a) Appointed on 8 March 2010
(b) Resigned on 15 June 2010
(c) Appointed on 15 June 2010
(d) Appointed on 24 November 2010
(e) Resigned on 11 February 2011
(f) Share option benefits represent fair value of share options granted to the relevant Director which was charged to the consolidated statement of comprehensive income in accordance with HKFRS 2.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

27 DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 4 directors (2009: 3), whose emolument is reflected in note (a) above. The emoluments for the remaining 1 (2009: 2) individuals are as follows:

	2010	2009
	RMB'000	RMB'000
Salaries and other benefits	**1,045**	2,666
Discretionary bonuses	**76**	262
Contribution to pension schemes	**26**	59
Share option benefits	**2,887**	140
	4,034	3,127

The emoluments of the five highest paid individuals fell within the following bands:

	2010	2009
HK$1,000,001 to HK$2,000,000	**–**	3
HK$2,000,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$5,000,000	**2**	1
HK$5,000,001 to HK$10,000,000	**2**	–
HK$10,000,001 or above	**1**	–
	5	5

During the years ended 31 December 2010 and 2009, none of the above individuals has received any emoluments from the Group as an inducement to join or leave the Group or compensation for loss of office; none of the above individuals has waived or has agreed to waive any emoluments.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

28 INCOME TAX EXPENSES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

PRC enterprise income tax

PRC enterprise income tax has been provided on the estimated assessable profits of subsidiaries operating in the PRC at 22% and 25% (2009: 20% and 25%).

Hong Kong profits tax

No Hong Kong profits tax was provided for the years ended 31 December 2010 and 2009 as the Group has no assessable profits arising in or derived from Hong Kong for the years.

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statement of comprehensive income as income tax.

	2010	2009
	RMB'000	RMB'000
Current income tax		
– PRC enterprise income tax	**512,743**	217,166
– PRC land appreciation tax	**409,781**	144,347
Deferred income tax (note 21)	**787,020**	44,025
	1,709,544	405,538

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

28 INCOME TAX EXPENSES *(Continued)*

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies comprising the Group as follows:

	2010	2009
	RMB'000	RMB'000
Profit before income tax	**5,346,200**	953,395
Less: Share of result from an associate	**(479)**	–
	5,345,721	953,395
Calculated at PRC foreign enterprise income tax rate of 22% (2009: 20%)	**1,176,059**	190,679
Effect of different income tax rates of certain companies	**23,835**	34,764
Effect of change in income tax rates of certain companies	**20,989**	5,542
Income not subject to tax	**(8,113)**	(1,875)
Expenses not deductible for tax purposes	**65,556**	23,407
Tax losses not recognised	**21,437**	8,674
PRC enterprise income tax	**1,299,763**	261,191
PRC land appreciation tax	**409,781**	144,347
Income tax expenses	**1,709,544**	405,538

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

29 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Profit attributable to equity holders (RMB'000)	**3,636,699**	547,871
Weighted average number of ordinary shares in issue	**4,927,948,822**	3,977,697,890
Basic earnings per share (RMB)	**0.738**	0.138

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of RMB3,636,699,000 (2009: RMB547,871,000) and the weighted average of 4,927,948,822 shares in issue during the year. As for the year ended 31 December 2009, the weighted average of 3,977,697,890 shares in issue took into consideration the capitalisation issue of 3,912,116,622 shares arising from the Company's reorganisation in preparation for the listing on the Stock Exchange deemed to be issued at the beginning of the earliest period reported, and the warrant shares in connection with a senior term loan facility with detachable warrants (the "Loan") of 87,872,508 shares issued on 9 December 2009.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2010, the Company has only the Convertible Bonds that have dilutive potential ordinary shares. The Convertible Bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses less the tax effect. For the year ended 31 December 2009, diluted earnings per share are the same as basic earnings per share as there was no potential dilutive ordinary share.

	2010	2009
Profit attributable to equity holders (RMB'000)	**3,636,699**	547,871
Adjustment for finance cost on Convertible Bonds (after tax)	**3,645**	-
Profit used to determine diluted earnings per shares	**3,640,344**	547,871
Weighted average number of ordinary shares in issue	**4,927,948,822**	3,977,697,890
- Adjustments for Convertible Bonds	**20,383,562**	-
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,948,332,384**	3,977,697,890
- Diluted earnings per share (RMB)	**0.736**	0.138

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

30 CASH GENERATED FROM OPERATIONS

	2010	2009
	RMB'000	RMB'000
		(Restated)
Profit for the year	**3,636,656**	547,857
Adjustments for:		
Income tax expenses (note 28)	**1,709,544**	405,538
Interest income (note 25)	**(11,031)**	(9,958)
Interest expense (note 25)	**97,318**	204,740
Net exchange gains	**(40,445)**	(2,396)
Depreciation (note 6)	**18,281**	13,628
Amortisation (note 8)	**419**	10,741
Share of result of an associate	**479**	–
Loss/(gain) on disposals of property and equipment	**4,131**	(492)
Other income	**–**	(14,395)
Share-based payments	**74,343**	4,651
Change in fair value of investment properties	**(2,970,144)**	(289,847)
Change in fair value of financial derivatives	**–**	85,339
Changes in working capital:		
Properties under development and completed properties held for sale	**(1,680,633)**	664,276
Debtors, deposits and other receivables	**(448,996)**	(1,236,484)
Prepayments for proposed development projects	**(368,749)**	(183,355)
Restricted cash	**(147,101)**	(277,130)
Advanced proceeds received from customers	**2,228,278**	1,110,149
Accrued construction costs	**206,434**	(25,432)
Other payables	**(398,778)**	29,417
Cash generated from operations	**1,910,006**	1,036,847

Note:

Loss/(gain) on disposals of property and equipment are as follows:

	2010	2009
	RMB'000	RMB'000
Net book amount disposed	**4,131**	1,131
Proceeds received	**–**	(1,623)
Loss/(gain) on disposals	**4,131**	(492)

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

31 DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2010 and 2009.

32 FINANCIAL GUARANTEES CONTRACTS

The Group had the following financial guarantees as at balance sheet dates:

	2010	2009
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers of the property units	**4,366,964**	2,391,887

It represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees terminate upon the earlier of (i) issuance of the property ownership certificates which are generally be available within six months to one year after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgage loans by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

33 COMMITMENTS

(a) Commitments for property development expenditures

	2010	2009
	RMB'000	RMB'000
Contracted but not provided for	**9,181,209**	4,246,961

Note: The amount represented capital commitments for land use rights, prepayments for proposed development contracts and construction contracts.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

33 COMMITMENTS *(Continued)*

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2010	2009
	RMB'000	RMB'000
Not later than one year	**13,808**	12,847
Later than one year and not later than five years	**10,095**	7,777
	23,903	20,624

(c) Operating lease rentals receivable

The future aggregate minimum lease rentals receivable under non-cancellable operating leases in respect of land and buildings are as follows:

	2010	2009
	RMB'000	RMB'000
Not later than one year	**100,143**	91,891
Later than one year and not later than five years	**339,691**	316,547
Later than five years	**286,266**	276,550
	726,100	684,988

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

34 ACQUISITIONS

(a) Transaction with non-controlling interest

For the year ended 31 December 2010, the Group acquired an additional 45% of the issued shares of Fenglong Group Co., Ltd. for a purchase consideration of RMB350,000,000. The Group's carrying amount of the non-controlling interest in Fenglong Group Co., Ltd. on the date of acquisition was a net liabilities of RMB44,475,000. The Group recognised a decrease in non-controlling interests of RMB44,475,000 and the excess of consideration paid over the carrying amount was recorded in the revenue reserve (note 18). As at 31 December 2010, the consideration payable amounted to RMB84,831,000 and was subsequently settled in January 2011.

(b) Acquisitions of interests in subsidiaries

For the year ended 31 December 2010, the Group acquired 100% of the equity interest of several subsidiaries, except for Guangdong Guanji Investments Company Limited ("廣東冠基投資有限公司") of which only 80% equity interest was being acquired from respective third parties at a total consideration of approximately RMB1,666,331,000. These companies did not operate any business prior to the acquisitions and only held a piece of land or a property under development. Therefore, the Group considered these would be acquisitions of assets in substance and as a result the difference between the cash consideration and the net assets acquired would be recognised as adjustments to the carrying value of the properties under development.

For the year ended 31 December 2009, the Group acquired 100% of the equity interest of a subsidiary from a third party at a total cash consideration of approximately RMB260,000,000. This company carried out hotel operation but the Group did not take over any management of the hotel operations as its plan is to acquire the land for redevelopment. Therefore, the Group considered that this would be acquisition of assets in substance and as a result the difference between the cash consideration and the net assets acquired would be recognised as adjustments to the carrying value of the land use rights and land deposits.

The considerations of all these acquisitions were based on the fair value of the land.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

34 ACQUISITIONS *(Continued)*

(b) Acquisitions of interests in subsidiaries *(Continued)*

The assets and liabilities arising from the acquisitions are as follows:

	2010	2009
	RMB'000	RMB'000
Property and equipment	**3,000**	4,514
Properties under development	**295,637**	36,891
Debtors, deposits and other receivables	**43,844**	8,744
Cash and cash equivalents	**508**	109
Other payables	**(198,621)**	(10,529)
Net assets	**144,368**	39,729
Less: non-controlling interests	**(998)**	–
Net assets acquired	**143,370**	39,729
Purchase consideration settled in cash	**968,107**	260,000
Cash and bank balances in subsidiaries acquired	**(508)**	(109)
Cash outflow on acquisition	**967,599**	259,891

	2010	2009
	RMB'000	RMB'000
Total purchase consideration:		
– Cash paid during the year	**968,107**	260,000
– Deposit paid in prior years	**484,834**	–
– Payable	**213,390**	–
	1,666,331	260,000
Fair value of net assets acquired shown as above	**(143,370)**	(39,729)
Adjustments to the carrying amount of properties under development	**1,522,961**	220,271

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

35 DISPOSALS OF SUBSIDIARIES

For the year ended 31 December 2010, the Group disposed its entire issued share capital of certain subsidiaries. Certain of these companies solely held a completed properties held for sale in Guangzhou. Therefore, the Group regarded this disposal as sales of properties and its related cash inflow as cash generated from operations.

The aggregates assets and liabilities in respect of the above disposals were as follows:

	2010 RMB'000
Cash and cash equivalent	79,063
Properties under development	885,290
Debtors, deposits and other receivables	1,383
Accrued construction costs	(72,158)
Other payables	(346)
Net asset disposed	893,232
Consideration	
– cash received	1,900,000
– receivable	6,905
	1,906,905
Less: cash and cash equivalents in the subsidiaries and businesses disposed	(79,063)
Cash inflow on disposals	1,820,937

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

36 SHARE OPTION

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009 for adoption of the Pre-IPO Share Option Scheme, options to subscribe for a total of 50,000,000 ordinary shares of the Company have been conditionally granted to 52 eligible participants including directors and selected employees of the Company. The exercise price of HK$3.105 per share under the Pre-IPO Share Option Scheme is determined at a 10% discount to the global offering price, which was HK$3.45 per share, excluding brokerage, Securities and Futures Commission transaction levy and the Hong Kong Stock Exchange trading fee.

The share options may be exercised in the following manner: (i) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2009 and ending on 9 December 2012; (ii) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2010 and ending on 9 December 2012; and (iii) up to one-third of the options granted to a grantee less the number of options that has been exercised (rounded down to the nearest whole number) at any time during the period commencing from the second business day after the publication of the audited financial statements of the Company for the year ending 31 December 2011 and ending on 9 December 2012. Exercise of options is conditional upon the achievement of the profit target as may be determined by the Board. The Group has no obligation to repurchase or settle the options in cash. These options will expire on or before 9 December 2012, being the expiry of the period of 36 months commencing on the date of listing of the Company.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

36 SHARE OPTION *(Continued)*

(a) Pre-IPO Share Option Scheme *(Continued)*

Details of the movement of the share options under Pre-IPO Share Option Scheme are as follows:

	2010		2009	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**3.105**	**50,000,000**	–	–
Granted during the year	**–**	**–**	3.105	50,000,000
Forfeited during the year	**3.105**	**10,200,000**	–	–
At 31 December	**3.105**	**39,800,000**	3.105	50,000,000

As at 31 December 2010, 13,134,000 (2009: nil) outstanding options granted under Pre-IPO Share Option Scheme were exercisable (note).

Note: Terms of share options at the end of the reporting period were as follows:

Exercise period	**Exercise price per share** (HK$)	**Number of share options**	
		2010	2009
19 March 2010 – 9 December 2012	3.105	**13,134,000**	–
11 March 2011 – 9 December 2012	3.105	**13,134,000**	–
31 March 2012 – 9 December 2012	3.105	**13,532,000**	–
		39,800,000	–

No share options were granted or granted for adjustment, lapsed or cancelled during the year (2009: nil).

The fair value of the options granted determined using the binomial model was HK$83,870,000. The significant inputs to the model were share price of HK$3.45 at the grant date, exercise price of HK$3.105, volatility of 74%, no expected dividend yield, an expected option life of three years and an annual risk free interest rate of 0.72%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the past three years of similar listed companies.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2010

36 SHARE OPTION *(Continued)*

(b) Share Option Scheme

Pursuant to the shareholders' resolution passed on 22 November 2009, a post-IPO share option scheme ("Share Option Scheme") was conditionally adopted. Pursuant to the terms of the Share Option Scheme, the Company may grant options at its discretion, to any eligible person (including directors, employees, officers of any member of the Group, advisers, consultants, suppliers, agents and customers of any members of the Group). The maximum number of shares which may be issued upon exercise of all options (the "Share Option") granted and yet to be exercised under the Share Option Scheme or any other share option schemes adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options may be granted under the Share Option Scheme after 10 years since the adoption. The vesting periods, exercise periods and vesting conditions may be specified by the Company at the time of the grant, and the options expire no later than 10 years from the relevant date of grant. The exercise price of the option under the Share Option Scheme shall be no less than the highest of (i) the official closing price of the Company's shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant; (ii) the average of the official closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange for the five Stock Exchange business days immediately preceding the date of grant; (iii) the nominal value of a share of the Company.

Details of the movement of the share options under Share Option Scheme are as follows:

	2010		2009	
	Weighted average exercise price in HK$ per share	**Number**	Weighted average exercise price in HK$ per share	Number
At 1 January	**–**	**–**	–	–
Granted during the year	**2.135**	**204,750,000**	–	–
Forfeited during the year	**2**	**13,300,000**	–	–
At 31 December	**2.144**	**191,450,000**	–	–

As at 31 December 2010, 8,250,000 (2009: nil) outstanding options granted under the Share Option Scheme were exercisable (note).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

36 SHARE OPTION *(Continued)*

(b) Share Option Scheme *(Continued)*

Note: Terms of share options at the end of the reporting period were as follows:

Exercise period	Exercise price per share (HK$)	Number of share options 2010	2009
9/6/2010 – 8/6/2015	3.105	**8,250,000**	–
11/3/2011 – 10/3/2016	3.105	**8,250,000**	–
31/3/2012 – 30/12/2017	3.105	**8,500,000**	–
23/7/2011 – 22/7/2020	2.000	**33,290,000**	–
23/7/2012 – 22/7/2020	2.000	**33,290,000**	–
23/7/2013 – 22/7/2020	2.000	**33,290,000**	–
23/7/2014 – 22/7/2020	2.000	**33,290,000**	–
23/7/2015 – 22/7/2020	2.000	**33,290,000**	–
		191,450,000	–

The Company offered to grant Mr. Tam Lai Ling (the "March Grant"); and several directors and senior management (the "July Grant") of 25,000,000 and 179,750,000 shares respectively of HK$0.10 each in the capital of the Company on 23 March 2010 and 23 July 2010 respectively. The valuation was based on a Binomial Model with the following data and assumptions:

	March Grant	July Grant
Fair value under binomial model	HK$22,355,000	HK$142,362,000
Closing share price at grant date	HK$2.56	HK$1.71
Exercise price	HK$3.105	HK$2.00
Annual risk free interest rate	1.82% - 2.33%	2.29%
Expected option life	5–7 years	10 years
Expected divided yield	nil	nil

The volatility of the share price of the Company was determined based on the movement of the share price during the year 2010. The volatility rate was 40% per annum.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

37 RELATED PARTY TRANSACTIONS

(a) Key management compensation

	2010	2009
	RMB'000	RMB'000
Salaries and other short-term employee benefits	**23,508**	13,912
Retirement scheme contributions	**285**	239
Share option benefits	**44,025**	1,660
	67,818	15,811

(b) Purchasing of services

	2010	2009
	RMB'000	RMB'000
Rental expense	**1,204**	1,080

Note: This represents payment of rental expense for various office premises to controlling shareholders Mr. Kwok Chun Wai and Mr. Kwok Ying Shing and Prime Yield Holdings Limited respectively. The rental expense paid during the year was determined at prevailing market rate of respective office premise.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2010 are set out below:

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Established and operate in the PRC, all of which are foreign investment enterprises:				
Success Take Zhiye (Shenzhen) Co., Ltd. 迪升置業（深圳）有限公司	15 February 2004	RMB640,000,000	100%	Property development
Kaisa Property (Shenzhen) Co., Ltd. 佳兆業地產（深圳）有限公司	3 June 1999	RMB2,176,000,000	100%	Property development
Kaisa Technology (Shenzhen) Co., Ltd, 佳兆業科技（深圳）有限公司	27 July 2001	HK$586,310,000	100%	Property development
Leisure Land Hotel Management (Shenzhen) Co., Ltd. 可域酒店管理（深圳）有限公司	23 May 2005	RMB540,000,000	100%	Property management
Huizhou Canrong Property Co., Ltd. 惠州燦榮房產有限公司	14 January 1994	HK$31,878,000	100%	Property development
Established and operate in the PRC, all of which are sino-foreign equity joint venture enterprise:				
Fenglong Group Co., Ltd. 豐隆集團有限公司	29 October 1993	RMB168,000,000	100%	Property development
Shenzhen Jililong Shiye Co., Ltd. 深圳市吉利隆實業有限公司	21 March 1997	RMB12,000,000	100%	Property development
Sichuan Tianzi Ziye Co., Ltd. 四川天姿置業有限公司	15 September 2006	RMB20,000,000	100%	Property development
Huizhou Weitong Property Co., Ltd. 惠州緯通房產有限公司	14 January 1994	HK$256,026,685	100%	Property development
Huizhou Jinhu Entertainment Park Co., Ltd. 金湖遊樂園（惠州）有限公司	11 June 1993	USD4,800,000	100%	Property development
Huizhou Jinhu Resort Village Co., Ltd 金湖渡假村（惠州）有限公司	2 June 1993	USD12,000,000	100%	Property development
Kaisa Property (Liaoning) Co. Ltd. 佳兆業地產（遼寧）有限公司	28 January 2010	RMB532,470,000	100%	Property development
Jiangyin Woodland Height Property Co., Ltd. 江陰桂芳園房地產有限公司	22 March 2010	USD16,180,000	100%	Property development
Jiangyin Mocha Town Property Co., Ltd. 江陰可園房地產開發有限公司	7 April 2010	USD7,324,719	100%	Property development

Notes to the Financial Statements (Continued)
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38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Established and operate in the PRC, all of which are local investment enterprises:				
Dongguan Yingsheng Property Development Co., Ltd. 東莞市盈盛房地產開發有限公司	3 March 2006	RMB10,000,000	100%	Property development
Huizhou Jinhu Property Co., Ltd. 惠州市金湖房地產有限公司	26 March 1993	RMB51,480,000	100%	Property development
Regal Silver Shiye (Shenzhen) Co., Ltd. 靈菊實業（深圳）有限公司	26 March 2004	RMB10,000,000	100%	Property development
Chengdu Kaisa Property Development Co., Ltd. 成都佳兆業房地產開發有限公司	31 July 2006	RMB10,000,000	100%	Property development
Guangzhou Jinmao Property Development Co., Ltd. 廣州金貿房地產開發有限公司	27 October 2005	RMB202,500,000	100%	Property development
Shenzhen Daye Property Development Co., Ltd. 深圳市大業房地產開發有限公司	26 January 2007	RMB10,000,000	100%	Property development
Shenzhen Jiachangxin Investment Consulting Co., Ltd. 深圳市佳昌信投資諮詢有限公司	14 November 2006	RMB204,680,000	100%	Property development
Shenzhen Zhaoruijing Commerce Operation Management Co., Ltd. 深圳市兆瑞景商業經營管理有限公司	19 July 2004	RMB401,000,000	100%	Commerce management
Shenzhen Zhongwei Investment Consulting Co., Ltd. 深圳市中衛投資諮詢有限公司	31 August 2005	RMB13,480,000	100%	Property development
Sichuan Kaisa Zhiye Co., Ltd. 四川佳兆業置業有限公司	16 May 2007	RMB10,000,000	100%	Property development
Zhuhai Zhanda Property Development Co., Ltd. 珠海市展大房地產開發有限公司	11 April 1993	RMB50,000,000	100%	Property development
Huizhou Kaisa Property Development Co., Ltd. 惠州市佳兆業房地產開發有限公司	29 January 2007	RMB50,000,000	100%	Property development
Dongguan Kaisa Property Development Co., Ltd. 東莞佳兆業房地產開發有限公司	6 September 2004	RMB38,000,000	100%	Property development
Chengdu Nanxing Yinji Property Development Co., Ltd. 成都南興銀基房地產開發有限公司	5 November 2004	RMB20,000,000	100%	Property development
Dongguan Kaisa Property Management Co., Ltd. 東莞市佳兆業物業管理有限公司	18 July 2007	RMB2,500,000	100%	Property management
Guangdong Kaisa Property Development Co., Ltd. 廣東佳兆業房地產開發有限公司	12 July 2007	RMB10,000,000	100%	Property development

Notes to the Financial Statements (Continued)

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38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Huizhou Jiabo Property Development Co., Ltd. 惠州市佳博房地產開發有限公司	14 September 2007	RMB1,000,000	100%	Property development
Chengdu Kaisa Investment Co., Ltd. 成都佳兆業投資有限公司	22 June 2007	RMB20,000,000	100%	Property development
Guangzhou Zhaoruijing Commerce Service Co., Ltd. 廣州市兆瑞景商務服務有限公司	11 October 2007	RMB2,000,000	100%	Commerce management
Shenzhen Xingwoer Shihua Property Development Co., Ltd. 深圳市興沃爾房地產開發有限公司	29 January 1999	RMB10,000,000	100%	Property development
Dongguan Yingtai Property Development Co., Ltd. 東莞市盈泰房地產開發有限公司	4 January 2007	RMB10,000,000	100%	Property development
Chengdu Kaisa Property Management Co. Ltd. 成都市佳兆業物業管理有限公司	30 January 2008	RMB3,000,000	100%	Property management
Jiangyin Taichang Property Development Co., Ltd. 江陰市泰昌房地產開發有限公司	22 November 2007	RMB200,000,000	100%	Property development
Shanghai Xinwan Investment Development Co. Ltd. 上海新灣投資發展有限公司	17 January 2007	RMB60,000,000	100%	Property development
Chengdu Zhaoruijing Commerce Service Co., Ltd. 成都兆瑞景商務服務有限公司	29 January 2008	RMB2,000,000	100%	Commerce management
Huizhou Huasheng Investment Co., Ltd. 惠州市華盛投資有限公司	29 August 2007	RMB60,000,000	100%	Property development
Boluo Kaisa Property Development Co., Ltd. 博羅縣佳兆業房地產開發有限公司	2 June 2008	RMB10,000,000	100%	Property development
Boluo Kaisa Zhiye Co., Ltd. 博羅縣佳兆業置業有限公司	2 June 2008	RMB10,000,000	100%	Property development
Dongguan Yingyan Property Development Co., Ltd. 東莞市盈雁房地產開發有限公司	4 July 2008	RMB10,000,000	80%	Property development
Keyu Golden Bay Resort Co., Ltd. 深圳市金沙灣大酒店有限公司	17 June 1997	RMB50,000,000	100%	Hotel
Kaisa Jiangyin Real Estate Co., Ltd. 佳兆業地產江陰有限公司	15 October 2009	RMB150,000,000	100%	Property development
Shenzhen Tianli'an Industrial Development Co., Ltd. 深圳市天利安實業發展有限公司	4 September 2002	RMB46,000,000	100%	Property development

Notes to the Financial Statements (Continued)
For the year ended 31 December 2010

38 PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Date of incorporation/ establishment	Nominal value of issued and fully paid share capital/ paid-in capital	Percentage of attributable equity interest	Principal activities
Boji (Shenzhen) Company Limited 寶吉工藝品（深圳）有限公司	28 December 1988	RMB442,180,000	100%	Property development
Foshan Shunde Huaren Property Co., Ltd. 佛山市順德區華仁房產投資有限公司	7 December 2009	RMB10,000,000	100%	Property development
Foshan Shunde Kaisa Property Development Co., Ltd. 佛山市順德區佳兆業房地產開發有限公司	2 November 2010	RMB10,000,000	100%	Property development
Kaisa Property (Taichang) Co. Ltd. 佳兆業地產（太倉）有限公司	4 November 2010	RMB210,000,000	100%	Property development
Jiangyin Property Development Co., Ltd. 江陰水岸華府房地產開發有限公司	10 December 2010	RMB20,000,000	100%	Property development
Nanchong Kaisa Property Development Co., Ltd. 南充佳兆業房地產有限公司	10 December 2010	RMB10,000,000	100%	Property development
Changzhou Kaisa Property Development Co., Ltd. 常州佳兆業房地產開發有限公司	8 December 2010	USD36,896,980	100%	Property development
Guangdong Guanji Investments Company Limited 廣東冠基投資有限公司	1 August 2005	RMB5,000,000	80%	Property development

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