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瑞安房地產
SHUI ON LAND

Shui On Land Limited
瑞安房地產有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 272)

OVERSEAS REGULATORY ANNOUNCEMENT, COMPLETION OF NOTES ISSUE AND DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES

This overseas regulatory announcement is issued pursuant to Rule 13.09(2) of the Listing Rules.

Reference is made to the two announcements of the Company dated 18 January 2011 and 20 January 2011, respectively, in relation to the offering of the Notes by Shui On Development which are guaranteed by the Company.

The Board is pleased to announce that on 26 January 2011, all the conditions precedent under the Purchase Agreement have been fulfilled, the Indenture was executed and the Notes Issue was completed. The posting of the attached Offering Memorandum on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to Shareholders and investors in Hong Kong and compliance with Rule 13.09(2) of the Listing Rules, and not for any other purposes.

INTRODUCTION

This overseas regulatory announcement is issued pursuant to Rule 13.09(2) of the Listing Rules.

Reference is made to the two announcements of the Company dated 18 January 2011 and 20 January 2011, respectively, in relation to the offering of the Notes by Shui On Development which are guaranteed by the Company.

COMPLETION OF NOTES ISSUE

The Board is pleased to announce that on 26 January 2011, all the conditions precedent under the Purchase Agreement have been fulfilled, the Indenture was executed and the Notes Issue was completed.

Indenture

The Indenture provided that upon the occurrence of a change of control, Shui On Development will make an offer to repurchase all outstanding Notes at a purchase price equal to the U.S. Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, at the date of repurchase.

A change of control under the Indenture includes, among others, any transaction that results in either: (1) the merger, amalgamation or consolidation of the Company or Shui On Development with or into another individual or entity or the merger or amalgamation of another individual or entity with or into the Company or Shui On Development, or the sale of all or substantially all the assets of the Company or Shui On Development to another individual or entity; or (2) the Permitted Holders being the beneficial owner of less than 35% of the total voting power of the voting stock of the Company or Shui On Development; or (3) any person or group (as defined in the Indenture) other than the Permitted Holders being the beneficial owner of more voting power of the voting stock of Shui On Development than each Permitted Holders; or (4) the adoption of a plan relating to the liquidation or dissolution of the Company or Shui On Development.

Please note that the disclosure of this term under the Indenture is in accordance with Rule 13.18 of the Listing Rules.

Offering Memorandum

Please refer to the attached Offering Memorandum which has been published on the website of the SGX-ST on 26 January 2011. Approval-in-principle has been received for the listing of the Notes on the SGX-ST. The SGX-ST assumes no

responsibility for the correctness of any of the statements made or opinions expressed or reports contained therein. Admission of the Notes to the official list of the SGX-ST is not to be taken as an indication of the merits of the Company, Shui On Development or the Notes.

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

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

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

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

"Barclays Capital"	Barclays Bank PLC, one of the co-managers in respect of the offer and sale of the Notes
"BNP PARIBAS"	BNP Paribas, Hong Kong Branch, one of the co-managers in respect of the offer and sale of the Notes
"Board"	the board of Directors
"Company"	Shui On Land Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange
"Deutsche Bank"	Deutsche Bank AG, Singapore Branch, one of the joint lead managers and bookrunners in respect of the offer and sale of the Notes
"Director(s)"	director(s) of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Indenture"	the written agreement between the Company as guarantor, Shui On Development as issuer of the Notes and DB Trustees (Hong Kong) Limited as trustee of the Notes, pursuant to which the Notes were issued
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Notes"	the RMB3,500,000,000 US$ settled 7.625% senior notes due 2015 issued by Shui On Development
"Notes Issue"	the issue of Notes by Shui On Development and guaranteed by the Company
"Offering Memorandum"	the offering memorandum dated 19 January 2011 in relation to the Notes Issue
"Parent Guarantee"	the guarantee given by the Company on Shui On Development's obligations under the Notes
"Permitted Holders"	means any or all of the following: (1) Mr. Vincent H. S. Lo; (2) any other person directly or indirectly controlling, controlled by, or under direct or indirect common control with, Mr. Vincent H. S. Lo; and (3) any person both the capital stock and the voting stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by persons specified in items (1) and (2).
"PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan area
"Purchase Agreement"	the agreement dated 19 January 2011 entered into between, among others, the Company, Shui On Development, Deutsche Bank, Standard Chartered Bank, UBS, Barclays Capital and BNP PARIBAS in relation to the Notes Issue
"RMB"	Renminbi, the lawful currency of the PRC
"SGX-ST"	Singapore Exchange Securities Trading Limited

"Share(s)"	the ordinary share(s) with par value of US$0.0025 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shui On Development"	Shui On Development (Holding) Limited, a company incorporated in the Cayman Islands with limited liability, and a wholly-owned subsidiary of the Company
"Standard Chartered Bank"	Standard Chartered Bank, the sole global coordinator and one of the joint lead managers and bookrunners in respect of the offer and sale of the Notes
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"UBS"	UBS AG, Hong Kong Branch, one of the joint lead managers and bookrunners in respect of the offer and sale of the Notes
"United States"	the United States of America, its territories and possessions and all areas subject to its jurisdiction
"US$"	United States dollar, the lawful currency of the United States
"U.S. Dollar Settlement Amount"	means, in respect of a RMB-denominated amount that would be due under the Notes (including the Parent Guarantee) or the Indenture in RMB, the RMB amount converted into US$ using the spot rate for the applicable rate calculation date
"%"	per cent.

By order of the Board
Shui On Land Limited
Vincent H. S. LO
Chairman

Hong Kong, 26 January 2011

As at the date of this announcement, the executive Directors are Mr. Vincent H. S. LO (Chairman and Chief Executive Officer), Mr. Louis H. W. WONG, Mr. Daniel Y. K. WAN and Mr. Freddy C. K. LEE; the non-executive Director is The Honourable LEUNG Chun Ying; and the independent non-executive Directors are Sir John R. H. BOND, Dr. Edgar W. K. CHENG, Dr. William K. L. FUNG, Professor Gary C. BIDDLE, Dr. Roger L. McCARTHY and Mr. David J. SHAW.

* *For identification purpose only*

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OFFERING MEMORANDUM

瑞安房地產
SHUI ON LAND

Shui On Development (Holding) Limited

(incorporated in the Cayman Islands with limited liability)

Shui On Land Limited
瑞安房地產有限公司*

(incorporated in the Cayman Islands with limited liability)

RMB3,500,000,000 US$ Settled 7.625% Senior Notes due 2015
guaranteed by Shui On Land Limited
Issue Price: 100%

Shui On Development (Holding) Limited (the **"Issuer**"), incorporated in the Cayman Islands with limited liability, is offering RMB3,500,000,000 aggregate principal amount of US$ settled 7.625% Senior Notes due 2015 (the "**Notes**"). The Notes will bear interest at the rate of 7.625% per year and will mature on January 26, 2015. The Notes are senior obligations of the Issuer and are guaranteed by Shui On Land Limited (the "**Parent Guarantor**," and such guarantee, the "**Parent Guarantee**").

The Notes are denominated in Renminbi and will be settled in U.S. dollars. Based on a face value of RMB1,000,000 of each Note and an issue price of 100%, and an exchange rate of RMB6.5885 to US$1.00, the settlement amount payable with respect to each Note is US$151,779.615998. Interest on the Notes will be paid in U.S. dollars in the US Dollar Settlement Amount (as defined in the "*Description of the Notes*" herein) calculated as of the relevant Rate Calculation Date (as defined in the "*Description of the Notes*" herein). Upon maturity of the Notes on January 26, 2015, we will pay to each holder of the Notes the aggregate principal amount of the Notes held by such holder (plus accrued and unpaid interest, if any) in U.S. dollars in the US Dollar Settlement Amount calculated as of the relevant Rate Calculation Date.

The Issuer may redeem some or all of the Notes at any time at a price equal to 100% of the principal amount of the Notes plus a "make-whole" premium (plus accrued and unpaid interest, if any) in U.S. dollars in the US Dollar Settlement Amount calculated as of the relevant Rate Calculation Date. The Issuer may redeem all but not less than all of the Notes at the principal amount (plus accrued and unpaid interest, if any) in U.S. dollars in the US Dollar Settlement Amount calculated as of the relevant Rate Calculation Date upon certain changes in tax law. For a more detailed description of the redemption of the Notes, see "*Description of the Notes — Optional Redemption*." Upon the occurrence of a Change of Control (as defined in the "*Description of the Notes*" herein), the Issuer 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 in U.S. dollars in the US Dollar Settlement Amount Calculated as of the relevant Rate Calculation Date.

The Notes will be senior unsecured obligations and will rank equally in right of payment with all of the Issuer's unsecured, unsubordinated indebtedness (subject to any priority rights pursuant to applicable law). However, because the Notes will not be guaranteed by any of the Parent Guarantor's subsidiaries (unless such subsidiaries also guarantee any other indebtedness of the Issuer or the Parent Guarantor), the Notes will be effectively subordinated to all existing and future indebtedness and other obligations (including trade payables) of the Parent Guarantor's subsidiaries. The Notes will also be effectively subordinated to the Issuer's and the Parent Guarantor secured indebtedness to the extent of assets serving as security for such secured indebtedness.

Investing in the Notes involves significant risks. See "*Risk Factors*" beginning on page 25 for a discussion of factors that you should consider carefully before investing in the Notes.

Application has been made for the listing of the Notes on 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. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Parent Guarantor or the Notes.

The Notes and the Parent Guarantee have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The Notes may not be offered, sold, pledged or otherwise transferred in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 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 Securities Act. For a description of certain restrictions on resale or transfer, see the section entitled "*Transfer Restrictions*."

The Notes will be evidenced by a global note (the "**Global Note**") in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**"). Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out herein, individual certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificate. It is expected that delivery of the Global Note will be made on January 26, 2011 or such later date as may be agreed by the Issuer and the Initial Purchasers (as defined in "*Plan of Distribution*").

Sole Global Coordinator

Standard Chartered Bank

Joint Lead Managers and Bookrunners

Deutsche Bank **Standard Chartered Bank** **UBS**

Co-Managers

Barclays Capital **BNP PARIBAS**

January 19, 2011

*Shui On Land Limited (the "**Company**") and the Issuer have not authorized anyone to provide you with information that is different from what is contained in this offering memorandum, and the Company and the Issuer take no responsibility for any other information that others may give you. Any information or representation not made in this offering memorandum must not be relied on by you as having been authorized by the Company, the Issuer or the Initial Purchasers (as defined in "Plan of Distribution" herein), any of its respective directors, officers or representatives, or any other person or party involved in the offering memorandum.*

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This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction to any person 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.

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, SINGAPORE BRANCH ("DB"), AS THE STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, 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 DB, AS THE STABILIZING MANAGER, AND NOT FOR OR ON BEHALF OF THE ISSUER.

The Company and the Issuer, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to them, their subsidiaries and affiliates referred to in this offering memorandum and the Notes and the Parent Guarantee that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to them, their subsidiaries and 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 them, their 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 them, their subsidiaries and affiliates, the Notes and the Parent Guarantee, 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) the Company and the Issuer have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. The Company and the Issuer accept responsibility accordingly.

This offering memorandum is provided solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering memorandum before making a decision regarding whether or not to purchase the Notes. You must not use this offering memorandum for any other purpose or disclose any information in this offering memorandum to any other person. This offering memorandum is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Notes.

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

The Company and the Issuer have prepared this offering memorandum, and they are solely responsible for its contents. Each person receiving this offering memorandum acknowledges that such person has not relied on the initial purchasers named in the section entitled "*Plan of Distribution*" (each an "**Initial Purchaser**") or any other person affiliated with the Initial Purchasers in connection with its

investigation of the accuracy of such information or its investment decision. 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 sections headed "*Transfer Restrictions*" and "*Plan of Distribution*" below.

No representation or warranty, express or implied, is made by the Initial Purchasers, the Trustee, the Principal Paying Agent and Registrar (as all defined in "*Description of the Notes*") 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 shall be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers have not independently verified any of the information contained in this offering memorandum and assume no responsibility for its accuracy or completeness.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request the Company and the Issuer 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 Parent Guarantee (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of us and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

The Company and the Issuer are not, and the Initial Purchasers are not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the Notes may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by the Company and the Issuer 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 and distribution of this offering memorandum, see the sections headed "*Transfer Restrictions*" and "*Plan of Distribution*" below.

This offering memorandum summarizes certain material documents and other information, and the Company and the Issuer 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 attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes.

The Company and the Issuer reserve the right to withdraw the offering of Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to purchase 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

This offering memorandum has been prepared using a number of conventions, which you should consider when reading the information contained herein. Other than the section headed "*Description of the Notes,"* when we use the terms "**we**," "**us**," "**our**," and words of similar import, we are referring to Shui On Land Limited, the "Company" itself, or to the Company and its consolidated subsidiaries, as the context requires. References to the "**Group**" are to the Company and its subsidiaries and

associated companies and, with respect to the period before the Company became the holding company of such subsidiaries (or before such associated companies became associated companies of the Company), the entities which carried on the business of the present Group at the relevant time. Shui On Development (Holding) Limited is referred to in this offering memorandum as the "Issuer."

Market data and certain industry forecast and statistics in this offering memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us, the Issuer or the Initial Purchasers or their 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.

The statistics set forth in this offering memorandum relating to the PRC and the property industry in the PRC were taken or derived from various government and private publications. Neither we, the Issuer nor the Initial Purchasers make any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

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 (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 RMB6.7818 to US$1.00, the rate indicated on Bloomberg on June 30, 2010, and all translations from Hong Kong dollars to U.S. dollars were made at the rate of HK$0.8640 to US$1.00. All such translations in this offering memorandum are provided solely for the investors' convenience and no representation is made that the Renminbi amounts or H.K. dollar amounts referred to herein have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate or at all. For further information relating to exchange rates, see "*Exchange Rate Information*."

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

Totals presented in this offering memorandum may not tally correctly due to the rounding of numbers.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements, including, without limitation, words and expressions such as "expect," "believe," "plan," "intend," "aim," "estimate," "project," "anticipate," "seek," "predict," "may," "should," "will," "would" and "could" or similar words or statements, in particular, in the sections entitled "*Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" in this offering memorandum in relation to future events, our future financial, business or other performance and development, strategy, plans, objectives, goals and targets, the future development of our industry and the future development of the general economy of our key markets and globally.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this offering memorandum and the following:

- changes in laws and PRC governmental regulations, policies and approval processes in the regions where we develop or manage our projects;
- changes in economic, political and social conditions and competition in the cities we operate in, including a downturn in the property markets in China;
- our business and operating strategies;
- our capital expenditure plans;
- various business opportunities that we may pursue;
- our dividend policy;
- our operations and business prospects;
- our financial condition and results of operations;
- the industry outlook generally;
- changes in competitive conditions and our ability to compete under these conditions;
- catastrophic losses from fires, floods, windstorms, earthquakes, or other adverse weather conditions, diseases or natural disasters;
- our ability to further acquire suitable sites and develop and manage our projects as planned;
- availability and changes of loans and other forms of financing;
- departure of key management personnel;
- performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- exchange rate fluctuations;
- currency exchange restrictions; and
- other factors beyond our control.

This list of important factors is not exhaustive. Additional factors that could cause the actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*." When evaluating any statement made in this offering memorandum, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this offering memorandum, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this offering memorandum might not occur in the manner we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information.

In this offering memorandum, statements of or references to our intentions or those of any of our directors are made as of the date of this offering memorandum. Any such intentions may change in light of future developments.

GLOSSARY

This glossary contains terms used in this offering memorandum as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

average rental	average rental on a gross basis, unless otherwise stated
average selling price (ASP)	average selling price on a gross basis, unless otherwise stated
CBD	Central Business District
completed property developments	completed property developments represent properties for which construction of all constituent buildings has been completed and which are available for lease or for sale
Dalian Entities	means Innovate Zone Group Limited, Richcoast Group Limited, Teamachieve Holdings Limited, Tennick Holdings Limited, Timeglobe Holdings Limited, Hopeful Zone Investments Limited, Asia Great Investment Limited, Charmful Investment Limited, Garco Investment Limited, Sinoco Investment Limited, 大連乾通科技發展有限公司 (Dalian Qiantong Science & Technology Development Co. Ltd.), 大連瑞聖軟件發展有限公司 (Dalian Ruisheng Software Development Co. Ltd.), 大連德蘭軟件發展有限公司 (Dalian Delan Software Development Co. Ltd.), 大連嘉道科技發展有限公司(Dalian Jiadao Science & Technology Development Co. Ltd.), 大連軟件園瑞安發展有限公司 (Dalian Software Park Shui On Fazhan Co., Ltd.) , 大連軟件園瑞安開發有限公司 (Dalian Software Park Shui On Kaifa Co., Ltd.), 大連軟件園中興開發有限公司 (Dalian Software Park Zhong Xing Kaifa Co., Ltd.), 大連軟件園榮泰開發有限公司 (Dalian Software Park Rong Tai Kaifa Co., Ltd.), 大連軟件園榮源開發有限公司 (Dalian Software Park Rong Yuan Kaifa Co., Ltd.) and 大連軟件園榮達開發有限公司 (Dalian Software Park Rong Da Kaifa Co., Ltd.). The English names in parentheses for the Chinese companies are provided for identification purposes only
estimated leasable GFA	in relation to projects where our Group has obtained planning and/or construction permits for the project, the leasable GFA information with respect to these projects is estimated based on our Group's current development plans in accordance with the planning and/or construction permits issued by the relevant authorities in relation to projects where our Group has not yet obtained any of the above permits, the leasable GFA information with respect to these projects is estimated based on our Group's current development plans with references to the plot ratio in the land grant contracts

estimated saleable GFA	in relation to projects where our Group has not yet obtained pre-sale permits but has obtained planning and/or construction permits for the project, the saleable GFA information with respect to these projects is estimated based on our Group's current development plans in accordance with the planning and/or construction permits issued by the relevant authorities in relation to projects where our Group has not yet obtained any of the above permits, the saleable GFA information with respect to these projects is estimated based on our Group's current development plans with references to the plot ratio in the land grant contracts
GFA	gross floor area
LAT	PRC land appreciation tax
landbank	landbank represents our completed property developments, properties under development and properties held for future development and properties to which we have the rights to develop, in each case excluding properties sold and delivered to purchasers
leasable GFA	in relation to completed property projects for lease, the total GFA shown in the relevant completion and inspection certificates
KIC	Knowledge and Innovation Community
mu	one mu equals approximately 666.67 sq.m.
properties under development	properties under development represent incomplete property projects that are under construction or design and are in the delivery phase
property held for future development	properties held for future development represent projects that are in the planning stage or for which the site is under relocation, and, in each case, are not expected to be completed within three years
SAFE	State Administration of Foreign Exchange
saleable GFA	in relation to completed property projects for sale, the total GFA shown in the relevant completion and inspection certificates in relation to projects where we have obtained pre-sale permits, the saleable GFA information refers to the saleable GFA as shown in the pre-sale permits
shopping center	usually a large complex containing a cluster of retail stores under one roof, and/or department stores selling an assortment of goods
sq.m.	square meters

total GFA or total gross floor area	the above-ground and underground saleable and/or leasable GFA contained within the external walls of any building at each floor level and the whole thickness of the external walls, and includes GFA attributable to non-controlling interest holders, if any, of the relevant project together with other non-leasable and non-saleable GFA
Three-Year Plan	the Company aims at providing accelerated but sustainable growth and maintaining a balance between value creation for the long term and cash generation in the short to medium term. The Three-year Plan aims to achieve a balance between standardization of product design while maintaining customization of certain high-end projects, maintaining strong cash flow and relatively low gearing ratio, decentralization of decision-making and project-based management, maintaining geographic and earnings based diversity and forging strategic partnerships with other developers, in order to expedite project development and increase the Company's project completion rate consistently and continuously
WTO	World Trade Organization

SUMMARY

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

Our Business

We are one of the leading property developers in the PRC and the flagship property company of the Shui On Group. We engage principally in the development, sale, leasing, management and the long-term ownership of high-quality residential, office, retail, entertainment and cultural properties in the PRC, utilizing our expertise and experience in developing large-scale integrated property projects based on master plans that we have developed in conjunction with the local governments. We are actively involved in the city planning aspects of most of our projects. We believe our projects are characterized by the redevelopment and transformation of the neighborhoods and communities of the cities in which our projects are located. We strategically retain long-term ownership of certain commercial properties that we have developed, and are committed to enhancing the value of the projects on a continuing basis through comprehensive property management. Our past developments include the well-known restoration project, Shanghai Xintiandi, one of the landmarks in Shanghai.

We trace our origins to the Shui On Group, a Hong Kong-based privately-held diversified group that is primarily engaged in the real estate development, construction contracting and construction materials businesses. Under the leadership of our chairman, Mr. Lo, the Shui On Group has over 20 years of experience in property development in mainland China and over 30 years of construction and property development experience in Hong Kong.

We were incorporated in the Cayman Islands on February 12, 2004 and our shares are listed on the Main Board of the Hong Kong Stock Exchange. As of December 31, 2010, we had an authorized share capital of US$30,000,000 divided into 12,000,000,000 ordinary shares of US$0.0025 each and an issued and fully paid up share capital of US$13,028,970 consisting of 5,211,587,981 ordinary shares of US$0.0025 each.

We focus on large-scale city-core development projects, primarily strategically-located, mixed-use properties and multi-phase developments with a blend of historic restoration and modern architecture. All of our projects manifest the "Total Community" concept. Endowed with a full range of modern facilities for residential, office, retail, entertainment and leisure, our projects provide a unique environment enabling a "Live-Work-Play" lifestyle. Our aim is to make each of these projects a focal point for the entire city in which it is located.

We expect that Chinese cities will further develop and transform due to the PRC government's plan of continuing rapid economic development. The continued redevelopment of Chinese cities is in turn expected to generate significant economic value for China, demand for high-end residential and multi-phase developments and opportunities for well capitalized and reputable property companies. As Chinese cities are built into modern commercial and service centers, we believe they will become economic hubs to their hinterlands, which will be increasingly connected by a modern transportation infrastructure. An integral part of the transformation of these cities is efficient and innovative master planning of land utilization. We believe that our business model, built upon large-scale, city-core development projects, will position us to benefit from the expected emergence of modern cities in China.

In mid-2009, we launched our Three-Year Plan which is designed to accelerate sustainable growth and maintain a closer balance between value creation for the longer term and cash generation in the short- to medium-term. The cornerstone of our Three-Year Plan is to expedite the development completion of our landbank portfolio.

As of June 30, 2010, we have obtained land use rights certificates, or have entered into land grant contracts or legally binding master agreements with district governments for approximately 12.9 million sq.m. of landbank, of which approximately 9.5 million sq.m. is attributable to us. These land parcels fall under our eight major multi-phase projects with an aggregate estimated leasable and saleable GFA of approximately 11.3 million sq.m. and approximately 1.6 million sq.m. of car parks and other public facilities. We have a controlling interest in all of the projects, except for the Dalian Tiandi project. In order to develop the Dalian Tiandi project, we entered into a joint venture agreement with Shui On Construction and Materials Limited ("**SOCAM**") and the Yida Group Company Limited ("**Yida**") and its subsidiaries (together with Yida, the "**Yida Group**"). This project in Dalian city is expected to have approximately 3.3 million sq.m. of aggregate GFA, of which 48% will be attributable to us. Among such 3.3 million sq.m. of aggregate GFA, we have signed legally binding contracts for the acquisition of two plots of land with an aggregate GFA of 3.0 million sq.m. For the remaining plots of land, we plan to participate in the bidding or public auction, once they are ready for sale. We expect that the aggregate GFA on such remaining plots of land for the Dalian Tiandi project will be approximately 0.3 million sq.m.

As of June 30, 2010, we have eight major multi-phase projects in various stages of development located in the Chinese cities of Shanghai, Hangzhou, Wuhan, Chongqing, Foshan and Dalian. Shanghai and Hangzhou are located in the economically vibrant Yangtze River Delta, Wuhan is a major transportation hub located in central China and Chongqing is a major commercial and industrial center in southwestern China. Foshan, located in the Pearl River Delta, one of the major economic regions and manufacturing centers in China, is a major city in Guangdong Province and is close to Guangzhou city. Dalian, located on the coast of Bohai Bay, is a major city in Liaoning Province and a regional economic center in northeast China.

Current projects

- ***The Shanghai Taipingqiao project*** is a city-core development project consisting of office, residential, commercial, retail, entertainment and cultural properties in the heart of Shanghai. Upon completion, we expect this project to have a total leasable and saleable GFA of approximately 1.2 million sq.m., of which approximately 243,000 sq.m. had been sold as of June 30, 2010. This project comprises:

    - A historic restoration zone (Lots 109 and 112, or Shanghai Xintiandi), which has been open since 2001 and was fully completed in 2002;

    - A corporate headquarters zone (known as Corporate Avenue), of which Lot 110, or phase 1 of Corporate Avenue, consisting of retail and office properties, was completed in 2004;

    - An up-market residential zone, of which the first phase (Lot 117, or Lakeville) was completed in 2003, the second phase (Lot 114, or Lakeville Regency) was completed in 2006 and the construction of the third phase (Lot 113, or Casa Lakeville) was completed in 2010; and

    - A commercial zone, construction of which will commence following the completion of the relocation of existing residents.

The four zones referred to above are all located around a man-made lake and landscaped area which cover an area of approximately 56,000 sq.m.

- ***The Shanghai Rui Hong Xin Cheng project***, also known as Shanghai Rainbow City, has been enlarged through our successful purchase of all the equity interests in Shanghai Baili Property Development Company Limited and the obtaining of the title with respect to the land use rights of Lot 167A and Lot 167B, Xingang, Hongkou District, Shanghai in June 2010. Upon completion, we expect this entire project to have a total leasable and saleable GFA of approximately 1.6 million sq.m., of which approximately 388,000 sq.m. has been sold as of June 30, 2010. Shanghai Rui Hong Xin Cheng will redevelop the existing residential neighborhoods into an upper-middle class residential

community complete with modern amenities. Shanghai Rui Hong Xin Cheng is located within the Inner Ring Viaduct of Shanghai with public transportation links including its own dedicated metro station and major roads. Upon completion, we expect the project will comprise high rise residential buildings, commercial shopping complexes and schools.

- ***The Shanghai KIC project***, also known as the Shanghai Chuangzhi Tiandi project, comprises retail, entertainment and sports facilities, office buildings and residential properties. Upon completion, we expect this project to have a total leasable and saleable GFA of approximately 0.5 million sq.m., of which approximately 129,000 sq.m. has been sold as of June 30, 2010. This project is intended to inspire innovation and entrepreneurship, supported by retail, entertainment and sporting facilities to create a "Live-Work-Play" lifestyle. The project is located close to 17 major universities and colleges in the northeast of downtown Shanghai, including some of China's leading universities such as Fudan University and Tongji University. The project will provide a "hub area," comprising office buildings, learning centers, exhibition halls, conference and convention facilities, and commercial outlets designed to function as a work, leisure, educational and cultural center and "live-work" area, a mixed-use area comprising office buildings, retail shops and residential accommodation.

- ***The Hangzhou Xihu Tiandi project*** is an important development project similar to Shanghai Xintiandi comprising retail, food and beverage and entertainment facilities. Upon completion, we expect to have a total leasable and saleable GFA of approximately 48,000 sq.m. The project is situated adjacent to Hangzhou's West Lake, one of China's most famous and appreciated areas of natural beauty. Hangzhou, the capital city of Zhejiang Province, is a popular holiday destination approximately 180 kilometers away from Shanghai, and is connected to Shanghai by a modern super highway.

- ***The Wuhan Tiandi project*** is a city-core development project comprising retail, food and beverage and entertainment facilities, office buildings and residential properties. Upon completion, we expect this project to have a total leasable and saleable GFA of approximately 1.4 million sq.m., of which approximately 123,000 sq.m. has been sold as of June 30, 2010. Located between Shanghai and Chongqing at the confluence of the Han River and the Yangtze River, Wuhan is a major transportation hub in inland China and is the capital of Hubei Province. The project comprises two main sites, Site A and Site B, which will include Grade A office buildings, retail facilities, hotel and residential properties.

- ***The Chongqing Tiandi project*** is a city-core development project comprising office buildings, exhibition and conference facilities, retail and entertainment outlets, hotels and residential properties. Upon completion, we expect this project to have a total leasable and saleable GFA of approximately 2.8 million sq.m., of which approximately 93,000 sq.m. has been sold as of June 30, 2010. The Chongqing Tiandi project is situated on a hillside on the south bank of the Jialing River, just upstream of the confluence of the Yangtze and Jialing Rivers. We expect this project will help support and service Chongqing's extensive manufacturing and service industries. Chongqing Tiandi will be integrated with Chongqing's nearby central business district via a light rail system and major roads. The main features, in addition to modern high-quality office buildings, are expected to include a commercial core comprising business facilities such as an exhibition center and luxury hotels, a large residential area, entertainment and cultural properties, as well as a man-made lake.

- ***The Foshan Lingnan Tiandi project*** is a city-core development project comprising office, retail, hotel, cultural facilities and residential properties. The project is expected to have nearly 1.5 million sq.m. of leasable and saleable GFA. The project is planned for development in 5 phases over a period of 10 years. We may also invite strategic partners to co-invest in this Foshan Lingnan Tiandi Project if, and when, suitable opportunities arise, but no definite plans or terms have been fixed.

- ***The Dalian Tiandi project*** is a development consisting of software offices, residential and commercial properties, training centers, hotels and an area of a Shanghai Xintiandi type development. Upon completion, we expect this project to have an aggregate leasable and saleable GFA of

approximately 3.2 million sq.m., subject to our success in acquiring the land with an expected GFA of 0.3 million sq.m. through competitive bidding process. We have a 48% interest in the Dalian Tiandi project. Our joint venture partners are the Yida Group with a 30% interest and SOCAM with a 22% interest. Dalian, located on the coast of Bohai Bay, is a major city of Liaoning Province and a regional economic center in northeast China.

The projects described above are multi-phase projects at various stages of development. While none of these projects are completed in their entirety, certain developments within these multi-phase projects have been completed. As of June 30, 2010, our completed developments included Shanghai Xintiandi, Lakeville, Corporate Avenue, Lakeville Regency, a portion of Casa Lakeville, which form a part of the Shanghai Taipingqiao project, Phase 1, Phase 2 and a portion of Phase 3 of the Shanghai Rui Hong Xin Cheng project, KIC Village R1 and R2, and KIC Plaza Phase 1 of the Shanghai KIC project, Phase 1 of the Hangzhou Xihu Tiandi project, Phase 1 of The Riviera of the Chongqing Tiandi project, Phase 1 and a portion of Phase 2 of The Riverview and the commercial part, Wuhan Tiandi of the Wuhan Tiandi project and a portion of Phase 1 of the Dalian Tiandi project.

We are one of the few leading property developers with experience in managing large-scale, complex, long-term projects in China. We generally hold a portfolio of quality properties we have developed as strategic, long-term investments. To date, such portfolios comprise office, retail, entertainment and cultural properties. We have also developed and operate 88 Xintiandi, a boutique hotel.

Other potential projects

On September 30, 2010, we made a successful bid for a land parcel located in the Hongqiao Transportation Hub, Shanghai, the PRC for RMB3,188 million. We have made a partial payment and expect the land grant contract to be entered into in 2011. The land is adjacent to and directly linked to the Hongqiao Transportation Hub. We expect that the Hongqiao Transportation Hub will become an important economic center of the Yangtze Delta, and will link Shanghai to the rest of the PRC. Based on the latest proposed development plan of the Shanghai government, the Hongqiao Transportation Hub is expected to be supported by a strong transportation network of an international airport, high speed inter-city trains, Maglev train, subway lines and a highway network. As a result of the geographical proximity to the Hongqiao Transportation Hub, we believe that the acquisition is a unique investment opportunity for the Group. The land will be developed into retail, office and hotel properties, with an estimated above-ground GFA of 233,149 sq.m.

To enhance the scale of the Shanghai KIC project, we have entered into agreements to acquire a local company that has the right to develop a site adjacent to our existing project, known as Plot A of Lot 24, Qiu 1, Fang 3, New Jiang Wan City, with an aggregate GFA of approximately 137,400 sq.m. for office and commercial property development. As of June 30, 2010, the acquisition process was yet to be completed and this land parcel does not currently form part of the landbank of the Shanghai KIC project.

Our Competitive Strengths

We believe that our success and future prospects are underpinned by a combination of the following competitive strengths:

- **Access to land in prime locations**
- **Strong corporate governance and internal controls**
- **End-to-end capabilities to develop and manage properties that comprise our large-scale mixed-use development projects**
- **Well positioned to identify and develop future projects**

- **Quality leadership and human resources**
- **Established brand and reputation**
- **Benefits from large-scale projects and rigorous cost controls**

Strategy

In response to the need for balancing value creation and cash flow in a volatile global business environment, together with our vision to be the premier and most innovative property developer in China, in mid-2009, we introduced and are now implementing our Three-Year Plan to maintain a closer balance between value creation for the long term and cash generation in the short- to medium-term in order to achieve sustainable growth. The cornerstone of our Three-Year Plan is to expedite the development and to increase the completion rate consistently and continuously, by which we target to stay ahead of the market and generate sufficient cash flow for our accelerated program and expansion.

Our strategies to achieve our vision are as follows:

- **Standardization and customization to achieve efficiency**
- **Strong cash flow and low gearing ratio**
- **Decentralized decision-making and project-based management**
- **Achieve and maintain geographic diversity and a well-diversified business mix between properties for sale and investment properties and minimize development risk**
- **Forge strategic partnerships with developers, contractors, consultants and investors**

Recent Developments

On September 29, 2010, we issued RMB denominated US$-settled 4.5% convertible bonds in an initial aggregate principal amount of RMB2,720 million (the "**Convertible Bonds**"). These convertible bonds will mature on September 29, 2015. See "*Description of Other Material Indebtedness*."

On September 30, 2010, we successfully bid for land parcel located in the Hongqiao Transportation Hub area in Shanghai for RMB3,188 million. We expect to develop the land into retail, office and hotel properties with an estimated above-ground GFA of 233,149 sq.m.

On December 23, 2010, we issued RMB denominated US$ settled 6.875% senior notes in an aggregate principal amount of RMB3,000 million (the "**6.875% Senior Notes**"). These senior notes will mature on December 23, 2013. See "*Description of Other Material Indebtedness*."

Current Trading and Prospects

Since June 30, 2010, our results have been affected by a slower pace of property deliveries as most of our completed properties were delivered in the last quarter of 2009 and the first two quarters of 2010. There were fewer property deliveries since June 30, 2010. This is the construction and delivery cycle typical in the property industry.

General Information

The Company was incorporated in the Cayman Islands on February 12, 2004 as an exempted company with limited liability, with a registration number of WK-132754. Its principal place of business in the PRC is at 26/F Shui On Plaza, 333 Huai Hai Zhong Road, Shanghai, 200021, PRC. Its place of business in Hong Kong is at 34/F, Shui On Centre 6-8 Harbour Road, Wan Chai, Hong Kong. Its registered office is located at Walker House, 87 Mary Street, George Town, Grand Cayman KY1-9005, Cayman Islands.

It completed its initial public offering and listing on the Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") on October 4, 2006. Its ordinary shares are listed under the code "272."

The Issuer was incorporated in the Cayman Islands on July 27, 2005 as an exempted company with limited liability, with a registration number of WK-152519. Its principal place of business in the PRC is at 26/F Shui On Plaza, 333 Huai Hai Zhong Road, Shanghai, 200021, PRC. Its principal place of business in Hong Kong is at 34/F, Shui On Centre 6-8 Harbour Road, Wan Chai, Hong Kong. Its registered office is located at Walker House, 87 Mary Street, George Town, Grand Cayman KY 1-9005, Cayman Islands.

Our website is www.shuionland.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	Shui On Development (Holding) Limited.
Parent Guarantor	Shui On Land Limited.
Notes Offered	RMB3,500,000,000 US$ settled aggregate principal amount of 7.625% Senior Notes due 2015.
Offering Price	100% of the principal amount of the Notes, settled in US$, at an exchange rate of RMB6.5885 to US$1.00, resulting in a US$ offering price of US$151,779.615998 per RMB1,000,000 in principal amount of the Notes.
Maturity Date	January 26, 2015.
Interest	The Notes will bear interest at a rate of 7.625% per annum, payable semi-annually in arrears on January 26 and July 26 of each year, commencing July 26, 2011.
US Dollar Settlement	All amounts due under, and all claims arising out of or pursuant to, the Notes, the indenture governing the Notes the and/or the Parent Guarantor from or against the Issuer or the Parent Guarantor shall be payable and settled in US dollars only.
Ranking of the Notes	The Notes are: • general obligations of the Issuer; • senior in right of payment to any existing and future obligations of the Issuer 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 Issuer (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); • guaranteed by the Parent Guarantor on a senior basis, subject to the limitations described below under the caption "*Description of the Notes — The Parent Guarantee"* and in *"Risk Factors — Risks Relating to the Notes — The Parent Guarantee, and any guarantee by our subsidiaries of the Notes after the issue date, may be challenged under applicable insolvency or fraudulent transfer laws which may affect the enforceability of such guarantees;*" • effectively subordinated to the secured obligations (if any) of the Issuer and the Parent Guarantor, to the extent of the value of the assets serving as security therefor; and • effectively subordinated to all existing and future obligations of the Subsidiaries of the Issuer.

Parent Guarantee	The Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes in the applicable US Dollar Settlement Amount. See "*Risk Factors — Risks Relating to the Notes*." The Issuer and the Parent Guarantor are holding companies, and the Notes will be effectively subordinated to all indebtedness and other liabilities of Subsidiaries of the Issuer. The Parent Guarantee may be released in certain circumstances. See "*Description of the Notes — The Parent Guarantee— Release of the Parent Guarantee*."
Ranking of Parent Guarantee	The Parent Guarantee: • is a general obligation of the Parent Guarantor; • is effectively subordinated to secured obligations of the Parent 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 the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee; and • ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of the Parent Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law). See "*Risk Factors — Risks Relating to the Notes*."
Use of Proceeds	We intend to use the net proceeds to fund capital expenditures related to our real estate operations and/or acquire, develop, construct or improve assets, real or personal property or equipment or repay existing indebtedness.
Optional Redemption of the Notes	At any time prior to the maturity date of the Notes, the Issuer may at its option redeem the Notes, in whole or not in part, at a redemption price equal to the US Dollar Settlement Amount of 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date, as set forth in "*Description of the Notes — Optional Redemption*."
Repurchase of Notes Upon a Change of Control	Upon the occurrence of a Change in Control, the Issuer will make an offer to repurchase all outstanding Notes at a purchase price equal to the US Dollar Settlement Amount of 101% of their principal amount plus accrued and unpaid interest, if any, to the repurchase date. See "*Description of the Notes — Repurchase of Notes Upon a Change of Control*."

Redemption for Taxation Reason	Subject to certain exceptions, the Issuer may redeem the Notes, in whole but not in part, at a redemption price equal to the US Dollar Settlement Amount of 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Issuer for redemption, if the Issuer or the Parent Guarantor would become obliged to pay additional amounts as a result of certain changes in specified tax laws. See "*Description of the Notes — Redemption for Taxation Reasons*."
Covenants	The Notes, the indenture governing the Notes and the Parent Guarantee will limit the Issuer's and the Parent Guarantor's ability and the ability of their respective Restricted Subsidiaries to, among other things: • incur additional indebtedness and issue disqualified or preferred stock; • declare dividends on its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "*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 will be issued only in fully registered form, without coupons, in minimum denominations of RMB1,000,000 of principal amount and integral multiples of RMB100,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depositary for Euroclear and Clearstream.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants, including Euroclear and Clearstream, Luxembourg. 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 Issuer expects to make delivery of the Notes, against payment in same-day funds on or about January 26, 2011, which the Issuer expects will be the fifth business day following the date of this offering memorandum referred to as "T+5." You should note that initial trading of the Notes may be affected by the T+5 settlement. See "Plan of Distribution."
Trustee	DB Trustees (Hong Kong) Limited.
Principal Paying and Transfer Agent	Deutsche Bank AG, Hong Kong Branch.
Registrar	Deutsche Bank Luxembourg S.A.
Listing	Application has been made for the listing and quotation 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 (or its Dollar Equivalent) for as 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**
XS0584176290	058417629

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary financial data as of and for each of the fiscal years ended December 31, 2008 and 2009 is derived from our audited consolidated financial statements, included elsewhere in this offering memorandum. The summary financial information as of June 30, 2010 and for the six months ended June 30, 2009 and 2010 is derived from our unaudited, consolidated financial statement included elsewhere in this offering memorandum. Our consolidated financial statements have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants. Our unaudited, condensed consolidated financial statements have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants. The consolidated financial statements have been prepared and presented in accordance with International Financial Reporting Standards ("**IFRS**"). The summary financial data below should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. The financial information as of and for the six months ended June 30, 2010 is not necessarily indicative of the financial results that may be expected for the year ended December 31, 2010 and should not be used as the basis for, or prediction of, an annualized calculation. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Basis of Preparation."*

The consolidated financial statements, included elsewhere in this offering memorandum, incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policy of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group. All intra-group transactions, balances, incomes and expenses are eliminated on consolidation.

Summary Consolidated Income statements

	Year ended December 31,			Six months ended June 30,		
	2008 (restated) Audited	2009 Audited		2009 Unaudited	2010 Unaudited	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*	*(RMB in millions)*	*(RMB in millions)*	*(US$ in millions)*
Turnover	2,066	6,758	996	1,335	3,121	460
Cost of sales	(1,028)	(3,229)	(476)	(945)	(1,849)	(272)
Gross profit	1,038	3,529	520	390	1,272	188
Other income	342	170	25	107	87	13
Selling and marketing expenses	(134)	(151)	(22)	(39)	(60)	(9)
General and administrative expenses	(697)	(543)	(80)	(261)	(275)	(41)
Operating profit	549	3,005	443	197	1,024	151
Increase in fair value of investment properties	382	536	79	199	1,461	215
Gain on acquisition of additional equity interests in subsidiaries	—	6	1	—	—	—
Gains on partial disposals of equity interests in subsidiaries	1,883	—	—	—	—	—
Gain on disposal of investment properties	—	—	—	—	23	4
Share of results of associates	44	436	64	398	68	10
Finance costs, net of exchange gain	(133)	(89)	(13)	(60)	(36)	(5)
Profit before taxation	2,725	3,894	574	734	2,540	375
Taxation	(657)	(1,301)	(192)	(78)	(832)	(123)
Profit for the year/period	2,068	2,593	382	656	1,708	252
Attributable to:						
Shareholders of the Company	1,798	2,673	394	718	1,557	230
Non-controlling interests	270	(80)	(12)	(62)	151	22
	2,068	2,593	382	656	1,708	252
OTHER FINANCIAL DATA						
EBITDA[(1)]	2,301	3,352	494	513	1,076	159
EBITDA margin[(2)]	111%	50%	50%	38%	34%	34%
Dividends						
— Interim dividend	257	44	6	44	270	40
— Final dividend	37	530	78	—	—	—

(1) EBITDA for any period consists of profit for the period less interest income, increase in fair value of investment properties, plus interest expense, taxation, depreciation and release of prepaid lease payments and net loss (gain) on change in fair values of derivative financial instruments. EBITDA is not a standard measure under IFRS. 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 performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. 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. Interest expense excludes amounts capitalized. See "*Description of the Notes — Definitions*" for a description of the manner in which Consolidated EBITDA is defined for purposes of the indenture governing the Notes, which is different from the EBITDA described above.

The following table reconciles our profit for the relevant years/periods under IFRS to our EBITDA for the same years/periods.

	Year ended December 31,			Six months ended June 30,		
	2008 (restated) Audited	**2009 Audited**		**2009 Unaudited**	**2010 Unaudited**	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*	*(RMB in millions)*	*(RMB in millions)*	*(US$ in millions)*
Profit for the year/period	2,068	2,593	382	656	1,708	252
Interest income	(227)	(149)	(22)	(107)	(69)	(10)
Interest expense	133	89	13	60	36	5
Taxation	657	1,301	192	78	832	123
Depreciation and release of prepaid lease payments	52	54	8	25	30	4
Increase in fair value of investment properties	(382)	(536)	(79)	(199)	(1,461)	(215)
EBITDA	2,301	3,352	494	513	1,076	159

(2) EBITDA margin is calculated by dividing EBITDA by the amount of turnover for the relevant years/periods.

Summary Consolidated Statement of Financial Position

	As of December 31,			As of June 30,		
	2008 (restated) Audited	2009 Audited		2009 Unaudited	2010 Unaudited	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*	*(RMB in millions)*	*(RMB in millions)*	*(US$ in millions)*
Non-current assets						
Investment properties	8,466	21,206	3,127	19,927	23,676	3,491
Property, plant and equipment	343	356	52	337	335	49
Prepaid lease payments	6,290	43	6	43	42	6
Properties under development	2,411	—	—	—	—	—
Interests in associates	296	862	127	694	930	137
Loans to associates	1,331	1,273	188	1,392	1,281	189
Accounts receivable	329	59	9	338	33	5
Pledged bank deposits	694	1,222	180	872	1,164	172
Defined benefit assets	4	—	—	4	—	—
Deferred tax assets	146	139	20	145	187	28
	20,310	25,160	3,709	23,752	27,648	4,077
Current assets						
Properties under development for sale	7,786	11,532	1,700	8,226	11,815	1,742
Properties held for sale	3,090	627	92	2,176	769	113
Accounts receivable, deposits and prepayments	941	933	138	610	1,586	234
Loans receivable	414	378	56	417	485	72
Amounts due from associates	450	147	22	143	299	44
Amounts due from related parties	62	73	11	78	199	29
Amounts due from non-controlling shareholders of subsidiaries	176	17	2	6	38	6
Pledged bank deposits	1,015	797	118	1,750	850	125
Bank balances and cash	1,671	2,928	432	2,903	2,915	430
	15,605	17,432	2,571	16,309	18,956	2,795
Current liabilities						
Accounts payable, deposits received and accrued charges	4,418	4,305	635	5,361	3,181	469
Amounts due to related parties	33	69	10	51	118	17
Amounts due to associates	—	45	7	54	37	6
Amounts due to non-controlling shareholders of subsidiaries	758	475	70	728	214	32
Loan from a non-controlling shareholder of a subsidiary	199	442	65	200	300	44
Dividend payable	—	—	—	—	530	78
Tax liabilities	739	1,404	207	661	1,347	199
Bank borrowings — due within one year	1,953	2,098	309	2,200	1,474	217
	8,100	8,838	1,303	9,255	7,201	1,062
Net current assets	7,505	8,594	1,268	7,054	11,755	1,733
Total assets less current liabilities	27,815	33,754	4,977	30,806	39,403	5,810
Capital and reserves						
Share capital	84	99	15	99	99	15
Reserves	16,779	21,480	3,167	19,284	22,507	3,318
Equity attributable to shareholders of the Company	16,863	21,579	3,182	19,383	22,606	3,333
Non-controlling interests	1,312	995	147	1,046	1,158	171
Total equity	18,175	22,574	3,329	20,429	23,764	3,504
Non-current liabilities						
Bank borrowings — due after one year	6,245	8,105	1,195	7,066	10,999	1,622
Derivative financial instruments designated as hedging instruments	256	211	31	196	250	37
Loans from non-controlling shareholders of subsidiaries	670	670	99	670	1,669	246
Loan from a director	567	—	—	567	—	—
Deferred tax liabilities	1,902	2,192	323	1,878	2,719	401
Defined benefit liabilities	—	2	—	—	2	—
	9,640	11,180	1,648	10,377	15,639	2,306
Total equity and non-current liabilities	27,815	33,754	4,977	30,806	39,403	5,810

Any investment in the Notes involves a high degree of risk. You should consider carefully the following information about the risks described below, together with the other information contained in this offering memorandum before making an investment decision. If any of the following risks actually occurs, our business, financial condition, operating results or cash flow could be materially and adversely affected. Additional risks or uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations. There can be no assurance that any of the events discussed in the risk factors below will not occur and if such events do occur, you may lose all or part of your original investment in the Notes.

Risks Relating to our Business

We are heavily dependent on the performance of the PRC property sector, particularly in Shanghai, Chongqing, Wuhan and Foshan.

We are subject to the conditions of the real estate market in the PRC generally and Shanghai, Chongqing, Wuhan and Foshan in particular. As of June 30, 2010, approximately 9.5 million sq.m., or approximately 99% of the total GFA of our projects (excluding our project in Dalian city, in which we have a non-controlling interest), were located in Shanghai, Chongqing, Wuhan and Foshan. Although we are pursuing, and will continue to pursue, opportunities in other cities in the PRC, our projects in such other cities are comparatively in earlier stages of development than our projects in Shanghai, Chongqing, Wuhan and Foshan. We expect that in the short to medium term, our business will continue to be significantly affected by the state of the property market in the PRC, particularly in Shanghai, Chongqing, Wuhan and Foshan. Any adverse developments in the supply and demand or in property prices in the PRC, particularly in Shanghai, Chongqing, Wuhan and Foshan, would have a material adverse effect on our financial condition and results of operations. In addition, the future demand for different types of properties is uncertain. If we do not respond to changes in market conditions or customer preferences in a timely manner, our results of operations may be adversely affected. There can be no assurance that our property development and investment activities will continue at past levels or that we will be able to benefit from the future growth, if any, of the property markets in Shanghai, Chongqing, Wuhan, Foshan or other parts of the PRC.

Increasing competition in the PRC property market may adversely affect our business and financial condition.

In recent years, a large number of property developers have undertaken property development and investment projects in the PRC, especially in major cities where our projects are located (such as Shanghai). Increasing competition among property developers in the PRC may increase the costs for land, construction, financing, raw materials, skilled management and labor resources. Although we aim to differentiate ourselves and our products from our competitors through various strategic initiatives, increasing competition could result in increased costs, reduced market share and falling property prices, any of which may adversely affect our business, financial condition and results of operations.

We may not be able to achieve our Three-Year Plan.

In mid-2009, we launched our Three-Year Plan, which is aimed at providing accelerated but sustainable growth and maintaining balance between value creation for the long term and cash generation in the short to medium term. The Three-Year Plan, which includes balance between standardization of product design while maintaining customization of certain high-end projects, maintaining strong cash flow and relatively low gearing ratio, decentralization of decision-making and project-based management, maintaining geographic and earnings based diversity and forging strategic

partnerships with other developers, is aimed at expediting project development and increasing project completion rate consistently and continuously. See "*Business — Strategy*." However, factors that are beyond our control, such as economic slowdown, change in government policy or change in market dynamics in the PRC property market, may affect the implementation of the Three-Year Plan and may adversely affect our business, financial condition and results of operations. There can be no assurance that we will be able to achieve the objectives as planned or at all.

We may not be able to acquire suitable sites at reasonable prices for our future development projects.

Our core strategy is to develop city-core and integrated residential development projects. The success of our strategy and future growth depends upon, among other things, our ability to expand our land portfolio and to identify and acquire land plots in suitable locations at affordable prices. We may incur significant costs in identifying and evaluating suitable sites for development. Major Chinese cities such as Shanghai have experienced rapid land price increases in recent years and there is a limited supply of suitable plots available for development in such cities. As a result, we may not be able to acquire large plots of land in urban locations suitable for our development at affordable prices in the future. We also face strong competition from other property developers for these sites.

Our ability to acquire sites depends upon PRC laws and regulations. In the PRC, the relevant authorities control the supply of substantially all land, and both our ability to acquire land use rights for future development projects and the acquisition costs of these land use rights will be affected by PRC government policies toward land supply. Our ability to acquire sites will depend on the receipt of required approvals from relevant authorities in the PRC. In addition, various local governments (including those in Shanghai, Chongqing, Wuhan and Hangzhou) and the central government have introduced regulations requiring that land use rights for commercial, cultural, entertainment, residential and office property developments be sold by public tender or auction. This requirement may increase our costs of acquiring sites. The PRC central and local governments may also regulate the type of development projects that property developers, including us, may pursue. In recent years, the PRC government has promulgated policies that restrict banks from granting loans to finance the construction of luxury residential properties and limit or prohibit the supply of land available for projects such as villa-style developments, low-density housing developments and golf courses. For example, on September 21, 2010, the Ministry of Land and Resources ("**MLR**") and the Ministry of Housing and Urban-Rural Development ("**MOHURD**") issued a notice that requires more than 70% of land used for construction of urban housing to be designated for low-income housing, housing for resettlement of shanty towns and small- to medium-sized ordinary commercial housing, and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1 to 1. If we are not able to acquire suitable sites at affordable prices, or at all, or if we are restricted in the types of projects we may pursue at specific sites, our business and growth prospects may be materially and adversely affected.

We require substantial capital resources to develop our existing and future projects, and we may not be able to obtain such resources.

We require substantial capital resources to acquire land and develop our existing and future projects. To date, we have relied on internally-generated funds, bank and other borrowings and the issuance of debt and equity securities. We expect that we will continue to rely on these sources of funds to finance our future projects. There can be no assurance that we will have sufficient cash flow (including through pre-sales and sales of our properties and gains on disposal of equity interest in subsidiaries) or other resources to fund land acquisitions and property developments. Furthermore, there can be no assurance that we will be able to obtain additional third-party financing on satisfactory terms or at all. As of December 31, 2009 and June 30, 2010, our outstanding borrowings were RMB10,203 million

(US$1,504 million) and RMB12,473 million (US$1,839 million), respectively. If we are unable to obtain additional third-party financing, we may not be able to undertake our future development projects or develop additional projects and our business development, if any, will be curtailed until such time, as we are able to obtain additional capital resources.

Our ability to arrange adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are outside of our control, including general economic conditions, credit available from financial institutions and monetary policy in the PRC. For example, since 2008, the People's Bank of China ("**PBOC**"), in response to changing economic conditions, has increased, decreased and again increased its reserve requirement ratio for commercial banks several times, with such ratio being at 17.5% in June 2008, 15.5% in December 2008, 17% in May 2010, 17.5% from November 16, 2010, 18% from November 29, 2010, 18.5% effective from December 20, 2010 and 19% effective from January 20, 2011. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. Increases of the bank reserve requirement ratio may negatively impact the amount of funds available to lend to businesses, including us, by commercial banks in China.

In addition, land use policies and procedures adopted by the PRC government from time to time may limit our ability to use bank loans and other forms of debt financing to finance our property developments, which may require us to maintain a relatively high level of internally-sourced cash to meet project financing needs. In November 2009, the PRC government raised the minimum down payment of land premium to 50%. In March 2010, the PRC government further tightened this requirement by setting the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted and the bidding deposit at not less than 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant deal is closed, and the 50% minimum down payment of land premium is required to be paid within one month of signing the land grant contract, with the remaining amount to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. These tight timing requirements limit our ability to use bank loans and other debt financings, which typically require substantial lead-time before funds are obtained, to finance such land premium payment requirements. This restraint on financing, in turn, constrains the number of land acquisition and construction opportunities we may pursue with cash on hand.

There can be no assurance that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions) or property developments, or that the PRC government will not introduce other initiatives which may limit our access to capital resources. If we do not have adequate resources to fund our land acquisitions or property developments, or if our access to capital resources are further limited, our business and financial condition may be materially and adversely affected.

We may not be able to obtain land use rights certificates for certain parcels of land in which we currently have various interests.

We are generally allowed to commence our development of a project once we have entered into a land grant contract, or registered a land use transfer agreement, as the case may be, with the relevant authorities and the land has been delivered to us. However, the land use rights with respect to a property will not be vested in us until we have paid the land grant premium, completed the process of relocating local residents from the site area and received the corresponding land use rights certificate. As only a portion of the lots in our projects are currently under construction and as a result of our strategic decision on the appropriate timing in obtaining land use rights certificates, we do not currently possess land use rights certificates with respect to the substantial majority of the lots on our projects for which we have signed land contracts or transfer documents or hold other forms of interest,

including the majority of the lots for the Shanghai Taipingqiao project, the Shanghai KIC project, the Chongqing Tiandi project, Phase 2 of the Hangzhou Xihu Tiandi project, Site B of the Wuhan Tiandi project and the Foshan Lingnan Tiandi project. See the section entitled "*Our Business — Our Property Projects.*" There can be no assurance that the land authorities will grant us the appropriate land use rights in a timely manner, or at all. If we cannot obtain land use rights certificates for our development projects, we may not be able to lease or sell the portions of the project where we do not have land use rights certificates, which could have a material adverse effect on our business, financial condition and results of operations.

We are party to various long-term agreements with regional and local PRC government entities which may not be implemented as planned.

We frequently develop properties in cooperation with regional and local PRC governments or their related entities, including pursuant to master agreements, joint venture agreements, land grant contracts and other agreements. Those agreements pose enforcement and other risks, particularly in light of the relatively long execution periods in some cases and potential changes in PRC government policies and priorities. We cannot guarantee that related regional and local PRC government policies will not change in the future, which in turn may result in changes to the manner of implementation of or modifications to such agreements on terms that are not favorable to us, including changes to the price for the land use rights to the land parcel concerned. In addition, there is limited precedent for the enforcement of contracts of this type against regional and local PRC government entities, and there can be no assurance that such agreements can be enforced as contemplated or at all, or that title to the land parcel subject to these master agreements, joint venture agreements, land grant contracts and other agreements can be obtained. If any of these land grant contracts, land supply contracts or master agreements are not implemented as agreed, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may not receive full compensation for assistance we provide to local governments to clear land for government land sales.

In certain cases where we are interested in acquiring land, we may assist local governments in clearing the land and relocating the original residents so that the land is ready for tender, auction and listing-for-sale. In such cases, we enter into land clearance agreements with the relevant land authorities, under which we are reimbursed for expenses we incur for land clearance and relocation and we are entitled to a portion of the profit realized by the local government on the land sale. However, such land clearance arrangements do not give us exclusive rights to acquire the land use rights for the relevant land, and we do not control the timing of the sale of the land use rights in the land that we have cleared nor do we have any influence on the price for which such land use rights are sold. Sales of the land use rights are conducted by the relevant local government land authorities, through a bidding, auction or listing-for-sale process. There can be no assurance that we will win any such bid on land that we have cleared under the land clearance agreements in a timely manner or at all nor can there be any assurance that the relevant land authority will achieve an optimal price for the sale of such land use rights. There can be no assurance that we will be reimbursed for the expenses that we incur in connection with such land clearance, or that we will receive any profit from such land use right sales. Further, the PRC State Council on January 3, 2008 issued the Notice to Enhance the Economical and Intensive Use of Land (關於促進節約集約用地的通知), which requires the use of a public bidding process in selecting companies to assist the local governments with land clearance work. It was reported that on January 19, 2011, State Council routine conference approved in principle and passed the Regulations on Expropriation and Compensation on State-Owned Land (draft), which will be promulgated and come into effect after necessary revisions. According to these Regulations,

construction units shall not participate in the relocation work in connection with the land clearance. The units responsible for the execution of expropriation and compensation shall not benefit from the execution work. Therefore, with the implementation of this new policy, we may not participate in such land clearance work any more.

For some of our development projects, we are required to relocate existing residents and pay relocation costs, and the relocation process may not be completed as planned.

Subject to the agreement in our land grant contracts, we or the relevant land authorities are responsible for relocating existing residents and demolishing existing structures on the project sites. In cases where we are responsible for relocation, we are required to compensate the owners or residents of existing buildings on land to be developed for relocation in accordance with applicable law. Regardless of whether we or the relevant land authorities are responsible for relocating existing residents, if any resident is dissatisfied with the relocation compensation and refuses to move, we or the land authorities may seek to resolve the dispute by negotiating with the relevant resident to reach a mutually acceptable relocation compensation arrangement, or applying to the relevant land authority (where the existing buildings are located) for its determination of whether the relocation compensation and relocation timetable comply with PRC law. The relevant land authority will then make a decision as to the proper costs and timetable arrangements. Such disputes may substantially increase the relocation costs paid by us and delay the proposed construction process. We have experienced delays beyond our originally anticipated timeframes in the relocation process for, and consequently the construction of, some of our projects in Shanghai and Hangzhou, which resulted in an increase in our development costs. If a large number of residents refuse to accept the relocation arrangements for any of our existing or future projects, or if there is similar delay beyond our expected timeframe in the relocation process of any of our existing or future projects, we may not be able or willing to proceed with the proposed development and our returns and results of operations may be adversely affected. In addition, there can be no assurance that the relevant land authorities will not further change their policies on relocation, the relocation compensation formulae or their rules and requirements on other related matters. If they do so, our construction costs could substantially increase and our relocation timetable could be further delayed, which would adversely affect our business, financial condition and results of operations.

Our financing costs are affected by changes in interest rates.

Our financing costs and our results of operations are affected by changes in interest rates. A substantial portion of our borrowings are linked to benchmark lending rates such as those published by the PBOC or the Hong Kong Interbank Offer Rate ("**HIBOR**"). The PBOC benchmark lending rates and HIBOR are subject to market movement. The PBOC raised the benchmark one-year lending rate several times from 5.31% in October 2004 to 7.47% in December 2007. While the PBOC, in view of the global economic downturn, has since lowered such rate several times to 5.31%, on December 26, 2010, such rate was raised to 5.81%. The PBOC may continue to raise lending rates in the future, which could adversely affect our business, financial condition and results of operations. There can be no assurance that the lending rates published by PBOC or the HIBOR rate will not be increased in the future or that our business, financial condition and results of operations will not be adversely affected as a result of these increases. As of June 30, 2010, the effective interest rate on our aggregate bank borrowings was 4.27% and we had consolidated bank loan liabilities of RMB12,473 million (US$1,839 million). Our interest expense on bank borrowings for 2008 and 2009 and the six months ended June 30, 2010, was RMB468 million, RMB507 million (US$75 million) and RMB248 million (US$36 million), respectively.

We depend on key management personnel.

Our success and growth depends on our ability to identify, hire, train and retain suitably skilled and qualified employees, including key management personnel with the requisite industry expertise. In particular, we depend on the efforts of Mr. Vincent H. S. Lo ("**Mr. Lo**"), our chairman and chief executive officer. Mr. Lo is our founder and started the Shui On Group in 1971. With over 30 years' experience in the industry, Mr. Lo has developed many relationships that are crucial to our business. If we were to lose his services, our operations could be adversely affected. Mr. Lo is also the chairman and chief executive officer of the Shui On Group and the chairman of SOCAM. These outside business interests may restrict his ability to devote his time to our business and affairs as much as we may need.

Our other members of senior management and key employees are also important to our success. The loss of any of our senior management or key employees could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. Competition for such personnel is intense, the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose customers and key professionals or staff members and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our major shareholders are able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions.

As of the date of this offering memorandum, Shui On Properties Limited and Shui On Investment Company Limited ("**SOI**") (each being a wholly owned subsidiary of Shui On Company Limited) and New Rainbow Investments Limited (being a wholly owned subsidiary of SOCAM), collectively referred to as the "**Principal Shareholders**," together own approximately 50.85% of the issued share capital of Shui On Land Limited. Subject to compliance with applicable laws, by maintaining such ownership, the Principal Shareholders are able to exercise substantial influence over our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In addition, our chairman, Mr. Lo, is a controlling owner of the Principal Shareholders and is able to exercise substantial control over our business. The strategic goals and interests of the Principal Shareholders may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. In circumstances involving a conflict of interests between the Principal Shareholders, and the holders of the Notes, there can be no assurance that the Principal Shareholders would not exercise their power to control us in a manner that would benefit them to the detriment of the holders of the Notes, despite the fact that any connected transactions between and among the Principal Shareholders and us are subject to the rules and regulations of the Hong Kong Stock Exchange.

Our turnover and results of operations may vary significantly from period to period.

Our turnover and results of operations for each period depend primarily on the number of properties that become available for sale or pre-sale in such period. Turnover from sales of completed properties is recognized when the legally binding sales contracts are signed and exchanged and the condition precedents contained in such contracts are satisfied, while turnover from pre-sales of properties under development is recognized upon the delivery of properties to the purchasers pursuant to sale and purchase agreements. As a result of our turnover recognition policy, we recognize the majority of our turnover after a significant passage of time from the date of the pre-sale. In addition, while the pre-sale of our property generates positive cash flow for us in the period in which it takes place, we must place a portion of the proceeds in restricted bank accounts and may only use such proceeds for specified purposes until the completion of the property development. We cannot predict with certainty

the time of the completion and delivery of a property, and hence the time of the turnover recognition from any pre-sale and our ability to use all the proceeds for such pre-sale, as the completion of any property development will vary according to its construction timetable and the time required to obtain the occupation permit.

Accordingly, due to the volatile nature of the turnover we generate from property development, the periods discussed in our financial statements included in this offering memorandum may not be comparable to each other or other future periods. In addition, our results of operations and cash flows may fluctuate significantly from period to period, and are likely to continue to do so for the foreseeable future.

Our profit margin is sensitive to fluctuations in the cost of construction materials.

Construction costs comprise one of the major components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third-party contractors, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines.

Construction costs may fluctuate as a result of the volatile price movement of construction materials such as steel and cement, which are difficult to estimate or predict. We seek to reduce our exposure to short-term price fluctuations of construction materials and limit project cost overruns by outsourcing construction work, including procurement of supplies of principal construction materials such as steel and cement of our property development projects at fixed prices. We often include construction material costs in the total construction costs paid to our contractors as part of the construction contracts with such contractors. However, in line with industry practice, if there is a significant price fluctuation (depending on the specific terms of each contract), we will be required to re-negotiate, top up or refund, depending on the price movement, existing construction contracts. Additionally, should our existing contractors fail to perform under their contracts, we might have to pay more to other contractors under replacement contracts. Our profit margin is sensitive to changes in the market prices for construction materials and our project margins will be adversely affected if we are not able to pass all of the increased costs onto our customers.

Our use of joint ventures may limit our flexibility with respect to our joint investments.

We frequently develop properties in cooperation with local district governments and third parties. Our equity interest in these joint ventures is between 49.98% and 99%. We own 99% and 49.98%, respectively, of the joint venture companies that develop Casa Lakeville and Lot 116 of the Shanghai Taipingqiao Project. We own a 74.3% interest in our joint venture for the development of the Shanghai Rui Hong Xin Cheng project, except for Shanghai Rui Hong Xin Cheng Phase 1, in which we have a 75% interest. We own a 86.8% interest in our joint venture for the Shanghai KIC project. We own a 75% interest in our joint venture for the development of the Wuhan Tiandi project. We own a 79.4% interest in our joint venture for the development of the Chongqing Tiandi project. We own a 48% interest in our joint venture for the development of the Dalian Tiandi project, and hence we do not control the management of the joint venture for the Dalian Tiandi project. Although we have control over the management of the joint ventures in which we have a majority equity interest, the adoption of certain important board decisions requires the unanimous resolution of all the directors of these companies, some of whom are appointed by the relevant joint venture partner. As a result, our participation in these joint venture arrangements is subject to the risks, amongst others, that:

- We may not be able to pass certain important board resolutions requiring unanimous consent of all the directors of our PRC subsidiaries if there is a disagreement between us and our joint venture partner;

- A disagreement with any of our joint venture partners in connection with the scope or performance of our respective obligations under the project or joint venture arrangement might affect our ability to develop or operate a property;

- Our joint venture partners may have different economic or business objectives;

- Our joint venture partners may be unable or unwilling to perform their obligations under the joint venture arrangements with us, including their obligation to make required capital contributions and shareholder loans, whether as a result of financial difficulties or otherwise;

- Our joint venture partners may take actions contrary to our instructions or requests or contrary to our policies or objectives; and

- Our joint venture partners may have financial difficulties.

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

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

Our subsidiary companies may not be entitled to continue to receive the benefit of certain financial subsidies.

Certain of our subsidiary companies with respect to the Shanghai Rui Hong Xin Cheng, Wuhan Tiandi and Chongqing Tiandi projects have entered into arrangements with local governments pursuant to which the local governments have agreed to provide financial subsidies to them. The National People's Congress, the State Council and the Ministry of Finance have adopted a variety of laws and notices requiring local authorities to cease making refunds of certain local taxes. In addition, Article 84 of the Law on the Administration of Tax Collection of the PRC (as revised, with effect from May 1, 2001) provides that a taxpayer may be ordered to repay any taxes which were refunded in violation of laws and regulations. In the event these financial subsidies are considered to be tax refunds, the relevant subsidies might be exposed to challenges and may be required to be returned. There can be no assurance that the relevant tax authorities in the PRC will not deem the financial subsidies to be tax refunds and require that these subsidies be returned to the government.

The Dalian project is being developed by entities that are not controlled by us and are not restricted subsidiaries under the Notes.

The Dalian project is being developed by the Dalian Entities that are not controlled by us and are not restricted subsidiaries under the Notes. As a result, the Dalian Entities will not be subject to the restrictions under the Notes, including without limitation, restrictions to sell assets, incur additional indebtedness, create liens and make investments or other specified restricted payments, which the Dalian Entities would have been subject to had they been restricted subsidiaries. The Dalian project had a landbank of 3.3 million sq.m. as of June 30, 2010. The Dalian Entities had combined total assets

of RMB4,875 million, RMB6,716 million (US$990 million) and RMB7,358 million (US$1,085 million) as of December 31, 2008 and 2009 and June 30, 2010, respectively, and net profit of RMB71 million, RMB708 million (US$104 million) and RMB111 million (US$16 million) for the 12 months ending December 31, 2008 and 2009 and the six months ending June 30, 2010.

Our results of operations for each of the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010 included increases in fair value of our investment properties, which were unrealized.

In 2008, 2009 and the six months ended June 30, 2010, we had an increase in the fair value of our investment properties representing respectively, 14.0%, 13.8% and 57.5% of our net profit before tax. Upward revaluation adjustments reflect unrealized capital gains on our investment properties at the relevant balance sheet dates and are not profit generated from the sales or rentals of our investment properties, and do not generate any actual cash inflow to us for potential dividend distribution to our shareholders until such investment properties are disposed of at similarly revalued amounts. The amount of revaluation adjustments have been, and may continue to be significantly affected by, the prevailing property markets and also may be subject to market fluctuations. There can be no assurance that we will continue to record similar levels of increase in the fair value of our investment properties in the future. Moreover, the fair value of our investment properties could decrease in the event that the market for comparable properties in the PRC experiences a downturn as a result of PRC government policies aimed at "cooling-off" the PRC property market, or otherwise. Any such decrease in the fair value of our investment properties may materially and adversely affect our profitability.

The valuations of our property interests are based on assumptions that may not materialize.

As permitted by IFRS, we value our properties annually at their open market value on the basis of professional valuations. The valuations are based on certain assumptions, which, by their nature, are subjective and uncertain and may differ materially from actual results. For example, with respect to properties under development and planned for future development, the valuations are based on assumptions that (1) the properties will be developed and completed in accordance with the development proposals; and (2) regulatory and governmental approvals for the proposals have been obtained. The valuations are also based on the assumptions that the site and gross floor areas of the properties are correct and that the properties are free from encumbrances and other restrictions that could affect their values. Accordingly, the valuations are not a prediction of the actual value we expect to achieve from these properties. Unanticipated results or changes in particular property developments, or changes in general or local economic conditions or other relevant factors, including changes in government regulations, could affect such values. In addition, valuation differences are recognized in our income statement. Accordingly, a decrease in the value of our properties would reduce the amount of our net income and could result in a net loss during a particular period.

We may suffer losses that are not covered by insurance.

We may not have maintained sufficient insurance coverage against potential losses or damages with respect to our properties. Our business may be adversely affected due to the occurrence of typhoons, severe storms, earthquakes, floods, fires or other natural disasters or similar events in the areas of our property developments. Although we carry insurance on our properties with respect to specified catastrophic events, of types and in amounts and with deductibles and limitations that we believe are in line with coverage customarily obtained by owners of similar properties, there are other types of losses, such as from war and acts of terrorism, for which we cannot obtain insurance at a reasonable cost, or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital invested in a property, as well as the anticipated future turnover from the property. Nevertheless, we might remain liable for any project construction loans, mortgage loans or

other financial obligations related to the property. It is also possible that third-party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss could materially and adversely affect our business, financial condition and results of operations.

In addition, we have to renew our policies every one or two years and negotiate acceptable terms for coverage, exposing us to the volatility of the insurance markets, including the possibility of rate increases. We regularly monitor the state of the insurance market, but we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect our results of operations and financial condition.

We face risks related to the presale of properties, including the risk that property developments are not completed.

We face risks relating to the presale of properties. For example, we may fail to complete a fully or partially presold property development or on time as set forth in the relevant sale and purchase agreements, in which case we would find ourselves liable to purchasers of presold units for losses suffered by them. There can be no assurance that these losses would not exceed any deposits that may have been made with respect to the presold units. If a presold property development is not completed on time, the purchaser may be entitled to compensation for late delivery. If the delay extends beyond the contractually specified period, or if the actual GFA of a completed property delivered to a purchaser deviated by more than three percent from the GFA originally indicated in the purchase contract, the purchaser would be entitled to terminate the purchase contract and claim damages.

On August 5, 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report" in which it recommended that the practice of preselling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the plenary session of the National People's Congress and that of the Chinese People's Political Consultative Conference held in March 2006, a total of 33 delegates to the National People Congress put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of PBOC, published an article pointing out that the way to improve the system for commodity housing presale in China is to abolish the financing function of presale. On April 26, 2007, an economy research group under the National Development and Reform Commission ("**NDRC**") proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. On March 5, 2010, a government work report delivered by Chinese Premiere Wen Jiabao at the Third Session of the 11th National People's Congress pointed out that the PRC government will improve the pre-sale system of commodity housing. For example, the Shanghai local government has adjusted the completion progress level for pre-sale of commodity residential housing projects that obtained the "Permit for Construction Work" after July 1, 2010. Those residential housing projects must have completed the main structural works and passed examination before they can be available for pre-sale, and thus raising the standard for pre-sale. There can be no assurance that the PRC governmental authority will not ban the practice of preselling uncompleted properties or implement further restrictions on the presale of properties, such as imposing additional conditions for a presale permit or further restrictions on the use of presale proceeds. Proceeds from the presale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to presell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the presale 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.

We face various uncertainties in the process of property development before we realize any benefits from a development.

Property developments typically require substantial capital outlay during the construction period and may take months or years before positive cash flows can be generated by pre-sales or sales of completed property developments, or at all. The time and costs required in completing a property development may be subject to substantial increases due to many factors, including shortages of materials, equipment, technical skills and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors, accidents, changes in government priorities and policies, changes in market conditions, delays in obtaining the requisite licenses, permits and approvals from the relevant authorities and other unforeseeable problems and circumstances. Any of these factors may lead to delays in, or prevent, the completion of a property development and result in costs substantially exceeding those originally budgeted for. In addition, failure to complete a property development according to its original specifications or schedule, or at all, may give rise to potential liabilities and, as a result, our returns on investments may be lower than originally expected. There can be no assurance that we will be able to complete our development projects on time or at all.

The global economic slowdown, turmoil in the global financial markets and volatility of the property prices since 2008 have negatively impacted, and may continue to negatively impact, our business and our ability to obtain necessary financing for our operations.

The global economic slowdown and turmoil in the global financial markets beginning in the second half of 2008 have resulted in a general credit crunch, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. Although global economic conditions have exhibited signs of stabilization in 2010, economic recovery and growth have remained slow and uncertain. This global economic slowdown has had a negative impact on property markets and property prices in the PRC. For example:

- slow economic growth and tightened credit have resulted in lower demand for residential and commercial properties and declining property prices, which in turn have affected our turnover and profit margin;

- weak economic conditions have also affected the ability and speed of property developers in commencing new development projects or expanding existing ones; and

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

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their selling prices. In addition, any further tightening of liquidity in the global financial markets may in the future 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 impacted.

Our sales strategy in Shanghai and Wuhan may be affected by local regulations that require a launch of property sales with a minimum GFA of 30,000 sq.m.

According to the "Notice to Further Strengthen the Supervision of Property Sales (關於進一步加強本市商品房銷售監管工作的通知)" issued by the Shanghai Municipal Real Estate and Land Resources Administrative Bureau on August 10, 2007 and the "Temporary Regulations with respect to the Management of the Pre-Sale of Commodity Housing in Wuhan (武漢市商品房預售方案管理暫行規定)" issued by Wuhan Housing Security and Management Bureau on June 30, 2010, real estate companies in Shanghai and Wuhan must, with respect to any project, launch a one-time presale event for all the properties in such project, or if multiple launches are necessary, a portion of the properties with a GFA of no less than 30,000 sq.m. We generally presell properties before they are completed and ready for delivery. See "*Business — Overview of our Principal Activities — Pre-sales, sales and marketing*." We currently have three projects in Shanghai and one in Wuhan, and the sale of properties in Shanghai accounted for the majority of our turnover as of 2008, 2009 and the first six months of 2010. Such a local requirement restricts our ability to adopt certain sales strategies such as testing the market by launching a small portion of our properties in order to determine the price for presales of the remaining properties. Moreover, such a requirement for a minimum GFA to be launched each time may create an oversupply of properties in certain areas within a certain period of time, which in turn, may result in lower-than-market price for presold properties. There can be no assurance that we will be able to adopt a proper sales strategy in that situation and if we fail to do so, our business, financial condition and results of operations may be materially adversely affected.

We are subject to legal and business risks if we fail to obtain formal qualification certificates.

Property developers in the PRC must obtain a formal qualification certificate in order to engage in a property development business in the PRC. According to the "Provisions on Administration of Qualification Certificates of Property Developers," newly established developers must first apply for a temporary qualification certificate valid for one year, which can be renewed for a maximum of two additional one-year periods. Entities engaged in property management or interior decoration should also obtain qualification certifications before commencing their business, according to the "Measures on Administration of Qualification Certificates of Property Service Enterprises (物業服務企業資質管理辦法)" and the "Provisions on Administration of Qualification Certificates of Construction Enterprises (建築業企業資質管理規定)."

In addition, property developers in the PRC, such as our individual project companies, are required to present a valid qualification certificate when they apply for a pre-sale permit. If a newly established property developer fails to commence developing property within one year of the provisional qualification certificate becoming effective, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates once every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates. In reviewing the renewal of a qualification certificate, the local authority takes into account the property developer's registered capital, property development investments, history of property development, quality of property construction, expertise of the developer's management, as well as whether the property developer has any illegal or inappropriate operations. Each of our project companies is responsible for, and monitors, the annual submission of its renewal application.

Property developers in the PRC must also produce a valid qualification certificate when they apply for a pre-sale permit. If any one of our project companies is unable to meet the relevant requirements, and is therefore unable to obtain or renew its qualification certificate, that project company will typically be given a grace period to rectify any insufficiency or non-compliance issue, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the qualification certificate and the business license of such project company. As of June 30, 2010, three of our project companies had applied for the pre-sale permit and five of our project companies are in the process of applying for it for new launches from new land parcels. However, there can be no assurance that the qualification certificates of any of our project companies will continue to be renewed or that formal qualification certificates will be obtained in a timely manner, or at all, as and when they expire. If our project or project management companies are unable to obtain or renew their qualification certificates, they may not be permitted to continue their businesses with respect to property development and management, which could materially and adversely affect our business, results of operations and financial condition.

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

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

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

We may be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction workers, original residents, partners, banks and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, substantial costs and 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 projects is perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have disagreements 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. See "*Business — Legal Proceedings*."

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

The real estate industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the

satisfaction of certain conditions. There can be no assurance that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted which would materially and adversely affect our business, results of operations and financial condition.

We may have non-compliant GFA at some of our completed property developments which may be subject to government approval and additional payments.

The local government authorities inspect our property developments after completion and issue completion certificates if the developments are in compliance with the relevant laws and regulations. If the total constructed GFA of a property development exceeds the amount of GFA authorized in the relevant land grant contracts or construction permit, or if the completed property contains built-up areas that are not in conformity with the plan authorized by the construction permit, we may be required to make additional payments or take corrective actions with respect to such non-compliant GFA before the property development may obtain a completion certificate. If we fail to obtain the completion certificate due to such non-compliance, we are not allowed to deliver the relevant properties or recognize the turnover from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. There can be no assurance that the local government authorities will not find the total constructed GFA of our existing projects under development or any future property developments exceeding the relevant authorized GFA upon completion.

We may be unable to renew tenancies or re-lease space at rental rates equal to or above the current rental rates or at all for our investment properties when tenancies expire.

A portion of our turnover is derived from rental income from our office, retail, entertainment and cultural properties held as investment properties. Turnover from property investment contributed to approximately 28.7%, 9.5% and 10.4% of our total turnover for the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, respectively. Our financial performance may be materially and adversely affected in the event of a decline in rental or occupancy levels, or difficulties in securing lease renewals or obtaining new tenants, or if existing tenants reduce the amount of space that they occupy for any reason. Currently, a majority of the tenancy agreements will expire within five years. There can be no assurance that tenants will renew their leases upon expiration or that we will be able to find replacement tenants at rental rates equal to or higher than those of the expiring tenancies. Moreover, we may be unable to obtain replacement tenants in time so as to minimize vacancy periods in between tenancies or to obtain rental rates equal to or above the current rental rates. Furthermore, if vacant space cannot be leased out for a significant period of time, the market value of our investment properties may be adversely affected. Any such situation may materially and adversely affect our business, financial condition and results of operations.

We may not be able to generate adequate returns on our properties held for long-term investment purposes.

We incur significant construction and capital expenditures for development and renovation of investment properties and certain fixed costs in relation to rental property operations. Unlike properties developed for sale which can be pre-sold to finance property developments, our investment properties require significant capital expenditures up front but generate no cash inflow until the development has been completed and the leases of investment properties commence. In addition, our existing and future investment properties will require continuing capital expenditures associated with

renovations and other capital improvements, some of which are mandated by health, safety or other regulations. The cost of construction and capital improvements could have a material adverse effect on our business, financial condition and results of operations. The fixed costs associated with owning investment properties, including rental property operating and maintenance expenses and maintenance expenses, taxes, other fees and payments, may be significant. We may be unable to reduce the fixed costs in a timely manner in response to a decline in demand for our investment properties for rental, and any failure to adjust our fixed costs may adversely affect our business, financial condition and results of operations.

We may not be successful in expanding into new cities.

We may seek city-core large-scale integrated property projects development opportunities in a number of select cities in China. Some Chinese cities are developed to such an extent that further city-core large-scale integrated property projects development is not practical or economically feasible for our projects. Furthermore, the rapid expansion of many other Chinese cities may lead to a scarce supply of land suitable for our city-core investment projects either because our expansion into these cities would be cost prohibitive or there is a shortage of land in the city's CBD on which we can develop our projects. Any expansion into new cities and the need to integrate operations arising from our intended expansion into new cities will couple with limited strategic locations on which we can develop our projects may have an adverse effect on our financial condition and results of operations.

Risks Relating to our Industry

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

As a property developer, we are subject to extensive governmental regulations in virtually every aspect of our operations and are highly susceptible to changes in the regulatory measures and policy initiatives implemented by the PRC government. 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. Policies that the PRC government has introduced to restrict development in the property sector mainly 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-sized units and low-cost rental properties;

- the 90 sq.m. rule, requiring that at least 70% of residential projects 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 be in conformity 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 (the "**90 sq.m. Rule**");

- 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 GFA of 90 sq.m. or more, effective from June 1, 2006; increasing the minimum amount of down payment to 40% of the purchase price of the second or subsequent residential property and the interest rate of mortgage loans to 1.1 times the then benchmark rate promulgated by the PBOC for residential property purchasers who already have outstanding residential mortgage loans, effective from September 27, 2007; increasing the minimum amount of down payment to 50% of the purchase price for the multiple residential properties bought with a loan, effective from April 17, 2010. Chinese banks are also required to significantly increase, at their discretion, the down payment and interest rate requirement for those who purchase multiple residential properties. Effective from September 29, 2010, Chinese banks are also required to stop providing mortgage loans for the third or subsequent residential property temporarily and refuse to provide mortgage loans to non-local mortgage loan applicants who cannot provide proof of one year or above of local tax payment record or social security payment record;

- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties and prohibiting the commercial banks from granting new project loans to property developers that hold idle land or that have participated in speculative land dealing; prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans; and prohibiting commercial banks from making additional loans based on the increased value of the underlying property prior to the full repayment of an existing loan;

- requiring that at least 50% of the total project investment must be in the form of registered capital for newly established foreign-invested property development companies with total investments of US$10 million or more, effective July 11, 2006;

- prohibiting foreign-invested property development companies that obtained approval certificates from and registered with the MOFCOM on or after June 1, 2007 from incurring any overseas loans, promulgated on July 10, 2007;

- imposing a business tax levy on the entire sales proceeds from resale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented in 2005; such business tax was reduced during the period from January 1, 2009 to December 31, 2009, if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas if the holding period is shorter than two years, business tax based on the basis of price difference between the transfer income and original price for transfer of ordinary residences shall be paid;

- increasing the annual tax rate on urban land use rights from RMB0.5-10 to RMB1.5-30 per sq.m. for metropolitan areas depending on the location and type of use, and requiring foreign investment enterprises using urban land, for the first time, to pay the tax on urban land use from January 1, 2007;

- regulating the settlement of LAT by property development enterprises more stringently;

- effective from November 1, 2007, requiring property developers to pay the land premium for the entire parcel of land under the land grant contract in full before they earn land use rights certificates and commence development of the land;

- effective from July 1, 2008, delegation by the PRC Ministry of Commerce ("**MOFCOM**") of its authority to its provincial branches to review the registration materials submitted by foreign-invested real estate enterprises; and

- effective from November 18, 2009, requiring that the minimum down payment for land premium to be 50% and requiring the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

For further details, see "*Regulation.*"

Historically, our apartments larger than 90 sq.m. have commanded higher selling prices and gross profit margins than smaller apartment units and turnover. We continue to enjoy higher gross profit margins on our sales of apartments larger than 90 sq.m., which we attribute in part to a perceived shortage of supply of these properties as a result of the 90 sq.m. Rule. In the future, the proportion of our sales of larger apartments may decrease as a result of the recent suspension of land supply for new villa projects and the 90 sq.m. Rule. Our profitability may be adversely affected if we fail to develop strategies to address changes in product mix that may be caused by such new regulations (or other similar regulations) in an effective and timely manner or are not able to develop similarly high-margin products. Further, there can be no assurance that we will not be required to adjust the design and planning of our properties for which we have not yet obtained construction permits in order to comply with the 90 sq.m. Rule. Any such adjustments may cause delay to the development schedules of the affected properties.

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. The PRC government could adopt additional and more stringent industry policies, regulations and measures in the future, which could further slow property development in China. Our results of operations may be materially affected by these factors. 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.

For a more detailed description of the PRC government's measures to curtail the overheating of property development, see "*Regulation — Recent macroeconomic control measures*."

The PRC property market has been cyclical and our property development activities are susceptible to significant fluctuations.

Historically, the PRC property market has been cyclical. The rapid expansion of the property market in certain major provinces and cities in China in the early 1990s culminated in an oversupply in the mid-1990s and a corresponding fall in property values and rentals in the second half of the decade. Since the late 1990s, private residential property prices and the number of residential property development projects have gradually increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of residential properties in certain major PRC provinces and cities such as Shanghai have experienced rapid and significant growth. However, there can be no assurance that the problems of oversupply and falling property prices that occurred in the mid-1990s will not recur in the PRC property market and the recurrence of such problems could adversely affect our business and financial condition.

The cyclical property market in the PRC affects the optimal timing for the acquisition of sites, pace of development as well as the sale of properties. This cyclicality, combined with the lead-time required for the completion of projects and the sale of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from year to year.

Our sales of residential properties may be adversely affected if interest rates increase or prospective buyers are not able to obtain mortgage financing.

Mortgages are becoming increasingly popular as a means of financing property purchases in the PRC. Most of the prospective buyers of our residential properties are expected to finance a substantial portion of the purchase price with mortgage loans. Because of the need for mortgages, demand for residential properties is likely to be adversely affected by increases in interest rates, which would make residential properties less affordable for prospective purchasers. Further, the Shanghai local government has introduced a ban on residential bridge loans, as a result of which homeowners will have to pay off the balance of their existing mortgage before they can sell to the next buyer if the transfer takes place within one year from the date of the original purchase. In addition, amongst the recent PRC government measures designed to stabilize housing prices, as of June 1, 2006 the minimum down payment for individual residential properties mortgage was set at 30% of the total purchase price, except for low-income purchasers purchasing residential units of less than 90 sq.m. In addition, the PRC government and commercial banks may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive to potential property purchasers. The China Banking Regulatory Commission (the "**CBRC**") issued a regulation on September 2, 2004 to limit mortgage loans on properties to 80% of the sale price of the underlying properties. On March 17, 2005, the PBOC set forth the minimum property mortgage loan rates which is 0.9 times the corresponding benchmark lending rates. As a result, for example, the minimum rate for property mortgages with a term of more than five years was increased to 5.51%, 0.2 percentage points higher than the then existing minimum mortgage loan rate. In May 2006, the PRC government increased the minimum amount of down payment to 30% of the purchase price of the underlying property if such property had a GFA of 90 sq.m. or more. In addition, in September 2007 the PBOC and CBRC jointly promulgated a regulation to increase the minimum amount of down payment to 40% of the purchase price of the second or subsequent residential property and the interest rate of mortgage loans to 1.1 times the then benchmark rate promulgated by the PBOC for residential property purchasers who already have outstanding residential mortgage loans. Chinese banks are also required to significantly increase, at their discretion, the down payment and interest rate requirement for those who purchase multiple residential properties and are prohibited to make additional loans based on the increased value of the underlying property prior to the full repayment of existing loans. Such policy was emphasized on the Notice of the CBRC on Further Strengthening the Risk Management of Mortgage Loans in June 2009. On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities (Guofa (2010) No. 10), required the minimum amount of down payment of the first residential property with an area of more than 90 sq.m. to be 30%; the down payment of multiple residential properties bought with a loan shall be no less than 50%, and the interest rate of mortgage loans be 1.1 times the then benchmark rate promulgated by the PBOC; Chinese banks are also required to significantly increase, at their discretion, the down payment and interest rate requirement for those who have purchased multiple residential properties or more residential properties with loans. On September 29, 2010, the PBOC and CBRC promulgated the Decree Relating to the Improvement of Differential Housing Lending Policy Notice, which stipulated that commercial banks should stop providing housing mortgage to any member of a family unit purchasing the third or the subsequent residential housing temporarily. 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 adversely affected.

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

Under PRC tax laws and regulations, our PRC subsidiaries are subject to LAT, which is collected by local tax authorities. All income from the sale or transfer of land use rights relating to state-owned land, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging

from 30% to 60% of the appreciation value as defined by the relevant tax laws. Certain exemptions are available for the sale of ordinary standard residential houses if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption.

On December 28, 2006, the PRC State Administration of Taxation issued a circular, which became effective on February 1, 2007. Under the circular, LAT must be assessed if any of the following criteria are met: (1) the property development project has been completed and fully sold; (2) the property developer transfers the entire development project prior to completion; or (3) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may assess LAT if any of the following criteria are met:

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

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

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

- other conditions stipulated by the tax authorities.

For each of the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, we made LAT payments in the amount of RMB55 million, RMB95 million (US$14 million) and RMB28 million (US$4 million), respectively. The LAT paid by us was not based on the progressive rates specified in the relevant PRC laws and regulations but at a provisional rate which depends on the types and specifications of the relevant property development project.

Due to the time gap between the provisional payment and subsequent assessment, we estimate and make provision for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations. Our LAT provision for the whole project is determined based on the estimated total sales proceeds and the estimated total development costs of such project by applying the relevant PRC laws and regulations. Upon recognition of sales of the relevant property units, the corresponding LAT provision is accrued in the Group's consolidated financial statements on a pro rata basis for the saleable floor area sold. Our LAT provision is subject to adjustment if our estimates change.

There can be no assurance that the tax authorities will agree with the basis on which we calculate our LAT obligations. In the event that LAT eventually collected by the tax authorities upon completion of the tax assessment exceeds the amount that we have provided for, our net profits after tax will be adversely affected. With respect to property development projects that have not met the tax assessment eligibility criteria, we have paid and will continue to pay provisional LAT as required by the tax authorities. The LAT that is ultimately payable upon completion of the tax assessment of such projects in the future may be different to the provisional LAT paid by us.

Under the New Enterprise Income Tax Law (the "New EIT Law"), we may be classified as a "resident enterprise" of China. Such classification could result in unfavorable tax consequences to us and our non-PRC noteholders.

Under the New EIT Law, an enterprise established outside of China with "*de facto* management organization" located within China will be considered a "resident enterprise," and consequently will be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The

implementing rules of the New EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. However, it is still unclear how the PRC tax authorities will determine whether an entity will be classified as a "resident enterprise." If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations. In our case, this would mean that income such as interest from any investment of any portion of the offering proceeds and other income sourced from outside the PRC would be subject to PRC enterprise income tax at a rate of 25%, whereas no direct tax is imposed on enterprises under the laws of the Cayman Islands. Furthermore, as described in "*Regulation — Major Taxes Applicable to Property Developers,*" if we are considered a "resident enterprise," interest payable to certain "non-resident enterprise" holders on the Notes may be treated as income derived from sources within China and be subject to PRC withholding tax at a rate of 10%, or a lower rate for holders who qualify for the benefits of a double-taxation treaty with China, and capital gains realized by holders of Notes may be treated as income derived from sources within China and be subject to a 10% PRC tax. If we are required under the New EIT Law to withhold PRC tax on our interest payable to our non-resident noteholders who are "non-resident enterprises," we will be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition to the uncertainty as to the application of the new "resident enterprise" classification, the PRC government could amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the New EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the New EIT Law and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as indicators of our future performance. If such changes occur or are applied retroactively, they could have a material adverse effect our results of operations and financial condition.

The introduction and implementation of new property tax policy may have an adverse effect on the sales of the projects located in the pilot cities.

It has been widely reported that Chongqing and Shanghai, two of the four municipalities directly under the central government and where many of our projects are located, will introduce some pilot policies of property tax, which currently provides for exemptions for houses owned by individuals and used for non-business purposes.

Pursuant to the Government Work Report passed at the Fourth Session of the Third Chongqing People's Congress meeting on January 14, 2011, Chongqing will initiate to charge property tax on high-grade commercial housing in the Twelfth Five-Year Period. It is estimated that Chongqing Municipal Government may charge the property tax on high-grade commercial housing in the first quarter in 2011. It is reported that the Ministry of Finance has approved in principle the charging of property tax in Chongqing and the Chongqing Municipal Government is formulating and perfecting the detailed rules, which shall be filed to the Ministry of Finance for record before its implementation. On October 7, 2010, Shanghai Municipal Housing Support and Building Administration Bureau, Shanghai Urban Construction and Communications Commission, Shanghai Municipal Administration of Planning and Land Resources, Shanghai Finance Bureau and Shanghai Tax Bureau jointly issued Certain Opinions on Further Strengthening the Adjustment and Control of Real Property Market and Accelerating the Process of Housing Security Work, which made clear that Shanghai would, in line with the state policy of promoting the property tax reform pilot project, actively make all preparations for the reform pilot project. It is reported that Shanghai has already submitted its implementation

program of property tax to the central government for approval. According to the Government Work Report at the Fourth Session of the Thirteenth Shanghai People's Congress meeting on January 16, 2011, Shanghai will make every preparation for the property tax reform pilot project in accordance with national deployment. And if successful in Chongqing and Shanghai, the new property tax policy may be extended to other cities. The introduction and implementation of the new property tax policy may have an adverse effect on the sales of the projects we currently have or will have in future in Chongqing, Shanghai and other cities where the new property tax policy may apply.

We may not be able to obtain a sufficient number of sites or may have to forfeit land being developed if we do not comply with the terms of the relevant land grant contracts.

We derive the majority of our turnover from the sale of properties that we have developed. This turnover stream is dependent on our ability to complete and sell our property developments. To maintain or expand our business in the future, we will be required to replenish our land reserve with suitable sites for developments. Our ability to identify and acquire a sufficient number of suitable sites is subject to a number of factors that are beyond our control.

The PRC government controls substantially all of the country's land supply and regulates the means by which real estate developers, including us, obtain land sites for property developments. As a result, the PRC government's land supply policies affect our ability to acquire land use rights for sites we identify and the costs of any acquisition. In May 2002, the PRC government introduced regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property developments through public tender, auction or listing-for-sale. Such requirement has been further emphasized in the Regulations on the Grant of State-owned Construction Land Use Rights through Public Tender, Auction and Listing-for-sale promulgated by the Ministry of Land and Resources in September 2007. We will be required to go through these processes before we can acquire the land use rights to the desirable sites, which may result in higher land premiums than those we paid in the past. While we believe that our current level of land reserve should be able to support our property development projects for five years or more, the viability or growth of our business may not be sustainable if we are unable to obtain additional land sites for development at prices that allow us to achieve reasonable returns.

Under PRC law, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, land use or the time for commencement and completion of the development of the land), the relevant land authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Such requirement has been further prescribed in the recent PRC government measures aimed at stabilizing the real property sector. Furthermore, on January 3, 2008, the State Council issued a Circular on the Promotion of Economizing and Intensifying the Land Use, which emphasizes the enforcement of the current rules on idle land fees. The notice requires an additional land premium to be levied on the idle land, especially those used for property development, and the relevant governmental authorities will formulate and issue further rules and regulations on such requirements. Specifically, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture by the PRC government unless the delay in development is caused by government actions or force majeure. On September 21, 2010, the MLR and the MOHURD issued a notice that prohibits real estate developers from participating in bidding for land if they fail to commence development of land held by them as required by original land grant contracts for more than one year due to their own reasons or do not comply with land development requirements specified in land grant contracts. There can be no assurance that circumstances leading to possible forfeiture of land or delays in the completion of a property development may not occur in the future.

In this regard, our land grant contracts with relevant land authorities typically specify the dates for us to complete the relocation process and to commence or complete construction and specify the amount of land grant fees and relocation expenses and when they should be paid. For a variety of reasons, including delays in the relocation process and delays in the delivery of project sites to us by the relevant PRC governmental authorities, we have experienced delays in the dates specified in these contracts for construction of some of our development projects, including the Shanghai Taipingqiao, Shanghai Rui Hong Xin Cheng, Chongqing Tiandi, Hangzhou Xihu Tiandi and Wuhan Tiandi projects, with the result of delays in the payment of required land grant fees and relocation expenses and therefore the availability of the site for our use. In the past, we have been required to pay late penalties, which are required under certain of the land grant contracts, to the relevant land authority with respect to delays in the payment of land grant fees. We may also be required to pay such late penalties in the future. In this regard, we note that although it has not done so in the past, the relevant land authority has the right under the land grant contracts for the Hangzhou project and Phases 1 and 2 of the Chongqing Tiandi project to require us to pay penalties for late payment of land grant fees.

Potential liability for environmental problems could result in substantial costs.

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

As required by PRC law, each project developed by a property developer is required to undergo an environmental assessment, and an environmental impact assessment report is required to be submitted to the relevant government authorities for approval before commencement of construction. If such requirement is not complied with, the local environmental authority may issue orders to suspend construction of the project until the environmental impact assessment report is submitted and approved by the local environmental authority and may impose a fine of an amount between RMB50,000 and RMB200,000 on us with respect to such project. In the event that a suspension of construction and/or a fine is imposed, our financial condition may be adversely affected. Although the environmental investigations conducted on our developments to date have not revealed any environmental liability that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that these investigations did not reveal environmental hazards or their extent and resulting liabilities, and there may be material environmental liabilities of which we are unaware. There can be no assurance that a future environmental investigation will not reveal any material environmental hazards and liabilities. Also, there can be no assurance that the PRC government will not change the existing laws and regulations or impose additional or stricter laws or regulations, the compliance with which may cause us to incur significant capital expenditure. In addition, there can be no assurance that we can comply with any such laws and regulations.

We may be liable to our customers for damages if we do not deliver individual property ownership certificates in a timely manner.

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant sale and purchase agreements. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval processes. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits,

to the local bureau of land resources and housing administration within three months after the receipt of the completion and acceptance certificate for the relevant properties and apply for the general property ownership certificate with respect to these properties. We are then required to submit within regulated periods after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and the issuance of the individual property ownership certificates with respect to the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. We may become liable to purchasers for late delivery of the individual property ownership certificates due to delays in the administrative approval processes or for any other reason beyond our control.

Risks Relating to the People's Republic of China

Adverse changes in the economic and political policies of the PRC government could have an adverse effect on overall economic growth in China, which may adversely affect our business.

We conduct substantially all of our business operations in the PRC. Accordingly, our financial condition, results of operations and prospects depend to a significant extent on economic developments in the PRC. The PRC economy differs from the economies of most other countries in many respects, including the degree of government intervention in the economy such as price control, government control of foreign exchange and the allocation of resources, the general level of economic development and growth rates. While the PRC economy has experienced significant growth in the past 30 years, this growth has been uneven across different periods, regions and amongst various economic sectors. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. The PRC government also exercises significant control over the PRC's economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC government has, at times, implemented a number of measures, such as increasing the PBOC's statutory deposit reserve ratio and imposing commercial bank lending guidelines, which had the effect of slowing the growth of credit availability. In 2008 and 2009, in response to the global financial crisis, the PRC government relaxed such requirements but, since early 2010, has begun to tighten such requirements again, partly in response to the recovery in the growth of the PRC economy. Any future actions and policies adopted by the PRC government could materially affect the PRC economy, which may adversely affect our business.

PRC regulation on loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries.

Loans to or investments in our PRC subsidiaries are subject to approval by or registration with relevant governmental authorities in the PRC. We may also decide to finance our subsidiaries by means of capital contributions. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, depending on the total amount of investment, capital contributions to our PRC operating subsidiaries may be subject to the approval of MOFCOM or its local branches. We may not obtain these government approvals on a timely basis, or at all, with respect to future capital contributions by us to our subsidiaries. If we fail to receive such approvals, our ability to use the proceeds of the Notes and to capitalize our operations in the PRC may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Fluctuations in the value of the RMB may have an adverse effect on our financial condition and results of operations.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other factors, changes in international and national political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of attaching the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Following the removal of the U.S. dollar peg, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Since July 2008, the Renminbi has traded at a relatively stable level within a narrow range against the U.S. dollar, but the RMB has again begun gradual further appreciation against the U.S. dollar since the middle of 2010. It is unclear, however, whether this trend will continue.

There remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and possibly more significant appreciation of the Renminbi against foreign currencies. Our turnover and costs are mostly denominated in Renminbi, and a significant portion of our financial assets are also denominated in Renminbi. Any fluctuation in the exchange rate between the Renminbi and the U.S. dollar could result in foreign currency translation losses for financial reporting purposes.

Uncertainties with respect to the PRC legal system could have an adverse effect on our operations.

As substantially all of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes. Unlike those of common law systems, decided legal cases have little value as precedents in subsequent legal proceedings. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements are relatively new and are often changing, and their interpretation and enforcement involve significant uncertainties that could limit the reliability of the legal protections available to us. We cannot predict the effects of future developments in the PRC legal system. We may be required in the future to procure additional permits, authorizations and approvals for our existing and future operations, which may not be obtainable in a timely fashion or at all. An inability to obtain such permits or authorizations may have an adverse effect on our financial condition and results of operations. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

It may be difficult to serve process within the PRC or to enforce any judgment obtained from non-PRC courts against us or our Directors.

Our operating subsidiaries are incorporated in the PRC, substantially all of our Directors currently reside within the PRC, and all or substantially all of our assets are located within the PRC. The PRC does not currently have treaties providing for the reciprocal recognition or enforcement of judgments of courts located in the United States, the United Kingdom, Singapore, Japan and most other western countries. An arrangement between China and the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdictions as Agreed to by the Parties Concerned was signed on July 14, 2006 and came into effect

on August 1, 2008. However, there are many restrictions to such arrangement. As a result, it may not be possible for investors to effect service of process upon our subsidiaries or our Directors resident in the PRC pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in the PRC of judgments of courts outside the PRC might be difficult or impossible.

Acts of God, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economies in the PRC.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome ("**SARS**"), and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics.

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. Furthermore, the PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. In particular, any future outbreak of SARS, avian flu or other similar adverse public developments may, among other things, significantly disrupt our business, including limiting our ability to travel or ship our products within the PRC. An outbreak may also severely restrict the level of economic activity in affected areas, which may in turn have a material and adverse effect on our results of operations, financial condition and business. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of swine flu, avian flu, SARS or any other epidemic.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees and our markets, any of which could materially impact our sales, cost of sales, overall results of operations and financial condition. The potential for war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that currently we cannot predict.

Risks Relating to the Notes

The Issuer and the Parent Guarantor are holding companies, and the Notes will be effectively subordinated to all indebtedness and other liabilities of subsidiaries of the Issuer.

The Issuer and the Parent Guarantor are holding companies with no material operations or assets of their own. We conduct our operations through our subsidiaries. The Issuer's primary assets consist of its direct and indirect ownership interests in our subsidiaries, and the Parent Guarantor's primary assets consist of its 100% equity interest in the Issuer. None of the subsidiaries will guarantee the Notes on the issue date, and the subsidiaries will not be required to guarantee the Notes after the issue date unless they have also guaranteed other indebtedness of the Issuer after the issue date. Creditors (including trade creditors) and preferred shareholders of our subsidiaries will therefore generally be entitled to payment from our subsidiaries' assets before such assets can be distributed to the Issuer and made available to holders of the Notes. As a result, the Issuer's and the Parent Guarantor's payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our subsidiaries, including obligations to trade creditors, and all claims of creditors and preferred shareholders of our subsidiaries will have to be satisfied before assets of those subsidiaries would be available for distribution to the Issuer, the Parent Guarantor or their creditors, including holders of the Notes.

As of June 30, 2010, the Issuer's subsidiaries had bank borrowings in the amount of RMB9,859 million (US$1,454 million), contingent liabilities of RMB250 million (US$37 million) arising from guarantees and capital commitments of RMB14,485 million (US$2,136 million). The Notes and the indenture governing the Notes permit us, including our subsidiaries, to incur additional indebtedness and other liabilities, subject to certain limitations. There can be no assurance that the subsidiaries' assets will be sufficient to fully repay their indebtedness, other liabilities and the Notes or that the subsidiaries will be able to repay their indebtedness and other liabilities if there is an acceleration of such indebtedness or other liabilities.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Issuer and other subsidiaries.

As a holding company, the Issuer depends upon the receipt of dividends and the repayment of intercompany loans or advances from its subsidiaries and joint venture companies to satisfy its obligations, including its obligations under the Notes. The ability of our subsidiaries and joint venture companies to pay dividends or repay intercompany loans or advances to their shareholders (and ultimately to the Issuer) is subject to, among other things, distributable earnings, cash flow conditions, applicable law, and restrictions contained in the relevant constitutive documents, shareholders' agreements (if any) or debt financing agreements of such subsidiaries and joint venture companies. Many of our subsidiaries, including, without limitation Marble Way Limited, Brixworth International Limited, Hollyfield Holdings Limited and East Trend Limited, are restricted in their ability to pay dividends or repay intercompany loans or advances by financing agreements governing indebtedness of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to the Issuer to make payments on the Notes. These restrictions could reduce the amounts that the Issuer receives from our subsidiaries, which would restrict the Issuer's ability to meet our payment obligations under the Notes and the obligations of the Parent Guarantor under the Parent Guarantee.

Most of our business operations and our assets are at our PRC subsidiaries. PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of turnover 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 reserve funds that are not distributable as cash dividends. Furthermore, 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 that specifically exempts or reduces such withholding tax. While the PRC and Hong Kong have an avoidance of double taxation arrangement under which such withholding tax rate may be reduced to 5% if the non-PRC parent company in question is a Hong Kong resident and directly holds a 25% or more interest in the relevant PRC subsidiary, withholding is still required. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries that would be necessary to meet payments required by the Notes or satisfy obligations of the Parent Guarantor under the Parent Guarantee, and there could be restrictions on payments required to redeem the Notes at maturity or as required in the event of any early redemption. See "*Description of Other Material Indebtedness.*"

These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict the Issuer's and the Parent Guarantor's ability to meet obligations under the Notes. As a result, there can be no assurance that we will have sufficient cash flows from dividend distributions or repayment of intercompany loans or advances to satisfy our obligations under the Notes.

The Notes are unsecured obligations.

As the Notes are unsecured obligations, their repayment may be compromised if:

- we enter into bankruptcy, liquidation, reorganization or other winding-up proceeding;
- there is a default in payment under our future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of our indebtedness.

If any of these events occur, our assets may not be sufficient to pay amounts due on the Notes.

We have made, and in the future may continue to make, significant investments in non-controlling interests.

We have made, and in the future may continue to make, significant investments in entities engaged in permitted business in which we have a non-controlling interest. We may use a significant portion of the proceeds of the offering to make these types of investments. Although the indenture governing the Notes restricts us and our restricted subsidiaries from making investments in non-controlling interests, these restrictions are subject to important exceptions and qualifications. For a more detailed description of the exceptions, see the covenant entitled "Limitation on Restricted Payments" and the definition of "Permitted Investments" in "*Description of the Notes.*" We cannot assure you that such non-controlling investments will contribute to our income or cash flow and we may suffer partial or complete loss with respect to such investments.

We have substantial bank borrowings 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 bank borrowings, including both current and non-current portions, at December 31, 2008 and 2009 and at June 30, 2010 was RMB8,198 million, RMB10,203 million (US$1,504 million) and RMB12,473 million (US$1,839 million), respectively. In addition, although our existing financing instruments contain, and the identure governing the Notes will contain, restrictions on our ability and the ability of our subsidiaries to incur additional indebtedness, these restrictions are subject to a number of important qualifications and exceptions and we and our subsidiaries may incur substantial additional indebtedness in the future.

Our substantial indebtedness and incurrence of substantial indebtedness in the future could have sufficient consequences to our business and to holders of the Notes, including:

- making it more difficult for us to satisfy our obligations under the Notes and our other indebtedness;
- increasing our vulnerability to adverse general economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payment on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate requirements;

- limiting our flexibility in planning for, or reacting to, changes in our businesses and the industry in which we operate;

- placing us at a competitive disadvantage compared to our competitors that have less debt;

- limiting our ability to obtain additional financing; and

- increasing the cost of additional financing.

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. There can be no assurance that we will be able to generate sufficient cash flow to meet our anticipated operating expenses or to service our debt obligations as they become due. For the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, our net cash flow from operating activities was an outflow of RMB646 million, an inflow of RMB1,613 million (US$238 million) and an outflow of RMB1,356 million (US$200 million), respectively. 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 existing indebtedness or seeking equity capital. These strategies, if implemented, may not be instituted on satisfactory terms.

In addition, our existing financing arrangements as well as the indenture governing the Notes impose operating and financial restrictions on our business (including, under several existing bank loan agreements of the Issuer, the Parent Guarantor and our subsidiaries, the maintenance of certain financial ratios). Our ability to meet such financial ratios may be affected by events beyond our control. There can be no assurance that we will be able to meet these ratios. These provisions 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 necessary capital expenditures, or withstand a continuing or future downturn in our business. Any of these constraints upon us could materially and adversely affect our ability to satisfy our obligations under the Notes.

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

If we or the Issuer are unable to comply with the restrictions and covenants in the Notes, the indenture or our current or future financing 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 relevant debt could terminate their commitments to lend to us, accelerate the debt obligation and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, certain debt agreements, including the Notes, may contain cross-acceleration or cross-default provisions. As a result, 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 other debt agreements, including the indenture. If any of these events should occur, there can be no assurance that our assets and cash flow would be sufficient to repay in full all indebtedness, or that alternative financing could be found. Even if alternative financing can be obtained, there can be no assurance that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the Notes and the indenture governing the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs that, in turn, could increase your credit risk.

The Notes and the indenture governing the Notes contain a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our Restricted Subsidiaries, to:

- incur additional indebtedness and issue 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;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends and transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates;
- effect a consolidation or merger; or
- engage in different business activities.

These covenants could limit our ability to plan for or react to varying 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.

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

The Notes are denominated in Renminbi but settled in U.S. dollars. Holders of the Notes are required to pay the offer price for their Notes in U.S. dollars based on the exchange rate between Renminbi and the U.S. dollar fixed on the pricing date of the Notes. Although substantially all of our turnover is generated by our PRC operating subsidiaries and is denominated in Renminbi, we are required to settle all amounts due under the Notes (including principal, premium, interest and redemption payments) in U.S. dollars, at the prevailing exchange rate between Renminbi and the U.S. dollars at the time of payment. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, 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. This allows Renminbi to fluctuate against the U.S. dollar by

up to 0.5% above or below the central parity rate published by PBOC. On June 19, 2010, the PBOC announced its intention to proceed with the reform of the Renminbi exchange rate regime to increase the Chinese currency's exchange rate flexibility. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar by approximately 20% from July 21, 2005 to December 31, 2010.

The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented, it is possible that they may result in a devaluation of the Renminbi against the U.S. dollar, in which case our financial condition and results of operations could be adversely affected because of our substantial U.S. dollar and H.K. dollar denominated indebtedness and other obligations. Such devaluation could also adversely affect the value, translated or converted to U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

The U.S. dollar return on the Notes, or yield to maturity, will depend on the principal amount, the coupon and the premium converted into U.S. dollars at the prevailing exchange rate at the time of the relevant payments. Any volatility of the exchange rate between Renminbi and the U.S. dollar during the term of the Notes will affect the return on the Notes in U.S. dollars. In particular, any devaluation of the Renminbi against the U.S. dollar during the term of the Notes will decrease the U.S. dollar return on the Notes and will result in the yield to maturity of the Notes in U.S. dollars being less than the stated yield to maturity thereof, which is calculated in Renminbi. In the event of a material devaluation of the Renminbi against the U.S. dollar, holders of the Notes may not receive the full U.S. dollar subscription money upon maturity or redemption of the Notes.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any hedging transactions to reduce our exposure to such risks. Following the offering of the Notes, we may enter into foreign exchange or interest rate hedging agreements with respect to our U.S. dollar-denominated liabilities under the Notes. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. Each of the Initial Purchasers and their affiliates may enter into such hedging agreements permitted under the indenture governing the Notes, and these agreements may be secured by pledges of our cash and other assets as permitted under the indenture governing the Notes. If we were unable to provide such collateral, it could constitute a default under such agreements.

The Issuer may be unable to repurchase the Notes upon a Change of Control.

Upon a Change of Control (as defined in the "*Description of the Notes*"), the Issuer must make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, up to, but not including, the date of purchase. See "*Description of the Notes — Repurchase of Notes Upon a Change of Control*." The source of funds for any such purchase would be the Issuer's available cash or third-party financing. However, the Issuer may not have enough available funds at the time of the occurrence of any Change of Control to make purchases of tendered outstanding Notes. The Issuer's failure to make the offer to purchase or purchase tendered Notes would constitute an Event of Default (as defined in the "*Description of the Notes*") under the Notes. This 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 the Issuer's other debt were to be accelerated, it may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of Change of Control in the indenture governing the Notes does not necessarily include protection for the holders of the Notes in the event of certain highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These transactions could increase the Issuer's indebtedness or otherwise affect its capital structure or credit ratings. The definition of Change of Control for purposes of the indenture governing the Notes also includes a phrase relating to the sale of "all or substantially all" of its 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, the Issuer's obligation to make an offer to purchase the Notes, and the ability of a holder to require it to purchase its Notes pursuant to the offer as a result of a highly leveraged transaction or a sale of less than all of its assets, may be uncertain.

An active trading market for the Notes may not develop, and the trading price of the Notes could be materially and adversely affected.

The Notes are new issues of securities for which there is currently no trading market. Application has been made for the listing of the Notes on the SGX-ST. However, there can be no assurance that we will be able to obtain or maintain such listing or that, if listed, an active trading market will develop. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all. Future trading prices of the Notes will depend on many factors, including prevailing interest rates, our operating results and the market for similar securities. 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. Therefore there can be no assurance that an active trading market for the Notes will develop or be sustained. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected.

In addition, the Notes may trade at prices that are higher or lower than the price at which the Notes have been issued. The price at which the Notes trade depends on many factors, including:

- prevailing interest rates and interest rate volatility;
- our results of operations, financial condition and future prospects;
- changes in our industry and competition;
- the market conditions for similar securities; and
- general economic conditions, almost all of which are beyond our control.

As a result, there can be no assurance that you will be able to resell the Notes at attractive prices or at all.

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 turnover, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates, currency exchange rates and fluctuations in prices for comparable companies could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

No credit rating agencies have assigned ratings to the Notes.

The Notes have not been assigned ratings by any rating agencies, and we have not requested any rating agencies to assign ratings to the Notes. Ratings assigned by rating agencies represent such rating agencies' assessment of 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. We currently have no plans to obtain ratings on the Notes from any credit rating agencies. If we in the future obtain ratings on the Notes from any rating agencies, such ratings (and any subsequent revision, downgrade or withdrawal of such ratings) may adversely affect the market price of the Notes and our ability to access the debt capital markets in the future that in turn may have a material adverse effect on our financial condition and results of operations.

Under PRC regulations, we may not be able to transfer to our PRC subsidiaries, proceeds of this Notes offering in the form of loans, which could impair our ability to make timely payments of interest, or even the 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. Without having the flexibility to transfer funds to our PRC subsidiaries as loans, there can be no assurance 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 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. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE). Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable with respect to such shareholder loan. Although under a regulation issued on July 10, 2007, we can no longer make shareholder loans to our PRC subsidiaries, we have in the past made shareholder loans to certain of our PRC subsidiaries to finance the property developments and land acquisitions that they are currently being undertaken. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on our existing shareholder loans, which may affect our ability to satisfy our obligations under the Notes.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from those of other jurisdictions with which the holders of the Notes are familiar.

Because the Issuer and the Parent Guarantor are incorporated under the laws of the Cayman Islands, any insolvency proceeding relating to the Issuer or the Parent Guarantor may involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar. In addition, almost all of our subsidiaries holding equity interests in our PRC subsidiaries are incorporated in the British Virgin Islands or Hong Kong, and the insolvency laws of the British Virgin Islands and Hong Kong also may differ from the laws of other jurisdictions with which the holders of the Notes are familiar.

We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. Our PRC subsidiaries are subject to the bankruptcy and insolvency laws of China. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

We will follow the applicable 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 with respect to the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

There may be less publicly available information about us than is available for public companies in certain other jurisdictions.

The Parent Guarantor, which owns all of the issued equity interest in the Issuer, is a company listed on the Hong Kong Stock Exchange. There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other jurisdictions. In addition, our financial statements are prepared and presented in accordance with IFRS, which differ in certain significant respects from generally accepted accounting principles or other accounting standards in other jurisdictions, 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 IFRS and generally accepted accounting principles or other accounting standards in other jurisdictions. 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 IFRS and generally accepted accounting principles and other accounting standards in other jurisdictions and how those differences might affect the financial information contained in this offering memorandum.

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

Facts and other statistics in this offering memorandum relating to China's economy and the real estate industry are derived from publicly available sources. While we have taken reasonable care to ensure that the facts, forecast and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our or their respective advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not

be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes representing the Notes will trade in book-entry form only, and notes in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes for purposes of the indenture governing the Notes. The common depositary for Euroclear and Clearstream will be the sole registered holder of the global notes. Accordingly, you must rely on the procedures of Euroclear or Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the indenture. Upon the occurrence of an event of default under the indenture, unless and until definitive registered notes are issued with respect to all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the notes. See "*Description of the Notes — Book-Entry; Delivery and Form*."

The Parent Guarantee, and any guarantee by our subsidiaries of the Notes after the issue date, may be challenged under applicable insolvency or fraudulent transfer laws which may affect the enforceability of such guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the Cayman Islands, where the Parent Guarantor is established, and in the British Virgin Islands, Hong Kong and other jurisdictions where our current and future subsidiaries may be established, a guaranteecould be voided, or claims with respect to 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 the reasonably equivalent value or fair consideration for the incurrence of such guarantee;

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

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

- intended to incur, or believed that it would incur, any debt beyond its ability to pay as it matures.

The measure of insolvency for the purposes of the foregoing will vary depending on the laws of the jurisdiction which are being applied. Generally, however, a guarantor would be considered insolvent at a particular time if it was unable to pay its debts as they became due or if the sum of its debts was then greater than all of its property at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities on its existing 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 guarantors. In such a 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 Parent Guarantor under the Parent Guarantee will be limited to the maximum amount that can be guaranteed by the Parent Guarantor without rendering the Parent Guarantee, as it relates to such Parent Guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voided the Parent Guarantee, subordinated the Parent Guarantee to other indebtedness of the Parent Guarantor, or held the Parent Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against the Parent Guarantor based upon the Parent Guarantee, would be subject to the prior payment of all liabilities (including trade payables) of the Parent Guarantor, and would solely be creditors of the Issuer (and any subsidiary of the Issuer that may be required to guarantee the Notes after the issue date, but only to the extent such subsidiary guarantee was not similarly voided, subordinated or held unenforceable). There can be no assurance that, in such an event and after providing for all prior claims, there would be sufficient assets to satisfy the claims of holders of the Notes.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, after deducting the discount to the Initial Purchasers and other estimated expenses payable in connection with this offering, will be approximately US$520 million. We intend to use the net proceeds to fund capital expenditures related to our real estate operations and/or acquire, develop, construct or improve assets, real or personal property or equipment or repay existing indebtedness.

We may adjust the foregoing acquisition and development 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*."

EXCHANGE RATE INFORMATION

PRC

The PBOC sets and publishes daily, a central parity exchange rate with reference primarily to the supply and demand of the Renminbi against a basket of currencies in the market during the previous day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of the Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2% against the U.S. dollar. On May 18, 2007, the PBOC announced that the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar would be expanded from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. On June 20, 2010, the PBOC announced that it intended to further reform the RMB exchange rate regime by allowing greater flexibility in the RMB exchange rate. The PRC government may, in the future, make further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day.

The following table sets forth information concerning exchange rates between the RMB and the US dollar for the periods indicated:

	Noon Buying Rate			
Period	**Low**	**Average[1]**	**High**	**Period End**
2005	8.0702	8.1925	8.2767	8.0702
2006	7.8045	7.9737	8.0702	7.8045
2007	7.3037	7.6066	7.8160	7.3037
2008	6.8113	6.9501	7.3041	6.8277
2009	6.8192	6.8315	6.8519	6.8270
2010				
January	6.8263	6.8271	6.8277	6.8268
February	6.8260	6.8280	6.8338	6.8260
March	6.8256	6.8263	6.8271	6.8259
April	6.8236	6.8259	6.8276	6.8253
May	6.8253	6.8279	6.8315	6.8278
June	6.7818	6.8190	6.8333	6.7818
July	6.7711	6.7766	6.7809	6.7745
August	6.7674	6.7879	6.8078	6.8078
September	6.6873	6.7410	6.8108	6.6921
October	6.6411	6.6669	6.6917	6.6705
November	6.6233	6.6533	6.6906	6.6690
December	6.6070	6.6481	6.6725	6.6070
2011				
January (through January 17th, 2011)	6.5940	6.6136	6.6350	6.5940

Source: Bloomberg

(1) Annual averages are calculated from month-end rates. Monthly averages are calculated using the acerage of the daily rates during the relevant period.

On June 30, 2010, the U.S. dollar/Renminbi exchange rate was US$1.00 to RMB6.7818.

CAPITALIZATION

The following table sets forth on an actual basis, our borrowings (derived from our unaudited, reviewed consolidated financial statements as of June 30, 2010) and capitalization as of June 30, 2010, and as "adjusted" basis and an "as further adjusted" basis.

The "as adjusted" data set forth below gives effect (subsequent to June 30, 2010 but prior to the issuance of the Notes) to the RMB2,720 million US$ settled 4.5% Convertible Bonds due 2015, issued on September 29, 2010, and the RMB3,000 million US$ settled 6.875% Senior Notes due 2013, issued on December 23, 2010.

The "as further adjusted" data set forth below gives effect to the Notes contemplated to be issued (but before deducting fees and other expense payable in connection with the offering).

Except as otherwise disclosed herein and other than the drawdown and repayment of bank borrowings in the normal course of business, there has been no material change in our borrowings and capitalization since June 30, 2010.

	As of June 30, 2010					
	Actual		As adjusted		As further adjusted	
	(RMB)	*(US$)*[1]	*(RMB)*	*(US$)*[1]	*(RMB)*	*(US$)*[1]
			(in millions)			
Total bank balance and cash						
Pledged bank deposits — non-current	1,164	172	1,164	172	1,164	172
Pledged bank deposits — current	850	125	850	125	850	125
Bank balances and cash	2,915	430	8,635	1,281	12,135	1,812
Total bank balances and cash	4,929	727	10,649	1,578	14,149	2,109
Total borrowings — current portion						
Bank borrowings — due within one year	1,474	217	1,474	217	1,474	217
Total borrowings — current portion	1,474	217	1,474	217	1,474	217
Total borrowings — non-current portion						
Bank borrowings — due after one year	10,999	1,622	10,999	1,622	10,999	1,622
Convertible Bonds due 2015[2]	—	—	2,720	400	2,720	400
6.875% Senior Notes due 2013	—	—	3,000	451	3,000	451
Notes to be issued	—	—	—	—	3,500	531
Total borrowings — non-current portion	10,999	1,622	16,719	2,473	20,219	3,004
Capital and reserves attributable to equity shareholders of the Company						
Issued capital[3]	99	15	99	15	99	15
Share premium	12,433	1,833	12,433	1,833	12,433	1,833
Other reserves	688	101	688	101	688	101
Retained earnings	9,386	1,384	9,386	1,384	9,386	1,384
Non-controlling interests	1,158	171	1,158	171	1,158	171
Total equity	23,764	3,504	23,764	3,504	23,764	3,504
Total Capitalization[4]	34,763	5,126	40,483	5,977	43,983	6,508

Notes:

(1) All items in this table have been translated from Renminbi to U.S. dollars at the rate of RMB6.7818 to US$1.00, except for "Convertible Bonds due 2015" items, which were translated from Renminbi to U.S. dollars at the rate of RMB6.7981 to US$1.00, "6.875% Senior Notes due 2013" items, which were translated from Renminbi to U.S. dollars at the rate of RMB6.6566 to US$1.00, and "Notes to be issued" items, which were translated from Renminbi to U.S. dollars at the rate of RMB6.5885 to US$1.00.

(2) In accordance with Hong Kong Accounting Standard 32 "Financial Instruments: Disclosure and Presentation," a convertible bond should be split into an equity and a liability component. For illustrative purposes only, the aggregate principal amount of the Convertible Bonds due 2015 has been presented as a liability in the above table.

(3) If all the Convertible Bonds due 2015 were converted at the initial conversion price of HK$4.78 per share, up to an additional 650,922,175 shares would be issuable upon conversion.

(4) Total capitalization represents the sum of the non-current portion of borrowings and total equity.

(5) As of June 30, 2010, the Issuer's subsidiaries had bank borrowings in the amount of RMB9,859 million (US$1,454 million) and capital commitments of approximately RMB14,485 million (US$2,136 million).

(6) There was a RMB1,209 million increase in bank borrowings from June 30, 2010 to September 30, 2010.

For a discussion of our contractual obligations and commercial commitments, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Contractual obligations*."

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected financial data as of and for each of the fiscal years ended December 31, 2008 and 2009 is derived from our audited consolidated financial statements for those years and as of the dates indicated, included elsewhere in this offering memorandum. The selected financial information for the six months ended June 30, 2009 and 2010 is derived from our unaudited, condensed consolidated financial statement included elsewhere in this offering memorandum. Our consolidated financial statements as of and for each of the fiscal years ended December 31, 2008 and 2009 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants. The unaudited, condensed consolidated financial statements have been reviewed by Deloitte Touche Tohmatsu, Certified Public Accountants. The consolidated financial statements have been prepared and presented in accordance with IFRS. The selected financial data below should be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. The financial information as of and for the six months ended June 30, 2010 is not necessarily indicative of the financial results that may be expected for the year ended December 31, 2010 and should not be used as the basis of, or prediction of, an annualized calculation. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Basis of Preparation."*

The consolidated financial statements, included elsewhere in this offering memorandum, incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policy of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group. All intra-group transactions, balances, incomes and expenses are eliminated on consolidation.

Selected Consolidated Income statements

	Year ended December 31,			Six months ended June 30,		
	2008 (restated) Audited	2009 Audited		2009 Unaudited	2010 Unaudited	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*	*(RMB in millions)*	*(RMB in millions)*	*(US$ in millions)*
Turnover	2,066	6,758	996	1,335	3,121	460
Cost of sales	(1,028)	(3,229)	(476)	(945)	(1,849)	(272)
Gross profit	1,038	3,529	520	390	1,272	188
Other income	342	170	25	107	87	13
Selling and marketing expenses	(134)	(151)	(22)	(39)	(60)	(9)
General and administrative expenses	(697)	(543)	(80)	(261)	(275)	(41)
Operating profit	549	3,005	443	197	1,024	151
Increase in fair value of investment properties	382	536	79	199	1,461	215
Gain on acquisition of additional equity interests in subsidiaries	—	6	1	—	—	—
Gains on partial disposals of equity interests in subsidiaries	1,883	—	—	—	—	—
Gain on disposal of investment properties	—	—	—	—	23	4
Share of results of associates	44	436	64	398	68	10
Finance costs, net of exchange gain	(133)	(89)	(13)	(60)	(36)	(5)
Profit before taxation	2,725	3,894	574	734	2,540	375
Taxation	(657)	(1,301)	(192)	(78)	(832)	(123)
Profit for the year/period	2,068	2,593	382	656	1,708	252
Attributable to:						
Shareholders of the Company	1,798	2,673	394	718	1,557	230
Non-controlling interests	270	(80)	(12)	(62)	151	22
	2,068	2,593	382	656	1,708	252
OTHER FINANCIAL DATA						
EBITDA[(1)]	2,301	3,352	494	513	1,076	159
EBITDA margin[(2)]	111%	50%	50%	38%	34%	34%
Dividends						
— Interim dividend	257	44	6	44	270	40
— Final dividend	37	530	78	—	—	—

(1) EBITDA for any period consists of profit for the period less interest income, increase in fair value of investment properties, plus interest expense, taxation, depreciation and release of prepaid lease payments and net loss (gain) on change in fair values of derivative financial instruments. EBITDA is not a standard measure under IFRS. 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 performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. 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. Interest expense excludes amounts capitalized. See "*Description of the Notes — Definitions*" for a description of the manner in which Consolidated EBITDA is defined for purposes of the indenture governing the Notes, which is different from the EBITDA described above.

The following table reconciles our profit for the relevant years/periods under IFRS to our EBITDA for the same years/periods:

	Year ended December 31,			Six months ended June 30,		
	2008 (restated) Audited	2009 Audited		2009 Unaudited	2010 Unaudited	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*	*(RMB in millions)*	*(RMB in millions)*	*(US$ in millions)*
Profit for the year/period	2,068	2,593	382	656	1,708	252
Interest income	(227)	(149)	(22)	(107)	(69)	(10)
Interest expense	133	89	13	60	36	5
Taxation	657	1,301	192	78	832	123
Depreciation and release of prepaid lease payments	52	54	8	25	30	4
Increase in fair value of investment properties	(382)	(536)	(79)	(199)	(1,461)	(215)
EBITDA	2,301	3,352	494	513	1,076	159

(2) EBITDA margin is calculated by dividing EBITDA by the amount of turnover for the relevant years/periods.

Selected Consolidated Statement of Financial Position

	As of December 31,			As of June 30,		
	2008 (restated) Audited	2009 Audited		2009 Unaudited	2010 Unaudited	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*	*(RMB in millions)*	*(RMB in millions)*	*(US$ in millions)*
Non-current assets						
Investment properties	8,466	21,206	3,127	19,927	23,676	3,491
Property, plant and equipment	343	356	52	337	335	49
Prepaid lease payments	6,290	43	6	43	42	6
Properties under development	2,411	—	—	—	—	—
Interests in associates	296	862	127	694	930	137
Loans to associates	1,331	1,273	188	1,392	1,281	189
Accounts receivable	329	59	9	338	33	5
Pledged bank deposits	694	1,222	180	872	1,164	172
Defined benefit assets	4	—	—	4	—	—
Deferred tax assets	146	139	20	145	187	28
	20,310	25,160	3,709	23,752	27,648	4,077
Current assets						
Properties under development for sale	7,786	11,532	1,700	8,226	11,815	1,742
Properties held for sale	3,090	627	92	2,176	769	113
Accounts receivable, deposits and prepayments	941	933	138	610	1,586	234
Loans receivable	414	378	56	417	485	72
Amounts due from associates	450	147	22	143	299	44
Amounts due from related parties	62	73	11	78	199	29
Amounts due from non-controlling shareholders of subsidiaries	176	17	2	6	38	6
Pledged bank deposits	1,015	797	118	1,750	850	125
Bank balances and cash	1,671	2,928	432	2,903	2,915	430
	15,605	17,432	2,571	16,309	18,956	2,795
Current liabilities						
Accounts payable, deposits received and accrued charges	4,418	4,305	635	5,361	3,181	469
Amounts due to related parties	33	69	10	51	118	17
Amounts due to associates	—	45	7	54	37	6
Amounts due to non-controlling shareholders of subsidiaries	758	475	70	728	214	32
Loan from a non-controlling shareholder of a subsidiary	199	442	65	200	300	44
Dividend payable	—	—	—	—	530	78
Tax liabilities	739	1,404	207	661	1,347	199
Bank borrowings — due within one year	1,953	2,098	309	2,200	1,474	217
	8,100	8,838	1,303	9,255	7,201	1,062
Net current assets	7,505	8,594	1,268	7,054	11,755	1,733
Total assets less current liabilities	27,815	33,754	4,977	30,806	39,403	5,810
Capital and reserves						
Share capital	84	99	15	99	99	15
Reserves	16,779	21,480	3,167	19,284	22,507	3,318
Equity attributable to shareholders of the Company	16,863	21,579	3,182	19,383	22,606	3,333
Non-controlling interests	1,312	995	147	1,046	1,158	171
Total equity	18,175	22,574	3,329	20,429	23,764	3,504
Non-current liabilities						
Bank borrowings — due after one year	6,245	8,105	1,195	7,066	10,999	1,622
Derivative financial instruments designated as hedging instruments	256	211	31	196	250	37
Loans from non-controlling shareholders of subsidiaries	670	670	99	670	1,669	246
Loan from a director	567	—	—	567	—	—
Deferred tax liabilities	1,902	2,192	323	1,878	2,719	401
Defined benefit liabilities	—	2	—	—	2	—
	9,640	11,180	1,648	10,377	15,639	2,306
Total equity and non-current liabilities	27,815	33,754	4,977	30,806	39,403	5,810

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

The following is a discussion of our financial condition and results of operations as at and for the years ended December 31, 2008 (restated) and 2009 and as at and for the six months ended June 30, 2009 and 2010 and of the material factors that we believe are likely to affect our financial condition and results of operations. You should read this section in conjunction with our Financial Statements included in this offering memorandum beginning on page F-3. Our Financial Statements have been prepared in accordance with IFRS.

In addition, the following discussion contains certain forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum, including "Risk Factors."

Overview

We are one of the leading property developers in the PRC and the flagship property company of the Shui On Group. We engage principally in the development, sale, leasing, management and the long-term ownership of high-quality residential, office, retail, entertainment and cultural properties in the PRC, utilizing our expertise and experience in developing large-scale integrated property projects based on master plans that we have developed in conjunction with the local governments. As of June 30, 2010, we have eight major multi-phase projects in various stages of completion located in the cities of Shanghai, Hangzhou, Wuhan, Chongqing, Foshan and Dalian in the PRC with a landbank of approximately 12.9 million sq.m. (of which approximately 9.5 million sq.m. is attributable to us) with an aggregate estimated leasable and saleable GFA of approximately 11.3 million sq.m. and approximately 1.6 million sq.m. of car parks and other public facilities. We increased our landbank to approximately 13.3 million sq.m. of GFA (of which approximately 9.9 million sq.m. is attributable to us) through a successful bid for a land parcel located in the Hongqiao Transportation Hub area in Shanghai on September 30, 2010.

We are actively involved in the city planning aspects of most of our projects. We believe our projects are characterized by the redevelopment and transformation of the neighborhoods and communities of the cities in which our projects are located. We strategically retain long-term ownership of certain commercial properties that we have developed, and are committed to enhancing the value of the projects on a continuing basis through comprehensive property management. Our past developments include the well-known restoration project, Shanghai Xintiandi, one of the landmarks in Shanghai.

We focus on large-scale city-core development projects, primarily strategically-located, mixed-use properties and multi-phase developments with a blend of historic restoration and modern architecture. All of our projects manifest the "Total Community" concept. Endowed with a full range of modern facilities for residential, office, retail, entertainment and leisure, our projects provide a unique environment enabling a "Live-Work-Play" lifestyle. Our aim is to make each of these projects a focal point for the entire city in which it is located.

We trace our origins to the Shui On Group, a Hong Kong-based privately-held diversified group that is primarily engaged in real estate development, construction contracting and construction materials businesses. Under the leadership of our chairman, Mr. Lo, the Shui On Group has over 20 years of experience in property development in mainland China and over 30 years of property related experience in Hong Kong.

As of June 30, 2010, our eight major multi-phase projects are as follows:

Shanghai area:

- the Shanghai Taipingqiao project;
- the Shanghai Rui Hong Xin Cheng project;
- the Shanghai KIC project;

Hangzhou area:

- the Hangzhou Xihu Tiandi project;

Wuhan area:

- the Wuhan Tiandi project;

Chongqing area:

- the Chongqing Tiandi project;

Foshan area:

- the Foshan Lingnan Tiandi project; and

Dalian area:

- the Dalian Tiandi project.

The projects described above are multi-phase projects at various stages of development. While none of these projects are completed in their entirety, certain developments within these multi-phase projects have been completed. We have a 48.0% interest in the Dalian Tiandi project and correspondingly we use the equity accounting method with regards to the Dalian Entities, which are not restricted subsidiaries for the purposes of the Notes. In addition, we have a potential project located in the Hongqiao Transportation Hub area in Shanghai. We made a successful bid of RMB3,188 million for the acquisition of the site area for this project on September 30, 2010. See "*Business — Other potential projects*."

For the years ended December 31, 2008 and 2009 and the six months ended June 30, 2009 and 2010, we derived approximately 70.1%, 89.9%, 75.7% and 89.0%, respectively, of our income from property sales (specifically, sales at Shanghai Taipingqiao, Shanghai Rui Hong Xin Cheng, Shanghai KIC, Wuhan Tiandi and Chongqing Tiandi) and approximately 29.9%, 10.1%, 24.3% and 11.0%, respectively, of our income from rental and other related income.

Key Factors Affecting Our Results of Operations and Financial Condition

The following are the key factors driving our results of operations and financial condition:

China's economic conditions

Our results of operations and financial conditions are significantly affected by China's economic conditions and the economic measures taken by the PRC government. China has experienced rapid economic growth over the past three decades largely as a result of the PRC government's extensive economic reforms, which have focused on transforming China's centrally planned economy to a more market-based economy. The real growth of China's overall economy, ranging from 9.1% to 14.2% annually between 2002 and 2007 and 9.6% in 2008 and 9.2% in 2009, according to the National Bureau of Statistics of China, has led to increased business activities and significant increases in personal wealth. Since the second half of 2008, the global economic slowdown has resulted in an adverse impact on the overall Chinese economy, including the PRC real estate market, from which a significant portion of our turnover was generated. The economic conditions and volatility of property prices may continue to have an impact on our business and results of operations. As the global economy began to recover at the end of 2009, the Chinese economy had reached pre-downturn GDP growth of 10.7% in the last quarter of 2009 and increased to 11.1% in the first half of 2010 according to the National Bureau of Statistics of China. See "— *PRC Government control and policies*."

The type and size of our completed properties

We typically sell units in our residential properties to individual buyers and retain our office, retail, serviced apartments, entertainment and cultural properties for rental and other related income. Consequently, our operations and cash flows expenditure may vary significantly from period to period depending on the type and size of our properties that have been completed and become available for sale or rental, as well as the mixture of such sales and rental properties, during any given period. Our results of operations and cash flows may also vary depending on the local market demand at the time we sell or rent our completed properties, the rental and occupancy rates of our investment properties and the selling prices for units in our residential properties. Historically, periods in which we had a larger proportion of completed residential properties to be sold to individual buyers generated greater turnover and cash flows than periods in which we had a larger proportion of completed office, retail, serviced apartments, entertainment and cultural properties, which we typically retain as investment properties and lease to tenants. The GFA of properties we sell or lease depends on the progress we make on the development and construction of our projects. As our projects are multi-phase projects, completion of the various phases typically takes place throughout the life of the projects.

Ability and cost of acquiring suitable land

Our ability to acquire land use rights at reasonable costs is vital to our profit and sustainable growth. That ability depends in substantial parts on the relevant land supply policies of the PRC government, as well as general market conditions, at any given time. In July 2002, the PRC government introduced regulations requiring government departments and agencies to grant state-owned land use rights for residential or commercial property development through competitive processes, including public or private tenders, public auctions or listing at land exchanges administered by local governments. These competitive processes, together with the continuing growth of the PRC economy, have significantly intensified competition among real estate developers for any available land, and thereby increased our acquisition cost for land. This competition may continue to intensify as major Chinese cities, such as Shanghai, have experienced rapid land price increases in recent years, while there is a limited and

declining supply of large plots of land available for development in these cities. As a result, we may not be able to acquire large plots of land in urban locations at affordable prices in the future. Future changes in PRC governmental policies, as well as general economic conditions in the PRC, may have a significant effect on our business, results of operations and cash flows.

Construction costs

Construction costs comprise one of the major components of our cost of sales. Over the years, land premiums have generally been increasing in China, and it is expected that land premiums will continue to rise as the PRC economy continues to develop. Key construction materials such as steel and cement are included in the fees payable to our construction contractors. Fluctuations in the price of construction materials, such as steel and cement, may cause contractors to revise their initial fee quote, which can have an impact on our cost of sales and overall project costs. If we cannot sell our properties at a price that covers the increased costs, we will not be able to achieve our target profit margin and our profitability will be adversely impacted.

Valuation of our investment properties

Our investment properties are properties held to earn rental and/or capital appreciation. Our investment properties are stated at their fair value on our consolidated financial statements as non-current assets as of each of the reporting dates on the basis of valuations by a qualified independent appraiser. Gains or losses arising from changes in the fair value of our investment properties are accounted for as increases or decreases in fair value of investment properties in our consolidated income statement, which may have a substantial effect on our profit. From January 1, 2009, investment properties under construction or development have been accounted for in the same way as completed investment properties and our results for the year ended December 31, 2008 have not been restated to reflect this change in accounting. For the year ended December 31, 2008, our investment properties were revalued upwards by RMB382 million which included only completed properties. For the year ended December 31, 2009 and the six months ended June 30, 2009 and 2010, our investment properties were revalued upwards by RMB536 million (US$79 million) RMB199 million and RMB1,461 million (US$215 million), respectively which included both completed properties and properties under construction or development. See "— *Basis of Presentation*." Property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. The bases and assumptions which an appraiser uses for the valuation typically include references to values realized in comparable precedent transactions in the market for properties of similar size, characteristics of the relevant property and location. The fair value of our investment properties may have been higher or lower if the appraiser had used a different set of bases or assumptions or if the valuation had been conducted by other qualified independent professional appraisers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect only unrealized capital gains on our investment properties at the relevant reporting dates, and do not generate any additional cash flows to us until such investment properties are disposed of at similarly revalued amounts. The amounts of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property markets and their value may rise as well as fall. There can be no assurance that we will continue to record similar levels or pace of increase in fair value of investment properties in the future.

Sales of interests in projects

We have historically sought out, and intend to continue to seek out, opportunities to enter into strategic partnerships with investors to sell our interests in selected parcels of land, and/or to co-develop some lots of our projects with a view to potentially accelerating our development schedules and allowing us to undertake more new projects. For example, since 2006 we have sold

non-controlling interests in our Chongqing Tiandi, Wuhan Tiandi, Shanghai Rui Hong Xin Cheng and Shanghai Taipingqiao Lot 116 projects and our Chongqing Super High Rise properties to strategic investors that we believe would be beneficial to our development of those projects. The proceeds of approximately RMB4,761 million that we received from such sales of non-controlling interests were used primarily to finance land acquisitions and project development costs for our other projects. In the future, our results may be affected by any such transactions, depending on the terms of sale and the cost of the asset or interest disposed.

PRC government control and policies

Our results of operations have been, and will continue to be, affected by the regulatory environment in the PRC, including policies relating to:

- land acquisition;
- property sales;
- the availability of mortgage financing;
- sales or other transfers of land use rights and completed properties;
- taxes;
- planning and zoning; and
- building design and construction.

In the past few years, the PRC government has instituted a variety of measures to both discourage speculation in the residential property market and increase housing supply. These policies have affected market conditions in the local markets in which we operate, including with respect to price stability and the balance of supply and demand of residential properties. We are also highly susceptible to any regulations or measures adopted by the PBOC that may restrict bank lending to enterprises, particularly to real estate developers. Moreover, a portion of our purchasers depend on mortgage financing to purchase our properties. Regulations or measures adopted by the PRC government that are intended to restrict the ability of purchasers to obtain mortgages or increase the costs of mortgage financing may decrease market demand for our properties and adversely affect our turnover from sales. See "*Regulation*" for a description of these policies.

Availability and cost of funds

We finance our property developments primarily through internally generated funds (including proceeds from sales and pre-sales of properties and rental income from our investment properties), sales of interests in our development projects to strategic investors, bank borrowings and other debt and capital financing. As of December 31, 2008 and 2009 and June 30, 2009 and 2010, our outstanding bank borrowings were RMB8,198 million, RMB10,203 million (US$1,504 million), RMB9,266 million and RMB12,473 million (US$1,839 million), respectively. On September 29, 2010, we also issued RMB denominated US$ settled 4.5% Convertible Bonds due 2015 in an initial aggregate principal amount of RMB2,720 million and on December 23, 2010, we issued RMB denominated US$ settled 6.875% Senior Notes due 2013 in an aggregate principal amount of RMB3,000 million. Most of our borrowings are denominated in Renminbi, HK dollars or US dollars, and other than the Convertible Bonds and the 6.875% Senior Notes, have floating interest rates based on PBOC, HIBOR or LIBOR benchmark rates. Any increase in these rates will result in an increase in our borrowing costs. Furthermore, any increase in interest rates may restrict our purchasers from being able to finance their transactions with us and thus adversely affect our turnover from sales.

Recent Developments

On September 29, 2010, we issued RMB denominated US$ settled 4.5% Convertible Bonds in an initial aggregate principal amount of RMB2,720 million. These convertible bonds will mature on September 29, 2015. See "*Description of Other Material Indebtedness*."

On September 30, 2010, we successfully bid for land parcel located in the Hongqiao Transportation Hub area in Shanghai for RMB3,188 million. We expect to develop the land into retail, office and hotel properties with an estimated above-ground GFA of 233,149 sq.m.

On December 23, 2010, we issued RMB denominated US$ settled 6.875% Senior Notes in an aggregate principal amount of RMB3,000 million. These senior notes will mature on December 23, 2013. See "*Description of Other Material Indebtedness*."

Current Trading and Prospects

Since June 30, 2010, our results have been affected by a slower pace of property deliveries as most of our completed properties were delivered in the last quarter of 2009 and the first two quarters of 2010. There were fewer property deliveries since June 30, 2010. This is the construction and delivery cycle typical in the property industry.

Basis of Preparation

The consolidated financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("**IASB**"), in effect at the time of the preparation of the consolidated financial statements. The consolidated financial statements include the accounts of the Group's subsidiaries from the date that control effectively commenced until the date that control effectively ceased. The list of the Group's subsidiaries with effective ownership interest as at December 31, 2008 and 2009 is included in the consolidated financial statements.

The adoption of International Financial Reporting Interpretations Committee 15 ("**IFRIC 15**"), which was effective from the accounting period commencing on or after January 1, 2009, had changed revenue recognition of the Group. IFRIC 15 provides more detilaed guidance on the accounting treatment for real estate transactions sold under pre-sale agreements so that property sales are now recognized upon delivery of properties to the purchaser pursuant to the sales agreements rather than upon execution of the sales agreements or when the relevant completion certificates were issued by the respective government authorities. The change in accounting policy on revenue recognition for sales of properties has been adopted retrospectively and hence the figures for the consolidated income statement for the year ended December 31, 2008 have been restated to adjust for the revenue together with the related cost of sales and taxation which arose from the sales of properties.

The amendment to International Accounting Standard 40 Investment Property ("**IAS 40**") as part of the Improvements to IFRS issued in 2008 has affected the accounting for properties under construction or development for future use as investment properties section of the Group. The amendment to IAS 40 brings such properties within the scope of IAS 40 which, therefore, shall be accounted for under the fair model (where the fair value is reliably determinable) in accordance with the Group's accounting policies.

In the past, the leasehold land and building elements of properties under construction or development were accounted for separately. The Group has applied the amendments to IAS 40 prospectively from January 1, 2009 and in accordance with the relevant transitional provision.

Critical Accounting Policies

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our consolidated financial statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. We have summarized below our accounting policies that we believe are both important to the portrayal of our financial results and involve the need to make estimates about the effect of matters that are inherently uncertain.

Valuation of our investment properties

As described above, our investment properties are stated in our consolidated financial statements at fair value based on the valuation performed by independent professional valuators. In determining the fair value, the valuators have adopted a method of valuation which involves certain estimates of market conditions. In relying on the valuation report provided by these appraisers, our directors have exercised their judgment and are satisfied that the method of valuation is reflective of current market conditions. Changes to these assumptions would result in changes in the fair values of our investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement. Gains or losses upon disposal of investment properties (calculated as the difference between the net proceeds from such disposal and the fair value of the relevant investment properties reflected on our statement of financial conditions) would be included in our consolidated income statement at the time of such disposal.

Turnover recognition

Our turnover is composed primarily of turnover generated from the sales of our property development (representing proceeds from sales of our properties) and turnover from property investment activities (representing rental income and the other turnover under operating leases, turnover from serviced apartment operations, property management, project management and service fees, sales of goods and interest income from financial assets). Turnover from properties developed for sale in the ordinary course of business is recognized upon delivery of properties to the purchasers pursuant to the sales agreements, which can only occur after completion of the property. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Turnover from serviced apartment operation is recognized upon the provision of services. Turnover from property management, project management and service fees are recognized over the relevant period in which the services are rendered and interest income from financial assets is accrued on a time basis.

Properties under development

Prior to January 1, 2009, the leasehold land and building elements of properties that were being constructed or developed for future use as investment properties were accounted separately. The leasehold land element was accounted for as an operating lease and the building element was measured at cost less impairment losses, if any. Upon completion, such properties are reclassified to and subsequently accounted for as investment properties. Any difference between the fair value of the properties at the date of completion and their previous carrying value were recognized in the consolidated income statement.

With the adoption of amendment of IAS 40, which was effective and prospectively adopted from January 1, 2009, such investment properties under construction or development have been reclassified as investment properties. Construction costs incurred for investment properties under construction or development are capitalized as part of the carrying amount of the investment properties under construction or development. See "— *Basis of Presentation*."

Investment properties under construction or development are measured at fair value at the end of each reporting period. Any difference between the fair value of the investment properties under construction or development and their carrying amounts is recognized in consolidated income statement in the period in which they arise. Properties under development which are intended to be held for sale are carried at the lower of cost and net realizable value and are shown as current assets. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalized. Net realizable value is determined by reference to prevailing market conditions, including the prices of what we consider to be closely comparable properties, and other factors that may have effects on the prices of our properties, less applicable variable selling expenses and the anticipated costs to completion.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. As of June 30, 2010, our associates were our Dalian Entities.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which excludes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated income statement.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Borrowing costs

We capitalize borrowing costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of those assets, after deducting any investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets. Such capitalization of borrowing costs ceases when the relevant assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the consolidated income statement in the period in which they are incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Depreciation of the cost of buildings is calculated using the straight-line method over the estimated useful life of the relevant buildings or, where shorter, the remaining leasehold term of the land on which the buildings are located. Depreciation of the costs of property, plant and equipment other than buildings is calculated using the straight-line method over the estimated useful life of such assets of 3 to 5 years and after taking into account their estimated residual value.

LAT

The Group is subject to LAT in the PRC. However, the implementation and settlement of the tax varies among different tax jurisdictions in various cities of the PRC and the Group has not finalized its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of LAT and its related income tax provisions. The Group recognized LAT and made full provisions based on management's best estimates according to the PRC regulations. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalized with local tax authorities. See "— *Description of Selected Income Statement Items — Taxation*."

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest is only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. At each reporting date, our directors consider a number of factors including the relevant profit projections, and, taking into account these factors, estimate the realizability of the tax losses based on their best knowledge of our profit projections for the relevant period. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Description of Selected Income Statement Items

Turnover

Our turnover consists of income derived from property development, property investment and to a lesser extent, other sources of income, all of which are described below in more detail.

Property development

Turnover from property development principally represents sales of our residential units. We present turnover from property development net of PRC business tax at the rate of 5.0%. Payments received from purchasers prior to the delivery date are recorded as deposits received and are presented as current liabilities on our consolidated statement financial position.

Property investment

Turnover from property investment represents principally income from property letting, property management and operations of serviced apartments. As of the date of this offering memorandum we derived property investment income from Shanghai Xintiandi, Shanghai Corporate Avenue, Shanghai Rui Hong Xin Cheng Commercial Complex, Shanghai KIC (Plaza and Village), Hangzhou Xihu Tiandi Phase 1, Wuhan Tiandi Commercial and Chongqing Tiandi (The Riviera).

Other

Other turnover comprises primarily operating income from food and beverage outlets and retail outlets, car parking charges and project management fees.

Cost of sales

Cost of sales primarily represents the costs we incur directly for our property development and property investment activities, all of which are described in more detail below.

Property development

Cost of sales directly related to our property development activities includes land costs (primarily land grant fees and residents relocation costs), construction costs and capitalized interest on borrowings related to property development activities.

Land grant fees, which are determined by public auctions or by relevant government authorities, with input from independent property appraisers, are payments to the relevant land bureau or the relevant provincial or local government for the right to occupy, use and develop a particular parcel of land and to market the units or other projects developed on such land.

The relocation costs we pay include the actual expenses we incur for site clearance and relocation of the residents residing on the site. Municipal governments, including the Shanghai local government, have established certain basic principles for determining the appropriate level of compensation to be paid to the existing residents.

Construction costs encompass all raw material costs and costs for the design, professional fees and construction of a project, including costs for construction of infrastructure and communal facilities. Professional fees include fees we pay to architects and design consultants for our property developments. All costs relating to construction are capitalized.

We capitalize a portion of our interest expense to the extent that such costs are directly attributable to the costs of acquisition, construction or development of the properties. The capitalization commences when the development of properties starts, which is when the relevant expenditure or finance cost is incurred and ceases when the development is in abeyance or the construction work is completed. After completion, the relevant interest is expensed in our consolidated income statement as finance cost.

Property Investment

Cost of sales directly related to our property investment activities includes direct expenses incurred for property investment activities such as property tax, property management fees and agency commissions.

Gross Profit

Gross profit represents turnover less cost of sales. Our gross margin, therefore, depends upon a combination of factors, including the volume and price at which we sell properties, land grant fees, relocations costs and construction costs.

Other income

Other income consists primarily of interest income, grants received from local governments and certain non-recurring income.

Selling and marketing expenses

Selling and marketing expenses relate to the salaries, benefits, other compensation and fees and advertisement expenses incurred for promoting the sales and leasing of our properties.

General and administrative expenses

General and administrative expenses include staff costs for administrative purposes and other staff at our headquarters, professional fees paid to legal, audit and other professional advisors and fees paid to architects and designers in connection with feasibility studies prepared in relation to potential development projects, rental charges under operating leases, depreciation, utility charges, and property taxes. We expect our general and administrative expenses will continue to increase as we develop additional projects and expand our operations.

Increase in fair value of investment properties

In accordance with IFRS, we engage a qualified independent property appraiser to conduct market valuations of our office, retail, entertainment and cultural properties held as investment properties at the end of each reporting period. Increases or decreases in the fair market value of our investment properties are reflected as an income or expense item, as the case may be, in the consolidated income statement.

Gain on acquisition of additional equity interests in subsidiaries

When we increase our interest in an entity controlled by us, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in our share of the fair value of the identifiable assets, liabilities and contingent liabilities.

At the date of acquisition, we reassess the identification and measurement of the enterprise's identifiable assets, liabilities and contingent liabilities. If our additional interest in the net fair value of those items exceeds the cost of the acquisition, any excess remaining after that reassessment, which represents the gain on acquisition, is recognized immediately in the consolidated income statement.

Gains on partial disposal of equity interests in subsidiaries

We dispose of our equity interests in subsidiaries to strategic investors from time to time to co-develop some lots of our project. Gain on partial disposal of equity interests in subsidiaries represents the sale consideration less the attributable cost, and is recognized upon completion of such disposal.

Share of results of associates

Share of results of associates principally represents our share of net profit of Dalian Tiandi project, which is developed and managed by certain associate companies of the Group.

Finance costs, net of exchange gain

Finance costs, net of exchange gain, consist primarily of interest on bank loans and overdrafts wholly repayable within five years and the fair value changes on derivative financial instruments related to debt instruments. Finance costs are also net of amounts capitalized.

Profit before taxation

Profit before taxation consists of operating profit, net of finance costs, and includes increases in fair value of investment properties, gains on disposal of investment properties, gains on acquisitions and partial disposals of equity interests in subsidiaries and share of results of associates.

Taxation

We and our subsidiary companies are incorporated in different jurisdictions, with different taxation requirements.

Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains. In addition, upon payments of interest or dividends by us to our security holders, no Cayman Islands withholding tax will be imposed.

Under the current laws of the British Virgin Islands, we are exempt from income tax on foreign derived income. In addition, there are no withholding taxes that are currently applicable to us in the British Virgin Islands.

Under the current laws of Hong Kong, we are exempt from income tax as long as income neither arises in, nor is derived from, Hong Kong. On that basis, we have not provided for any Hong Kong income tax in our financial statements.

Under the current laws of Mauritius, we hold a Category 2 Global Business license and will not be liable for taxation in Mauritius. We are not resident in Mauritius for tax purposes and will not benefit from any of the double taxation agreements executed between Mauritius and other states.

Our income is derived entirely from our operations in the PRC. Under PRC law, our PRC operating subsidiaries were subject to enterprise income tax at the rate of 33.0% of taxable income prior to January 1, 2008. In accordance with the New EIT Law, which became effective on January 1, 2008, the corporate income tax rate generally applicable in the PRC has been reduced to 25.0% from 33.0%.

Under PRC law, we are subject to LAT, calculated by reference to all the gains we recognize arising from sales of real property in the PRC. LAT is payable on the appreciation in value representing the balance of the proceeds received on such sales, after deducting various prescribed items, including payments made for acquisition of land use rights, the direct costs and expenses of the development of the land and construction of the buildings and structures, finance costs up to a maximum of 5.0% of the total development costs, the appraised price of any existing buildings and structures on the land and taxes related to the assignment of the real property. LAT is charged at progressive rates ranging from 30.0% to 60.0%. Apart from the aforementioned deductions, property developers enjoy an additional deduction equal to 20.0% of the payment made for acquisition of land use rights and the costs of land development and construction of new buildings or related facilities. An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20.0% of the sum of deductions allowed under PRC law. If, however, the appreciation amount exceeds 20.0% of the sum of allowable deductions, such

exemption is not available and the taxpayer will be liable for LAT on the full appreciation amount, after taking account of the allowable deductions. During the years ended December 31, 2008 and 2009 and the six months ended June 30, 2010, we paid provisional LAT at a rate of 1.0% on the gross proceeds of pre-sales and sales of our residential properties but we have not yet been required to pay the full amount of LAT. We, however, have made what we believe to be adequate provisions for LAT in our consolidated financial statements for the years ended December 31, 2008 and 2009 and the six months ended June 30, 2009 and 2010.

Our effective tax rates (computed by dividing taxation by profit before taxation) for the years ended December 31, 2008 and 2009 and the six months ended June 30, 2009 and 2010 were 24.1%, 33.4%, 10.6% and 32.8%, respectively.

Our tax charges comprise both the tax currently payable and deferred. No tax payment is required to be made for the deferred tax until the relevant tax liabilities arise in the subsequent year. We pay income tax on a monthly or quarterly basis, with the amount attributable to the taxable profit for the last month or quarter of each year payable subsequent to the reporting date.

The following table sets forth the components of income tax expense for the periods indicated:

	Year ended December 31,			Six months ended June 30,		
	2008 (restated)	2009		2009	2010	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*	*(RMB in millions)*	*(RMB in millions)*	*(US$ in millions)*
PRC enterprise income tax						
Current	135	537	79	73	152	23
Deferred	86	297	44	(23)	480	71
PRC LAT	436	467	69	28	200	29
Total tax expense	**657**	**1,301**	**192**	**78**	**832**	**123**

A significant portion of our tax charges for the years ended December 31, 2008, 2009 are deferred tax (assets) liabilities which are detailed in the notes to our consolidated financial statements for the years ended December 31, 2008 and 2009 and the six months ended June 30, 2009 and 2010 included herein. The deferred tax (assets) liabilities are mainly attributable to the increase in fair value of investment properties, which accounted for RMB382 million, RMB536 million (US$79 million), RMB199 million and RMB1,461 million (US$215 million) for the years ended December 31, 2008 and 2009 and the six months ended June 30, 2009 and 2010, respectively. The charges represent the tax we expect to be payable on revaluation surplus currently not subject to any income or capital gains tax. We expect such

tax liabilities to be due and payable when properties generate returns in excess of the original cost in a subsequent year. In alignment with our current accounting of the revaluation surplus, the deferred tax effect of the surplus has been charged to the consolidated income statement in the period in which the revaluation surplus arises.

Non-controlling interests

Non-controlling interest relates to the proportionate share of our results attributable to joint venture partners and non-controlling shareholders in our project companies.

Results of Operations

For the six months ended June 30, 2009 and 2010

The following discussion is based on, and should be read in conjunction with, the consolidated financial statements for the six months ended June 30, 2009 and 2010, included in this offering memorandum beginning on page F-77.

Turnover

The following table sets forth our turnover by segment for the six months ended June 30, 2009 and 2010:

	Six months ended June 30,				
	2009		2010		
	(RMB in millions)	*(Percent of total turnover)*	*(RMB in millions)*	*(US$ in millions)*	*(Percent of total turnover)*
Property development	1,010	75.7%	2,778	410	89.0%
Property investment	305	22.8%	326	48	10.4%
Others	20	1.5%	17	2	0.6%
Total	**1,335**	**100.0%**	**3,121**	**460**	**100.0%**

Our turnover increased by 133.8% to RMB3,121 million (US$460 million) for the six months ended June 30, 2010, when compared to RMB1,335 million for the six months ended June 30, 2009. This increase was primarily due to an increase in property sales for the six months ended June 30, 2010.

Property development

The following table sets forth turnover, GFA and ASP per sq.m. of property sold during the six months ended June 30, 2009 and 2010:

	Six months ended June 30,						
	2009			2010			
Projects	**Turnover[1]**	**GFA Sold**	**ASP[3]**	**Turnover[1]**		**GFA Sold**	**ASP[3]**
	(RMB in millions)	*(sq.m.)*	*(RMB/ sq.m.)*	*(RMB in millions)*	*(US$ in millions)*	*(sq.m.)*	*(RMB/ sq.m.)*
Shanghai Taipingqiao	—	—	—	324	48	3,900	87,400
Shanghai Rui Hong Xin Cheng	—	—	—	821	121	31,200	27,700
Shanghai KIC	261	14,000	19,600	717	106	30,700	24,600
Wuhan Tiandi	447	32,800	14,300	759	112	55,700	14,300
Chongqing Tiandi	279	55,300	6,600[2]	112	16	14,300	10,300[2]
Subtotal	987	102,100	10,200	2,733	403	135,800	21,200
Car parks and others	23			45	7		
Total	**1,010**			**2,778**	**410**		

(1) Net of 5.0% PRC business tax

(2) ASP of Chongqing is based on net floor area, a common market practice in the region.

(3) ASP is calculated as turnover divided by (i) (1 minus 5.0% PRC business tax) and (ii) GFA sold.

Turnover from property development sales increased by RMB1,768 million, or 175.0%, to RMB2,778 million (US$410 million) for the six months ended June 30, 2010 from RMB1,010 million for the six months ended June 30, 2009. The increase was due to the increase in area sold from 102,100 sq.m. in 2009 to 135,800 sq.m. in 2010, together with a higher ASP achieved in 2010 when compared to the corresponding period in 2009.

Property investment

The following table sets forth our turnover from our property investment for the six months ended June 30, 2009 and 2010:

	Six months ended June 30,		
Projects	**2009**	**2010**	
	(RMB millions)	*(RMB millions)*	*(US$ millions)*
Shanghai Taipingqiao	252	250	37
Shanghai Rui Hong Xin Cheng	19	21	3
Shanghai KIC	19	25	4
Wuhan Tiandi	7	16	2
Hangzhou Tiandi	8	9	1
Foshan Tiandi	—	5	1
Total	**305**	**326**	**48**

Turnover from our property investment increased by RMB21 million, or 6.9%, to RMB326 million (US$48 million) for the six months ended June 30, 2010 from RMB305 million for the six months ended June 30, 2009. The increase was primarily due to an increase in rental income from investment properties completed prior to 2010, which, in turn, was due to increases in the occupancy rates, rental rates and more leasable areas available from the completion of investment properties in Shanghai KIC and Wuhan Tiandi.

Others

Other turnover decreased by RMB3 million, or 15.0%, to RMB17 million (US$2 million) for the six months ended June 30, 2010 from RMB20 million for the six months ended June 30, 2009. The decrease was primarily due to a decrease in sales at food and beverage outlets.

Cost of sales

The following table sets forth our cost of sales by segment for the six months ended June 30, 2009 and 2010:

	Six months ended June 30,				
	2009		**2010**		
	(RMB in millions)	*(Percent of total cost of sales)*	*(RMB in millions)*	*(US$ in millions)*	*(Percent of total cost of sales)*
Property development	886	93.8%	1,761	259	95.2%
Property investment	42	4.4%	68	10	3.7%
Others	17	1.8%	20	3	1.1%
Total	**945**	**100.0%**	**1,849**	**272**	**100.0%**

Our cost of sales increased by RMB904 million, or 95.7%, to RMB1,849 million (US$272 million) for the six months ended June 30, 2010 from RMB945 million for the six months ended June 30, 2009. The increase was primarily attributable to the increase in property sales for the six months ended June 30, 2010. Compared with the percentage of increase in turnover, the percentage of increase in cost of sales was less because properties in our Shanghai projects were sold at higher margins.

Gross profit

As a result of the foregoing, our gross profit increased by RMB882 million, or 226.2%, to RMB1,272 million (US$188 million) for the six months ended June 30, 2010 from RMB390 million for the six months ended June 30, 2009. Our gross margin (computed by dividing gross profit (i.e. turnover less cost of sales) by turnover) was 40.8% for the six months ended June 30, 2010 compared to 29.2% for the six months ended June 30, 2009. The increase in gross margin was primarily attributable to the results of the higher ASP achieved in the sale of properties held for sale from property development projects including the Shanghai Taipinqiao and Shanghai Rui Hong Xing Cheng projects.

Other income

Our other income decreased by RMB20 million, or 18.7%, to RMB87 million (US$13 million) for the six months ended June 30, 2010 from RMB107 million for the six months ended June 30, 2009. The decrease was primarily due to a decrease of interest income to RMB69 million for the six months ended June 30, 2010 from RMB107 million for the six months ended June 30, 2009 resulting from a decrease in interest rates.

Selling and marketing expenses

Our selling and marketing expenses increased by RMB21 million, or 53.8%, to RMB60 million (US$9 million) for the six months ended June 30, 2010 from RMB39 million for the six months ended June 30, 2009, in order to support an increase in property sales.

General and administration expenses

Our general and administration expenses increased by RMB14 million, or 5.4%, to RMB275 million (US$41 million) for the six months ended June 30, 2010 from RMB261 million for the six months ended June 30, 2009, which was generally in line with inflation in the PRC.

Increase in fair value of investment properties

The following table sets forth our increase in fair value of investment properties for the six months ended June 30, 2009 and 2010:

	Six months ended June 30,		
	2009	2010	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*
Completed investment properties	23	384	56
Investment properties under construction or development	176	1,077	159
Total	**199**	**1,461**	**215**

Our increase in fair value of investment properties (before deferred taxation) increased by RMB1,262 million, or 634.2%, to RMB1,461 million (US$215 million) for the six months ended June 30, 2010 from RMB199 million for the six months ended June 30, 2009. The increase in fair value of investment properties for the six months ended June 30, 2010 was primarily due to the increase in the fair value of investment properties under construction or development in Lot 113 of Shanghai Taipingqiao, together with an increase in the number of investment properties under construction or development during the six months ended June 30, 2010.

Gain on disposal of investment properties

We recognized a gain of RMB23 million (US$4 million) on disposal of investment properties for the six months ended June 30, 2010, which represented the disposal of certain office and retail spaces in Shanghai KIC at a consideration of RMB185 million.

Share of results of associates

We recognized a decrease of RMB330 million, or 82.9%, to RMB68 million (US$10 million) on share of results of associates for the six months ended June 30, 2010, compared to a gain of RMB398 million for the corresponding period in 2009. The share of profits of associates of RMB68 million (US$10 million) included a revaluation gain from investment properties under development or construction (net of tax effect) of RMB71 million for the six months ended June 30, 2010. The share of profits in the year ended December 31, 2009 was attributable to the prospective adoption of the amendment to IAS 40, which resulted in an RMB496 million gain from revaluation of the investment properties under construction or development of the Dalian Tiandi project.

Finance costs, net of exchange gain

The following table sets forth the breakdown of our finance costs for the six months ended June 30, 2009 and 2010:

	Six months ended June 30,		
	2009	2010	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*
Interest costs, before capitalization	330	382	56
Less: Amount capitalized to investment properties under construction or development and properties under development for sale	(311)	(356)	(52)
	19	26	4
Net exchange gain on bank borrowings and other financing acitivities	(12)	(48)	(7)
Other finance costs	53	58	8
Total	**60**	**36**	**5**

Finance costs, net of exchange gain, reduced to RMB36 million for the six months ended June 30, 2010 from RMB60 million for the six months ended June 30, 2009, primarily due to the exchange gain on bank borrowings for the period of RMB48 million. With new bank loans of RMB2,849 million drawn down in the first half of 2010, interest expenses increased to RMB382 million for the six months ended June 30, 2010 from RMB330 million for the six months ended June 30, 2009. Capitalized borrowing costs increased correspondingly to RMB356 million for the six months ended June 30, 2010 from RMB311 million for the six months ended June 30, 2009.

Taxation

Our taxation increased by RMB754 million, or 966.7%, to RMB832 million (US$123 million) for the six months ended June 30, 2010 from RMB78 million for the six months ended June 30, 2009. The increase was due to an increase in profit before taxation of RMB1,806 million from RMB734 million for the six months ended June 30, 2009 to RMB2,540 million for the six months ended June 30, 2010. Our effective tax rate (computed by dividing taxation by profit before taxation) for the six months ended June 30, 2010 and 2009 was 32.8% and 10.6%, respectively. Excluding the LAT together with its effect on enterprise income tax, our effective tax rate for the six months ended June 30, 2010 was 26.9%, approximately 25% of the PRC enterprise income tax rate. The effective tax rate for the six months ended June 30, 2009 was lower than that for the six months ended June 30, 2010 and the PRC enterprise income tax rate as the share of results of associates, which contributed a substantial portion of our profit before taxation in the first half of 2009, was stated net of income tax.

Profit attributable to shareholders of the Company

Our profit attributable to shareholders increased by RMB839 million, or 116.9%, to RMB1,557 million (US$230 million) for the six months ended June 30, 2010 from RMB718 million for the six months ended June 30, 2009 as a result of the factors described above.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased by RMB213 million to RMB151 million (US$22 million) for the six months ended June 30, 2010 from a loss of RMB62 million for the six months ended June 30, 2009. The loss attributable to the non-controlling interests for the six months ended June 30, 2009 was mainly due to the share of loss by non-controlling interests on the Chongqing Tiandi project. For the six months ended June 30, 2010, our profits attributable to non-controlling interests were primarily derived from Shanghai KIC, Wuhan Tiandi and Chongqing Tiandi projects.

For the years ended December 31, 2008 and 2009

The following discussion is based on, and should be read in conjunction with, the consolidated financial statements for the years ended December 31, 2008 and 2009, included in this offering memorandum beginning on page F-3.

Turnover

The following table sets forth our turnover by segment for the years ended December 31, 2008 and 2009:

	Year ended December 31,				
	2008 (restated)		2009		
	(RMB in millions)	*(Percent of total turnover)*	*(RMB in millions)*	*(US$ in millions)*	*(Percent of total turnover)*
Property development	1,449	70.1%	6,078	896	89.9%
Property investment	593	28.7%	643	95	9.5%
Others	24	1.2%	37	5	0.6%
Total	**2,066**	**100.0%**	**6,758**	**996**	**100.0%**

Our turnover increased by RMB4,692 million, or 227.1%, to RMB6,758 million (US$996 million) in 2009 from RMB2,066 million in 2008. The increase was primarily due to an increase in property sales from the sale of residential apartments in Shanghai Taipingqiao.

Property development

The following table sets forth the turnover, GFA and ASP per sq.m. of property sold in the years ended December 31, 2008 and 2009:

	Year ended December 31,						
	2008 (restated)			2009			
Projects	**Turnover[1]**	**GFA Sold**	**ASP[3]**	**Turnover[1]**		**GFA Sold**	**ASP[3]**
	(RMB in millions)	*(sq.m.)*	*(RMB/ sq.m.)*	*(RMB in millions)*	*(US$ in millions)*	*(sq.m.)*	*(RMB/ sq.m.)*
Shanghai Taipingqiao	228	4,100	58,500	4,706	694	65,600	75,600
Shanghai KIC	612	31,100	20,700	450	66	24,300	19,500
Wuhan Tiandi	376	29,500	13,400	514	76	37,500	14,400
Chongqing Tiandi	97	11,900	10,600[2]	345	51	66,900	6,700[2]
Subtotal	1,313	76,600	18,000	6,015	887	194,300	32,600
Car park and others	136			63	9		
Total	**1,449**			**6,078**	**896**		

(1) Net of 5.0% PRC business tax

(2) ASP of Chongqing is based on net floor area, a common market practice in the region.

(3) ASP is calculated as turnover divided by (i) (1 minus 5.0% PRC business tax) and (ii) GFA sold.

Turnover from property sales increased by RMB4,629 million, or 319.5%, to RMB6,078 million (US$896 million) for the year ended December 31, 2009 from RMB1,449 million for the year ended December 31, 2008. The increase was due to the increase in area sold from 76,600 sq.m. in 2008 to 194,300 sq.m. in 2009, together with a higher ASP achieved as a result of the rebound in the property market in 2009.

Property investment

The following table sets forth our information on turnover received from our property investment in 2008 and 2009:

	Year ended December 31,		
Projects	**2008**	**2009**	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*
Shanghai Taipingqiao	497	508	75
Shanghai Rui Hong Xin Cheng	38	39	6
Shanghai KIC	36	58	8
Wuhan Tiandi	9	18	3
Hangzhou Tiandi	13	18	3
Foshan Tiandi	—	2	—
Total	**593**	**643**	**95**

Turnover from our property investment increased by RMB50 million, or 8.4%, to RMB643 million (US$95 million) for the year ended December 31, 2009 from RMB593 million for the year ended December 31, 2008. The increase was primarily due to increases in the average rental rates in Shanghai Xintiandi and Shanghai Corporate Avenue, as well as increases in leasable areas in Shanghai KIC and Wuhan Tiandi.

Other

Other turnover increased by RMB13 million, or 54.2%, to RMB37 million (US$5 million) for the year ended December 31, 2009 from RMB24 million for the year ended December 31, 2008. The increase was primarily due to the increase in management services fees from third parties.

Cost of sales

The following table sets forth our cost of sales by segment for the years ended December 31, 2008 and 2009:

	Year ended December 31,				
	2008 (restated)		2009		
	(RMB in millions)	*(Percent of total cost of sales)*	*(RMB in millions)*	*(US$ in millions)*	*(Percent of total cost of sales)*
Property development	882	85.7%	3,080	454	95.4%
Property investment	119	11.6%	119	18	3.7%
Others	27	2.7%	30	4	0.9%
Total	**1,028**	**100.0%**	**3,229**	**476**	**100.0%**

Our cost of sales increased by RMB2,201 million, or 214.1%, to RMB3,229 million (US$476 million) for the year ended December 31, 2009 from RMB1,028 million for the year ended December 31, 2008. The increase in cost of sales was primarily due to an increase in property sales.

Gross profit

Our gross profit increased by RMB2,491 million, or 240.0%, to RMB3,529 million (US$520 million) for the year ended December 31, 2009 from RMB1,038 million for the year ended December 31, 2008. Our gross margin was 52.2% for the year ended December 31, 2009 compared to 50.2% for the year ended December 31, 2008.

Other income

Our other income decreased by RMB172 million, or 50.3%, to RMB170 million (US$25 million) for the year ended December 31, 2009 from RMB342 million for the year ended December 31, 2008. The decrease was due to the fact that other income for the year ended December 31, 2008 included non-recurring items of tax refunds from reinvestment of dividends and grants received from certain local governmental authorities, which together, amounted to RMB109 million. Other income for the year ended December 31, 2009 primarily consisted of bank interest income and interest income from loans to associates.

Selling and marketing expenses

Our selling and marketing expenses increased by RMB17 million, or 12.7%, to RMB151 million (US$22 million) for the year ended December 31, 2009 from RMB134 million for the year ended December 31, 2008. The increase was primarily due to the increase in sales and marketing activities to support the increase in property sales.

General and administrative expenses

Our general and administrative expenses decreased by RMB154 million, or 22.1%, to RMB543 million (US$80 million) for the year ended December 31, 2009 from RMB697 million for the year ended December 31, 2008. The decrease was primarily due to the effectiveness of cost control measures adopted in the year ended December 31, 2009.

Increase in fair value of investment properties

The following table sets forth our increase in fair value of investment properties for the years ended December 31, 2008 and 2009:

	Year ended December 31,		
	2008 (restated)	2009	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*
Completed investment properties	382	259	38
Investment properties under construction or development	—	277	41
Total	**382**	**536**	**79**

Our increase in fair value of investment properties increased by RMB154 million, or 40.3%, to RMB536 million (US$79 million) for the year ended December 31, 2009 from RMB382 million for the year ended December 31, 2008. The increase in fair value of investment properties for the year ended December 31, 2009 was primarily due to the fair value gain of investment properties under construction or development from our Shanghai Taipingqiao project of RMB277 million due to the adoption of the amendment to IAS 40. See "— *Basis of Preparation.*"

Gain on acquisition of additional equity interest in subsidiaries

We recognized a gain of RMB6 million (US$1 million) for the year ended December 31, 2009 on the acquisition of additional equity interests in subsidiaries, a result of the acquisition of the remaining 30% equity interests of Globe State Properties Limited ("**Globe State**"), an indirect 70% owned subsidiary of the Company from the non-controlling shareholders.

Gain on partial disposals of equity interests in subsidiaries

We recognized a gain of RMB1,883 million on disposal of equity interests in subsidiaries for the year ended December 31, 2008.

The following table sets forth a breakdown of our gain on disposal of interests in subsidiaries:

	Year ended December 31,		
	2008	2009	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*
Gain on partial disposals of equity interests while retaining control of subsidiaries			
25.0% of the issued share capital of Rightchina Limited	1,021	—	—
25.0% of the issued share capital of Foresight Profits Limited	862	—	—
Total	**1,883**	—	—

Share of results of associates

Share of results of associates increased RMB392 million, or 890.9%, to RMB436 million (US$64 million) for the year ended December 31, 2009 from RMB44 million for the year ended December 31, 2008. This increase was due to the prospective adoption of the amendment to IAS 40 which resulted in a RMB496 million gain from the revaluation of the investment properties that are under construction or development of the Dalian Tiandi project.

Finance costs, net of exchange gain

The following table sets forth the breakdown of our finance costs for the years ended December 31, 2008 and 2009:

	For the year ended December 31,		
	2008	2009	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*
Interest costs, before capitalization	824	761	112
Less: Amount capitalized to investment properties under construction or development and properties under development for sale	(618)	(634)	(93)
	206	127	19
Net exchange gain on bank borrowings and other financing acitivities	(343)	(44)	(7)
Fair value change on cross currency interest rate swaps	242	—	—
Loss on change in fair value of early redemption rights on notes	13	—	—
Other finance costs	15	6	1
Total	**133**	**89**	**13**

Our finance costs decreased by RMB44 million, or 33.1%, to RMB89 million (US$13 million) for the year ended December 31, 2009 from RMB133 million for the year ended December 31, 2008. This decrease was primarily due to the decrease in interest rate on bank borrowings.

Taxation

Our taxation increased by RMB644 million, or 98.0%, to RMB1,301 million (US$192 million) for the year ended December 31, 2009 from RMB657 million for the year ended December 31, 2008 (restated). Our profit before taxation for the years ended December 31, 2009 and 2008 were RMB3,894 million and RMB2,725 million respectively. Our effective tax rate (computed by dividing taxation by profit before taxation) for the years ended December 31, 2009 and 2008 were 33.4% and 24.1%, respectively. Excluding the LAT together with its effect on enterprise income tax, the effective tax rate for the year ended December 31, 2009 was 24.4%, approximately 25.0% of the PRC enterprise income tax rate. The effective tax rate for the year ended December 31, 2008 was lower than that for 2009 and the PRC enterprise income tax rate as the gain on partial disposal of equity interests of RMB1,883 million in subsidiaries were not subject to tax.

Profit attributable to shareholders of the Company

Our profit attributable to shareholders increased by RMB875 million, or 48.7%, to RMB2,673 million (US$394 million) for the year ended December 31, 2009 from RMB1,798 million for the year ended December 31, 2008, as a result of the cumulative effect of the above mentioned factors.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests decreased by RMB350 million to a loss of RMB80 million (US$12 million) for the year ended December 31, 2009 from a profit attributable to non-controlling interests of RMB270 million for the year ended December 31, 2008. The loss attributable to non-controlling interests for the year ended December 31, 2009 was primarily due to the share of loss by non-controlling interests in the Chongqing Tiandi project.

Liquidity and Capital Resources

Our primary uses of cash are to pay for construction costs, land costs (principally the payment of land grant fees and relocation costs), infrastructure costs, consulting fees paid to architects and designers and finance costs, as well as to service our indebtedness and fund working capital and normal recurring expenses. We have to-date financed our liquidity requirements, and anticipate that we will likely, in the future, continue to finance our liquidity requirements, through a combination of internal resources, offering of debt and equity securities and bank borrowings (including project-specific bank borrowings) as described below:

Internal resources

Cash generated from our operating activities, including proceeds from sales of properties and rental income.

Proceeds from debt and equity offerings

In addition to the Notes offered hereby, our Convertible Bonds issued on September 29, 2010 and the 6.875% Senior Notes raised gross proceeds of approximately US$400 million (RMB2,720 million) and US$451 million (RMB3,000 million) respectively. Also, on June 10, 2009 we issued 418,500,000

additional shares of our common stock at the price of HK$4.87 per share, raising gross proceeds of approximately HK$2,038 million (RMB1,797 million). We will continue to consider from time to time additional offerings of our debt and equity securities based on our liquidity needs and general market and economic conditions at that time.

Bank Borrowings

As of June 30, 2010 we had total bank borrowings of RMB12,473 million (US$1,839 million), which includes RMB9,549 million (US$1,408 million) in the form of secured bank borrowings. For our property development projects we often obtain project-specific bank borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds of the relevant properties.

Total undrawn banking facilities available to the Group were approximately RMB4.1 billion as of June 30, 2010.

As of June 30, 2010, we had cash and bank deposits of RMB4,929 million (US$727 million), which included RMB2,014 million (US$297 million) of deposits pledged to banks.

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

	Year ended December 31,			Six months ended June 30,		
	2008	2009		2009	2010	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*	*(RMB in millions)*	*(RMB in millions)*	*(US$ in millions)*
Net cash (used in) generated from operating activities	(646)	1,613	238	769	(1,356)	(200)
Net cash used in investing activities	(1,133)	(2,695)	(397)	(1,937)	(1,146)	(169)
Net cash generated from financing activities	671	2,342	345	2,401	2,489	367
Net (decrease) increase in cash and cash equivalents	**(1,108)**	**1,260**	**186**	**1,233**	**(13)**	**(2)**

Operating Activities

Our cash generated from operating activities consists primarily of cash received from the sale of units in our residential properties and rental income received from our investment properties, partially offset by changes in working capital.

For the six months ended June 30, 2010, net cash generated from operating activities decreased by RMB2,125 million to a net cash outflow of RMB1,356 million (US$200 million) from a net cash inflow of RMB769 million for the six months ended June 30, 2009. The decrease was primarily due to the increase in cash outflow on properties under construction or development from our accelerated development of properties.

For the year ended December 31, 2009, net cash generated from operating activities increased by RMB2,259 million to RMB1,613 million (US$238 million) from a net cash outflow of RMB646 million for the year ended December 31, 2008. The increase was primarily due to an increase in the sale of properties as a result of the rebound in the property market in 2009.

Investing Activities

Our principal investment activity is the development of city-core development and integrated residential development projects. In the years ended December 31, 2008 and 2009 and for the six months ended June 30, 2010, we experienced net cash outflows as a result of our investing activities.

The follwing tables set forth our summary cash flow on investing activities for the periods indicated:

	Year ended December 31,			Six months and June 30		
	2008	2009		2009	2010	
	(RMB in millions)	*(RMB in millions)*	*(US $ in millions)*	*(RMB in millions)*	*(RMB in millions)*	*(RMB in millions)*
Additions to investments properties and prepaid lease payments	(2,113)	(2,973)	(438)	(1,682)	(1,022)	(151)
Proceeds from disposal of investment properties	—	—	—	—	185	27
Net (increase) decrease in loans to associates and amounts due from associates	(866)	283	42	307	(141)	(21)
Proceeds from partial disposals of equity interests in subsidiaries	2,905	339	50	339	—	—
Increase (decrease) in pledged bank deposits	(855)	(310)	(46)	(913)	5	1
Other investing cash flows	(204)	(34)	(5)	12	(173)	(25)
Net cash used in investing activities	(1,133)	(2,695)	(397)	(1,937)	(1,146)	(169)

For the six months ended June 30, 2010, net cash used in investing activities decreased by RMB791 million, or 40.8%, to a net cash outflow of RMB1,146 million (US$169 million) from RMB1,937 million for the six months ended June 30, 2009. This decrease was primarily due to a decrease in cash outflow on the development of investment properties of approximately RMB660 million and a decrease in cash outflow to pledged bank deposits of RMB5 million (US$1 million) for the six months ended June 30, 2010 instead of an increase in pledged bank deposits of RMB913 million for the six months ended June 30, 2009, together with proceeds from disposal of investment properties of approximately RMB185 million for the six months ended June 30, 2010 which did not occur as of June 30, 2009. The increase in amounts due from associates of RMB141 million for the six months ended June 30, 2010 represented our portion of shareholders' funds to the Dalian project, whereas the decrease in amounts due from associates of RMB307 million for the six months ended June 30, 2009 represented the repayment of short-term cash advances from the Dalian project.

For the year ended December 31, 2009, net cash used in investing activities increased by RMB1,562 million, or 137.9%, to RMB2,695 million (US$397 million) from RMB1,133 million for the year ended December 31, 2008. The increase was primarily due to a decrease in proceeds from partial disposals of equity interests in subsidiaries of approximately RMB2,905 million for the year ended December 31, 2008 as compared to RMB339 (US$50 million) million for the year ended December 31, 2009, partially offset by the decrease in cash outflow on the development of investment properties of RMB860 million.

Financing Activities

Historically, our cash from financing activities was derived from offerings of our equity securities, and bank and other borrowings.

The following table set forth our summary cash flow on financing activities for the periods indicated:

	Year ended December 31,			Six months June 30,		
	2008	2009		2009	2010	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*	*(RMB in millions)*	*(RMB in millions)*	*(US$ in millions)*
Net proceeds on issuances of shares	—	1,759	259	1,759	—	—
New bank loans raised	7,283	4,182	617	2,465	2,849	420
Repayment of bank loans	(3,209)	(2,168)	(320)	(1,394)	(507)	(75)
Redemption of notes	(2,562)	—	—	—	—	—
Settlement of derivative financial instruments	(347)	—	—	—	—	—
Interest and bank charges paid	(833)	(766)	(113)	(382)	(440)	(65)
Dividend paid	(630)	(81)	(12)	(37)	—	—
Dividend paid to a non-controlling shareholder of a subsidiary	—	(204)	(30)	(204)	(1)	—
Advance from non-controlling shareholders of subsidiaries	382	174	26	140	575	85
Other financing cash flows	587	(554)	(82)	54	13	2
Net cash generated from financing activities	671	2,342	345	2,401	2,489	367

For the six months ended June 30, 2010, net cash from financing activities increased by RMB88 million, or 3.7%, to RMB2,489 million (US$367 million) from RMB2,401 million for the six months ended June 30, 2009. Despite the fact that there was no issuance of shares in 2010, net cashflow from financing activities increased primarily because of the increase in bank loans raised with fewer repayments and more advances received from non-controlling shareholders for the proportionate contribution of shareholder funds to the relevant projects.

For the year ended December 31, 2009, we had a net cash used in financing activities was RMB2,342 million (US$345 million), compared to a net cash generated from financing activities of RMB671 million for the year ended December 31, 2008. The increase was primarily due to the net proceeds of RMB1,759 million (US$259 million) from the issuance of shares received in the year ended December 31, 2009. The cash inflow from financing activities for the year ended December 31, 2009 included net cash inflows from bank borrowings of RMB2,014 million (US$297 million) as compared to RMB4,074 million for the year ended December 31, 2008 and payment of dividends to Winnington Capital Limited ("**Winnington**") in relation to the gain on partial disposal of the equity interest in the Chongqing Super High rise project of RMB204 million (US$30 million).

Contractual Obligations

Capital expenditure

As of June 30, 2010, we were contractually committed to spend RMB14,485 million (US$2,136 million) on capital expenditure required for our property developments, primarily consisting of land grant costs and construction costs.

The following table sets forth information on our capital commitments as of June 30, 2010:

	Capital commitments with respect to the development cost contracted	
	(RMB in millions)	*(US$ in millions)*
Development costs for investment properties	5,748	848
Development costs for properties under development held for sale	8,737	1,288
Total	**14,485**	**2,136**

Secured assets

Our PRC subsidiaries have project construction loans from time to time and these project loans are generally secured by mortgages over the land use rights of the project companies, our equity interests in the project companies, insurance over their assets and properties, the proceeds from rental and sale of our completed properties and bank accounts. Upon completion of our investment property projects, we generally seek to refinance those project construction loans with mortgage loans secured by mortgages over the completed properties. We have also pledged shares of our non-PRC subsidiaries and bank deposits to secure certain of our financing arrangements.

As of June 30, 2010, we had pledged investment properties, property, plant and equipment, prepaid lease payments, properties under development held for sale, properties held for sale, accounts receivable and bank and cash balances totaling approximately RMB21,456 million (US$3,164 million) to secure our borrowings of RMB9,549 million (US$1,408 million), or 77.0% of our total borrowings.

Indebtedness and other commitments

Long-term debt. As of June 30, 2010, we had RMB10,999 million (US$1,622 million) of bank borrowings in long-term debt, which are due after one year from the reporting date.

The following table sets forth the maturities of our long-term debt as of June 30, 2010:

	Long-term debt as of June 30, 2010	
	(RMB in millions)	*(US$ in millions)*
1 to 2 years	3,264	481
2 to 5 years	7,095	1,046
More than 5 years	640	95
Total	**10,999**	**1,622**

Quantitative and qualitative disclosures about market risks

We are exposed to various types of market risks in the ordinary course of our business, including fluctuations in interest rates and foreign exchange rates.

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates. A substantial portion of our bank borrowings consists of variable rate debt obligations with original maturities ranging from two to four years for our project construction loans and five to ten years for our mortgage loans. Increases in interest rates would increase interest expenses relating to our outstanding variable rate borrowings and increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of our debt obligations. At June 30, 2010 and December 31, 2009, we had outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations. Under these swaps, we would receive interest at variable rates at HIBOR and pay interest at fixed rates ranging from 1.32% to 3.58% (December 31, 2009: 3.32% to 3.58%) based on the notional amounts of HK$5,081 million (December 31, 2009: HK$4,581 million) in aggregate. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings. Other than the transactions described above, we do not currently hold any other derivative instruments to manage our interest rate risk. To the extent we decide to do so in the future, there can be no assurance that any future hedging activities will protect us from fluctuations in interest rates.

Foreign exchange risk

All of our turnover is denominated in Renminbi. A portion of our turnover in Renminbi, however, is converted into other currencies to meet our foreign currency denominated debt obligations, such as our bank loans denominated in Hong Kong dollars and our interest payment on our Convertible Bonds and the 6.875% Senior Notes, which are denominated in U.S. dollars. As a result, we are exposed to fluctuations in foreign exchange rates. As of June 30, 2010, we also had HK$9,127 million (US$1,174 million) (conversion rate of US$1 to HK$7.7743) of Hong Kong dollar denominated loan facilities drawn and outstanding. Considering that a relatively stable currency regime with regard to the Renminbi is maintained by the central government, which only allows the exchange rate to fluctuate within a narrow range going forward, we expect the fluctuation of the exchange rates between Renminbi and Hong Kong dollars and US dollars may not have a significant adverse effect to the financial position of the Group in the short to medium term. We continue to closely monitor the

Group's exposure to exchange rate risk, and may employ derivative financial instruments to hedge against the risks exposed when necessary. To the extent we decide to implement additional hedging arrangements in the future, there can be no assurance that any current or future hedging activities will protect us from fluctuations in exchange rates.

The following table sets forth our borrowings by currency as of December 31, 2008 and 2009 and June 30, 2009 and 2010:

	December 31,			June 30,		
Currency denomination	**2008**	**2009**		**2009**	**2010**	
	(RMB in millions)	*(RMB in millions)*	*(US$ in millions)*	*(RMB in millions)*	*(RMB in millions)*	*(US$ in millions)*
RMB	1,794	3,595	530	3,589	4,273	630
HK$	5,654	6,349	936	5,472	7,962	1,174
US$	750	259	38	205	238	35
Total	**8,198**	**10,203**	**1,504**	**9,266**	**12,473**	**1,839**

Inflation

According to the National Bureau of Statistics of China, the change in the Consumer Price Index was 5.9% and -0.7% in 2008 and 2009, respectively. There can be no assurance that we will not be adversely affected by inflation or deflation in China in the future.

Credit Risk

As of June 30, 2010, there were no outstanding guarantees in place on mortgages.

Our principal financial assets are bank balances and cash, accounts receivable, loan receivables and amounts due from related companies, which represent our maximum exposure to credit risk in relation to financial assets. Our credit risk is primarily attributable to our accounts receivable and loan receivables. The amounts presented in the consolidated statements of financial position are net of allowances for bad and doubtful debts, estimated by our management based on prior experience and their assessment of the current economic environment. We have no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Commodities Risk

We consume large quantities of building materials, including raw iron, steel and concrete, in our property development operations. We typically enter into fixed or guaranteed maximum price construction contracts with independent construction companies, each of which covers the development of a significant part of our overall project. These contracts typically cover both the supply of the building materials and the construction of the facility, for a construction period of one to three years. If the price of building materials were to increase significantly prior to our entering into a fixed or guaranteed maximum price construction contract, we might be required to pay more to prospective contractors. See "*Risk Factors — Risks Relating to our Business — Our profit margin is sensitive to fluctuations in the cost of construction materials.*"

The information and statistics set out in this section have been derived, in part, from various government publications and databases. This information has not been independently verified by us, the Initial Purchasers or any of our and their respective affiliates and advisers or any other party involved in this offering. The information and statistics set out in this section may not be consistent with other information and statistics compiled within or outside the PRC.

In this section, GFA in each storey of a building is calculated from the outside line of the building's walls, including both usable space and the space occupied by constructions, such as pillars or walls. The GFA of multi-storey buildings includes the total floor space of each storey (including any basement).

In this section, population refers to resident population unless otherwise stated.

The Economy of the PRC

The PRC economy has grown significantly since the PRC government introduced economic reforms in the late 1970s. China's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. In the past 12 years, China's gross domestic product, or GDP, increased from approximately RMB8,440.2 billion in 1998 to approximately RMB34,090.3 billion in 2009 at a compound annual growth rate ("**CAGR**") of approximately 13.5%.

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nominal GDP (RMB in billion)	8,440.2	8,967.7	9,921.5	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
Real GDP growth rate (%)	7.8	7.6	8.4	8.3	9.1	10.0	10.1	11.3	12.7	14.2	9.6	9.2
Per capita GDP (RMB)	6,796	7,159	7,858	8,622	9,398	10,542	12,336	14,185	16,500	20,169	23,708	25,575
Foreign Direct Investment												
— Actual investment (US$ in billion)	45.5	40.3	40.7	46.9	52.7	53.5	60.6	60.3	63.0	74.8	92.4	90.0
— Contracted investment (US$ in billion)	52.1	41.2	62.4	69.2	82.8	115.1	153.5	189.1	193.7	N.A.	N.A.	N.A.
Fixed Asset Investment (RMB in billion)	2,840.6	2,985.5	3,291.8	3,721.4	4,350.0	5,556.7	7,047.7	8,887.3	10,999.8	13,732.4	17,282.8	22,459.9

Source: China Statistical Yearbook 2010

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

China Property Market Overview

Trends of the China property market

Investment in real estate development increased by a CAGR of 23.6% from 2003 to 2009 and the total gross floor area sold increased at a CAGR of 18.8% from 2003 to 2009. Average prices for both residential and commercial properties also rose significantly between 2003 and 2009 as demand for real estate from local and foreign investors increased.

The table below sets forth data for the Chinese property market from 2003 to 2009:

	2003	2004	2005	2006	2007	2008	2009
Investment in real estate (RMB in billion)	1,015.4	1,315.8	1,590.9	1,942.3	2,528.9	3,120.3	3,624.2
Total GFA sold (sq.m. in million)	337.2	382.3	554.9	618.6	773.5	659.7	947.6
Average price of residential commodity properties (RMB per sq.m.)	2,197	2,608	2,937	3,119	3,645	3,576	4,459
Average price of commercial properties (RMB per sq.m.)	3,675	3,884	5,022	5,247	5,774	5,886	6,871

Source: China Statistical Yearbook 2010

Key drivers of China's property market

Government policies

In recent times the PRC government has introduced a series of macro control policies designed to stabilize the real estate market, with a particular focus on the residential sector. These policies were intended to strengthen macro control of the property market and to curb speculation in the property market. Since 2006, especially in 2010, these policies mainly included:

In April 2005, the introduction of business tax of 5.55% on the transacted value in relation to the resale of residential property within two years after purchase. In May 2006, this measure was extended to resale transactions within five years after purchase.

In May 2006, the requirement that mortgage lenders must increase the down payment requirement from at least 20% to 30% of the property's value for units larger than 90 sq.m.

In May 2006, the requirement that in approving housing development after June 1, 2006, the relevant local authority must require units smaller than 90 sq.m. each to account for at least 70% of the annual supply of new residential developments, except where the relevant local authority has, based on the existence of special circumstances, obtained approval from the Ministry of Construction to depart from this requirement. This restriction was further refined on July 6, 2006 clarifying that the 70% minimum could be applied on a city-wide basis by local authorities, rather than on the basis of individual developments.

On July 11, 2006, the PRC government announced a package of new regulations concerning foreign investment in real estate to further promote the sustainable development of the property market in China. Those measures applicable to foreign individuals include a requirement that buyers show that they have lived in China for a period of at least one year and that the property in question will be for self-occupation. Residents of Hong Kong, Macau and Taiwan and overseas Chinese are partially exempted from the one-year minimum residency requirement. Foreign individuals will need to establish a Foreign-Invested Enterprise ("**FIE**") to purchase investment property. Among key regulations applicable to foreign businesses are a minimum capital requirement of 50% on investments greater than US$10 million and a requirement for government approvals prior to any real estate investment.

On August 24, 2006, the PRC government issued a new regulation to regulate the access by foreign investors to the PRC property market and to strengthen the PRC government's management of real estate purchases by foreign invested enterprises. This regulation provides for, among other things, stricter standards for foreign institutions and individuals purchasing real property in the PRC that is not intended for personal use.

On September 1, 2006, the PRC government issued new rules on foreign exchange control, which provide that, when buying property, a foreign purchaser must apply to an authorized bank to pay in foreign currency, providing documents such as the sale contract, business license, or identification certificate.

On May 23, 2007, the PRC government issued a notice to further regulate foreign investment in the real estate industry. In this notice, projects for construction and operating of high-end real estate are categorized as "restricted" projects for foreign investment and are subject to approvals at higher levels of the government. For example, a restricted foreign investment with total investment exceeding US$50 million requires ministerial-level approval. In addition, this notice requires that before applying for establishment of a real estate company, foreign investors shall first have obtained the land-use right or building ownership, or have entered into pre-sale or pre-grant agreements with respect to the land-use rights or building ownership.

On July 10, 2007, the General Affairs Department of the SAFE issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment That Have Properly Registered with the MOFCOM. The notice stipulates, among other things, (i) that the SAFE will no longer process foreign debt registrations or applications for purchase of foreign exchange submitted by real estate enterprises with foreign investment who obtained authorization certificates from and registered with the MOFCOM on or after June 1, 2007 and (ii) that the SAFE will no longer process foreign exchange registrations (or change of such registrations) or applications for sale and purchase of foreign exchange submitted by real estate enterprises with foreign investment who obtained approval certificates from local government commerce departments on or after June 1, 2007 but who did not register with the MOFCOM.

On April 7, 2008, the State Administration of Taxation issued a new notice concerning the prepayment of the enterprise income tax for property developers. In this notice, where the residential houses, commercial houses and other buildings, fixtures, supporting establishments or other development products developed and constructed by property developers are presold before they are completed, the anticipated profit shall be calculated on the basis of first calculating the anticipated profit margin by the quarter (or month), and then be included into the total taxable income to prepay. The adjustment shall be conducted after the completion of the products and the settlement of the assessable cost of the products. The anticipated profit margin for a development project of non-economically affordable houses shall be within the range from at least 10% to 20% in different districts.

On December 22, 2009, the Ministry of Finance and State Administration of Taxation issued the Notice on Adjusting the Business Tax Policies on Individual Housing Transfer. The notice provides, effective from January 1, 2010, that where any individual sells non-ordinary residential housing within five years of the original purchase date, the business tax thereon shall be collected on the full sale price; where any individual sells non-ordinary residential housing more than five years after the original purchase date or sells an ordinary housing unit within five years after the original purchase date, the business tax thereon shall be collected on the basis of the difference between the sale price and the original purchase price; where any individual sells an ordinary housing unit more than five years after the original purchase date, it shall be exempted from business tax.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market, which is also aimed at dampening speculation in the property market and slowing the rate of price increases. The notice, among other things, provides that the minimum down payment for the purchase of a second residential property by any household with mortgage on its first residential property shall be 40% of the purchase price.

On March 8, 2010, the Ministry of Land and Resources issued the Notice on Strengthening the Supply and Supervision of Land Use for Real Estate Property. The notice, among other things, provides that (1) land resource authorities shall strictly control the land supply for large-sized apartments and prohibit the land supply for villas; (2) the land use rights grant contract must be executed within ten days after a grant of land has been mutually agreed and a down payment of 50% of the land grant premium shall be paid within one month from the execution of the land use rights grant contract with the remaining amount to be paid no later than one year after the execution of the land use rights grant contract, subject to limited exceptions.

On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities, according to which a stricter differential housing credit policy shall be enforced. It provides that, among other things, (1) for first-time family buyers (including the borrower, his/her spouse and his/her underage children, similarly hereinafter) of apartments larger than 90 square meters, a minimum 30% down payment must be paid; (2) the down payment requirement on second-home mortgages was raised to at least 50% from 40% and also reiterated that an extra 10% should be adopted on the interest rates for housing loans granted to such buyers; and (3) for those who buy three or more houses, even higher requirements on both down payments and interest rates shall be levied. In addition, the banks can suspend housing loans to buyers who own two or more housing units in places where housing prices are rising too rapidly and are too high, and housing supply is insufficient. And according to the Decree Relating to the Improvement of Differential Housing Lending Policy Notice promulgated by PBOC and CBRC On September 29, 2010, the commercial banks shall stop providing housing mortgage temporarily to any members of a family unit purchasing the third or the subsequent residential housing or non-local residents who fail to provide local one-year or longer tax payment certificates or social insurance payment certificates.

On September 29, 2010, the PBOC and CBRC issued the Decree Relating to the Improvement of Differential Housing Lending Policy Notice, which, among other things:

(1) prohibits commercial banks from granting or extending loans to property developers that violate laws and regulations such as: (i) holding idle land; (ii) changing the land use; (iii) delaying the commencement and completion of development; (iv) intentionally holding properties for future sale, for the purpose of new property development;

(2) increase the minimum of down payment to at least 30% of the purchase price of the property.

On September 29, 2010, the Ministry of Finance, State Administration of Taxation and the Ministry of Construction issued the Notice of Deed Tax on the Adjustment of Real Estate Transactions and Personal Income Tax Preferential Policies, which provides that: (1) half of deed tax is only needed to pay for first time buyer individuals who purchase an ordinary residence which is the family's sole property, and deed tax is reduced to 1% for first time buyer individuals who purchase an ordinary residence with less than 90 sq.m. floor area which is the family's sole property, and; (2) for tax payers who had sold their self-owned residential properties within a year and within that period bought a residential property again, their personal income tax will not be reduced or exempted.

In September, 2010, Shanghai Municipal Housing Support and Building Administration Bureau issued the Certain Opinions relating to Enhancing our City's Real Estate Market Restriction and Accelerating the Promotion of Housing Protection. It requires that real estate projects with a GFA less than 30,000 sq.m. shall apply for a presale permit once only; real estate projects with a GFA more than 30,000 sq.m. where it is necessary to conduct presales separately, shall apply for such permit with a GFA no less than 30,000 sq.m. on each occasion.

On October 7, 2010, the Shanghai Municipal Government approved the Certain Opinions on Further Strengthening the Adjustment and Control of Real Property Market and Accelerating the Process of Housing Security Work which specially provides that:

(1) For a family that buys its first property with a GFA larger than 90 sq.m. and applies for a house accumulation fund loan, a minimum 30% down payment is required, and the maximum house accumulation fund loan shall be RMB600,000; for a family that buys its second property for the improvement of living conditions, a minimum 50% down payment is required and the maximum house accumulation fund loan shall be RMB400,000; all the Housing Fund Management Centers shall suspend making loans to families that apply for second properties which cannot be defined as an improvement of living-condition property; families who buy three or more properties are prohibited from receiving house accumulation fund loans.

(2) Since the issuance of the several opinions, no family (including both the husband and wife, and their minor children) can buy more than one additional property in Shanghai within a certain term.

(3) LAT shall be levied according to the ratio of the average price of properties to be sold to the average price of all newly built properties in the same area of the previous year: if this ratio is less than 1.0, land value appreciation tax shall be levied at the rate of 2%; if this ratio is between 1.0 and 2.0, land value appreciation tax shall be levied at the rate of 3.5%; if this ratio is higher than 2.0, land value appreciation tax shall be levied at the rate of 5%.

(4) As to any real estate project which obtained its construction license after July 1, 2010, the requirements for it to apply for presale permits shall be adjusted. Those residential housing projects should have completed the main structural works and passed for examination before they can be eligible for pre-sale, and thus has raised the standard for pre-sale.

(5) Separate grants of planning permits, construction permits and presale permits are restricted. The scale of construction and presale of a real estate project shall be no less than 30,000 sq.m. GFA. Real estate projects with less than 30,000 sq.m. GFA are required to obtain a construction planning permit, construction license and presale permit at the same time.

Rising disposable incomes

Average annual disposable incomes per capita of urban households increased at a compound annual rate of 12.2% between 2001 and 2009, rising from RMB6,860 to RMB17,175. Increased purchasing power is also demonstrated by the rising annual per capita consumption expenditure of city residents, which increased by a compound annual rate of approximately 11.0% between 2001 and 2009. Such increased purchasing power is a positive sign for the property market as it may be an indication that an increasing number of high-income people are entering the property market.

Urbanization

The pace of urbanization has been rapid. Between 2001 and 2009 more than 141.2 million people moved to cities, resulting in an urbanization rate of 46.6% by 2009. The China National Bureau of Statistics estimates that China's urbanization rate will reach 50% in 2020 and 70% by 2050. If this materializes, it is expected to create greater demand for properties in the cities.

Housing Reform

Since its announcement in 1998, housing reform has been effective in increasing local real estate ownership levels. Prior to the reform, most people in China's urban areas were housed under the welfare housing system in which the PRC government heavily subsidizes urban residents. However, under the reform such subsidized housing is being phased out and workers have been encouraged to buy their own houses, or pay rent at rates closer to prevailing market levels. This has contributed to greater demand for owner occupied residential properties.

Residential mortgages

Since the commencement of housing reform, the mortgage market has grown rapidly as a result of policies that were implemented to encourage individuals to purchase their own properties.

We expect these five key components together will encourage a sustainable rate of growth in the real estate market which is anticipated to lead to stronger buyer confidence in the residential property market. This is also supported by the central government's intention to promote continued economic growth and an expectation that it will manage sustainable growth rates in the real estate market.

Key real estate markets

The Company has projects in six cities, all of which are among the leading property markets in China by investments completed in 2009.

The table below sets forth data for leading property markets in China:

City	Resident Population 2009 (million)	Urban Household Disposable Income Per Capita 2009 (RMB)	Urban Household Disposable Income Per Capita Growth 2001-2009[1]	Real Estate Investment 2009 (RMB billion)	Real Estate Investment Growth between 2001 and 2009[1]
Shanghai	19.21	28,838	10.6%	146.4	11.1%
Chongqing	28.59	17,191	12.8%	123.9	25.9%
Hangzhou	8.10	26,864	11.9%	70.5	24.1%
Wuhan	9.10	18,385	12.2%	77.9	27.0%
Dalian	6.17	19,093	12.5%	57.9	22.3%
Foshan	6.00	24,578	7.7%	35.8	23.1%
Beijing	17.55	26,738	11.0%	233.8	14.6%
Chengdu	12.87	18,659	10.9%	94.5	23.8%
Guangzhou	10.33	27,610	8.2%	81.7	10.0%
Shenyang	7.86	18,560	14.3%	118.9	40.5%
Shenzhen	8.91	29,245	2.7%	43.8	4.7%
Tianjin	12.28	21,430	11.5%	73.5	20.9%
Nanjing	7.71	25,504	14.1%	59.6	23.4%

Sources: China Statistical Yearbook 2010, City Statistical Websites and City Statistical Yearbooks

(1) Growth is calculated on a compound annual average basis.

Shanghai property market

In recent years Shanghai has enjoyed rapid economic development, evidenced by the increase in GDP per capita reaching approximately RMB78,989 in 2009 according to the Shanghai Statistical Yearbook.

Infrastructure developments and urban planning

The Shanghai Municipal Government has over the years made major efforts to improve the city's transportation infrastructure. These efforts are continuing and some examples of recent and future projects include:

- Construction of the last remaining section of the middle ring road to enhance the connection between the inner and outer ring roads.
- The Shanghai government plans to expand total metro-line track length from 420 km currently to about 600 km by 2015.
- The Shanghai-Hong Kong high-speed rail line is expected to open in late 2012 or early 2013.
- Government approval for the construction of additional bridges and tunnels crossing the Huangpu River.
- The Shanghai-Beijing high-speed railway project is expected to begin operations in 2011.
- Completion of the third phase of Yangshan Port in 2008.
- Opening of second terminals at Pudong International Airport in March 2008 and at Hongqiao International Airport in March 2010.

Luwan district overview

The Company's Shanghai Taipingqiao project is located in the Luwan District, one of the main CBDs of Shanghai. The Luwan District, according to the Shanghai Statistical Yearbook 2010, covers an area of approximately 8.05 square kilometers and had a resident population of 0.27 million, or about 1.4% of the overall Shanghai population in 2009. Luwan is noted as one of the city's leading business and commercial districts. Part of the old French Concession is located within this district and it is characterized by many cultural sights and historical buildings. It is served by efficient public transport, including Shanghai's subway system. Huai Hai Zhong Road is the main thoroughfare within the district and is a key commercial street with high street shops, shopping malls and department stores.

Hongkou district overview

Shanghai Rui Hong Xin Cheng project is located in the Hongkou District, a major shopping center located in the north-eastern part of Shanghai. According to the Shanghai Statistical Yearbook 2010, Hongkou District covers an area of approximately 23.48 square kilometers and has a registered population of approximately 0.77 million, or about 4.0% of the overall Shanghai population in 2009. There are two major commercial areas in the district, Sichuan North Road retail area and the North Bund area. The Shanghai Municipal Government has ambitious plans to transform the North Bund area into a shipping hub, thereby establishing Hongkou District as an international shipping, commerce, residential and leisure area.

Yangpu district overview

Our Shanghai KIC project is located in the Yangpu District, which is a district located in the north eastern part of Shanghai. According to the Shanghai Statistical Yearbook 2010, Yangpu District is the largest urban district in Shanghai with 1.2 million registered residents or about 6.3% of Shanghai's population, and covers an area of 60.73 square kilometers and includes some kilometers of waterfront alongside the Huangpu River. The district possesses rich historical and cultural resources and is regarded as an intellectual hub of Shanghai with 14 major universities and colleges, 22 key state laboratories and 15 scientific research institutes. Within this district, growth is expected in the office segment, reflecting the district's increasing role as an education, research and development center.

Shanghai upper-end residential market

New residential developments in the established residential districts in central Shanghai are targeted towards affluent individuals who may be residents of Shanghai or investors from other parts of China, as well as foreigners living in or wanting to invest in Shanghai.

Luwan district is one of the major established residential districts in central Shanghai. This is due to the upper end residential developments clustered around Shanghai Xintiandi such as Lakeville Phase 3, where prices averaging RMB113,000 per square meter were reached in the first half of 2010.

Shanghai upper-mid-end residential market

The five-year period from 2005 to 2009 saw strong demand for upper mid-end residential properties. This pattern is likely to continue due to Shanghai's growing and diversifying economy, increasing flows of foreign and domestic investment, growing numbers of expatriates and domestic migrants and rising incomes of local white collar workers. Rental demand has been fairly consistent and the negative impact associated with recent macro control policies is expected to be limited in the mid- to long-term as the market matures.

The Hongkou District Government has implemented policies, including the redevelopment of the North Bund area and Sichuan North Road.

Shanghai Grade A/Premium office market

Traditional CBDs, such as Huai Hai Zhong Road (East and West), Nanjing West Road and People's Square continue to enjoy leading positions in the Grade A/Premium office market. Tenant demand differs quite significantly between the Puxi and Pudong office districts with more financial services companies being located in Pudong. A large number of corporations and professional firms, as well as consulates and foreign government representative offices, are located in the Puxi office districts.

We expect the factors associated with the continued growth in demand for Grade A office space will include:

- An increased level of foreign investment in Shanghai following China's accession to the WTO, resulting in an expansion of the financial services and retail distribution sectors;

- The establishment in, and relocation to, Shanghai of corporate headquarters by large Chinese and multinational corporations; and

- The goal, endorsed by the State Council, of building Shanghai into an international financial center by 2020 and associated policies will drive financial services development.

Shanghai high-end retail market

The largest clusters of high end retail accommodation in Shanghai are located in the retail districts of Nanjing West Road, The Bund and Huai Hai Zhong Road (adjacent to the Shanghai Taipingqiao Project).

Chongqing property market

Chongqing lies to the east of Sichuan Province at the Sanxia (the Three Gorges) area on the upper reaches of the Yangtze River. Chongqing is not only a commercial and industrial hub but also an inland transport hub. According to the Chongqing Statistical Yearbook 2010, per capita GDP was estimated at RMB22,916 in 2009 with strong economic growth recorded for the period from 2001 to 2009. It is also among the world's largest cities by population.

According to the Chongqing Statistical Yearbook 2010, investments in real estate have risen from RMB19.67 billion in 2001 to RMB123.9 billion in 2009, representing a compound annual growth of 25.9% over the period. In the same period, the GFA of projects under construction increased from 36.54 million sq.m. in 2001 to 130.53 million sq.m. in 2009. Despite the central bank's tightening of bank loans to developers to curb speculation in the property market, the average price of residential commodity properties in Chongqing increased by 23.7% in 2009, from RMB2,640 per sq.m. in 2008 to RMB3,266 per sq.m.

Infrastructure developments and urban planning

According to the government's 11th five-year plan for Chongqing, six metro lines and one circle ring are expected to be constructed. Among them, Metro Line no. 1, no. 2, no. 3 and no. 6 are expected to be completed before 2013. Phase I of Metro Line no. 2 was officially opened in June 2005. There are plans to construct another eight bridges over the Jialing River and another ten bridges over the Yangtze River by 2020.

Yuzhong district overview

Our Chongqing Tiandi project is located in the Yuzhong District which is in the center of Chongqing and is bordered by the Jialing River and the Yangtze River. It is the most affluent district and the political, trading and financial center of Chongqing. According to the Chongqing Statistical Yearbook 2009, Yuzhong District is the most densely populated district in Chongqing, and in 2009 it had a population of approximately 718,400, or about 2.5% of the total Chongqing population.

Wuhan property market

Wuhan, located at the junction of the Yangtze and the Han Rivers, is the capital of Hubei Province in central China. According to the Wuhan Statistical Yearbook 2010, Wuhan's per capita GDP was estimated at RMB51,136 in 2009, having shown significant growth during the period 2001 to 2009. Total investment in real estate in Wuhan has risen significantly from RMB11.53 billion in 2001 to RMB77.9 billion in 2009.

Infrastructure developments and urban planning

Currently, there is a light rail system running through the downtown area on the western side of the river in Wuhan. The government plans to extend the light rail across the river linking the commercial district on the eastern side of the river by 2010. The new line will be about 30 km long and serve an

additional 16 stations. A seventh bridge across the Yangtze River is under construction and is expected to be completed by 2011. Two other metro lines are scheduled for completion in 2012, bringing the total urban track length to 220 km. The 904-km Guangzhou-Wuhan Railway Project was completed in 2008 and has reduced the travel time for passenger trains between these two major Chinese cities from ten to four hours. These infrastructure developments should further boost economic development in Wuhan.

Jiang'an District Overview

The Jiang'an District, which is where our Wuhan Tiandi project is located, is in the city center of Wuhan within the Hankou area. Hankou is the political, trading and economic center of Wuhan. According to the Wuhan Statistical Yearbook 2010, Jiang'an District covers an area of 64.24 square kilometers and in 2009 it had a population of approximately 767,300, or about 8% of the overall Wuhan population.

Hangzhou Property Market

Hangzhou is a tourist destination well known for its scenic West Lake and is the capital of Zhejiang Province. Hangzhou is particularly famous for its natural beauty and historical and cultural heritage. The city is also a major transportation hub, with an integrated network of railways and highways as well as an international airport, and is located approximately 180 kilometers from Shanghai. Hangzhou has developed quickly to become one of the most significant secondary cities in the Yangtze River Delta as evidenced by its per capita GDP of RMB63,471 in 2009 according to the Hangzhou Statistical Yearbook 2010.

According to the Hangzhou Statistical Yearbook 2010, Hangzhou's property market showed consistent growth during the period 2001 to 2009, with real estate investment increasing from RMB12.56 billion in 2001 to RMB70.5 billion in 2009, representing a compound annual growth rate of 24.1%. Total GFA of all property types sold rose from approximately 3.63 million sq.m. in 2001 to around 14.41 million sq.m. in 2009.

Infrastructure developments and urban planning

With improved accessibility, rapid growth of suburban areas is expected. By 2050, when fully completed, the metro network will have a track system of some 278 km. Over the past five years, the government has completed many infrastructure and transport projects, including improvements to the surrounding roads of the West Lake and the infrastructure of Qianjiang New City.

Shangcheng District Overview

Our Hangzhou Xihu Tiandi project is located along the West Lake, situated in the Shangcheng District. The West Lake is Hangzhou's landmark tourist destination noted for its natural beauty and historical significance. The most developed retail market in the Shangcheng District is Hubin, to the east of the West Lake. However, the majority of high-end international retailers are clustered in Xihu International Boutique Street which is well patronized by both local residents and tourists.

Dalian Property Market

Dalian, located on coast of Bohai Bay, is a major city of Liaoning Province and is recognized as a regional economic center in northeast China. Dalian's infrastructure such as port, airport and border facilities has been developed quickly and the city expects to become an international transportation and trade hub in China. With rapid growth over the past few years, the software and business process outsourcing industries in Dalian have been designated among its pillar industries by the Dalian city

government. The Dalian city government seeks to develop Dalian into one of the major information technology and business process outsourcing (ITO/BPO) centers in China. According to the Dalian Statistical Annual Report 2009, per capita GDP was RMB71,833 in 2009 as compared to RMB22,356 in 2001.

Investments in real estate have risen from RMB11.6 billion in 2001 to RMB57.9 billion in 2009, representing a compound annual growth of 22.3% over the period (Dalian Statistical Annual Report 2009). In the same period, GFA of projects under construction increased from 12.4 million sq.m. in 2001 to 34.9 million sq.m. in 2009 (Dalian Statistical Annual Report 2009).

Infrastructure developments and urban planning

Dalian is planning to build three rapid transit metro lines. Metro Line No. 1 will link downtown Dalian to Hekou Bay, which is the location of the east site of our Dalian project. Dalian has the largest cargo port in north east China and the busiest airport in north east China in terms of passenger transportation.

Lvshun district and Ganjingzi district overview

Our project, Dalian Tiandi, is part of Dalian Software Park Phase II and located across two districts, namely Lvshun district and Ganjingzi district. According to the Lvshun and Ganjingzi District Statistical Bureaus, the Lvshun district has a registered population of approximately 203,600, or 3.4% of the overall registered population in Dalian and the Ganjingzi District has a population of approximately 728,600, or 11.8% of the overall Dalian resident population. Dalian Software Park is one of China's 11 "National Software Industry Bases." In June 2007, Dalian municipal government launched the Lvshun South Road Software Industry Belt project, in which Dalian Software Park Phase II is the core development. Dalian Software Park Phase I has almost been completed and over 500 enterprises have established presences there, of which 39% are foreign-invested enterprises, including 40 Fortune 500 enterprises as of April 2010.

Foshan property market

Foshan is located in the central part of Guangdong Province, situated to the east of Guangzhou. According to the Foshan Statistics Bureau, as of year-end 2009, Foshan had a resident population of approximately 6.0 million. The city experienced a high GDP growth rate for the eight years from 2001 to 2009. In 2009, Foshan's GDP reached approximately RMB481.5 billion, as compared to RMB107.9 billion in 2001, representing average annual growth of 20.6%. Per capita GDP also grew from approximately RMB32,276 to RMB80,579 over the same period. According to the Foshan Statistical Bureau, a total GFA of approximately 2.4 million sq.m. of commodity properties was completed in Foshan in 2009. Meanwhile, a total GFA of approximately 7.8 million sq.m. of commodity properties was sold in Foshan in 2009, representing a sharp increase of approximately 43.4% over 2008. The average selling price per sq.m. of commodity properties in Foshan in 2009 was approximately RMB6,251.

According to Foshan Statistics Bureau, investments in real estate have risen from RMB6.8 billion in 2001 to RMB35.8 billion in 2009, representing a compound annual growth rate of 23.1% during this period. Total sales of commodity properties has grown from RMB8.6 billion in 2001 to RMB48.7 billion in 2009, at a compound annual growth rate of 24.2% according to the same source.

Infrastructure developments and urban planning

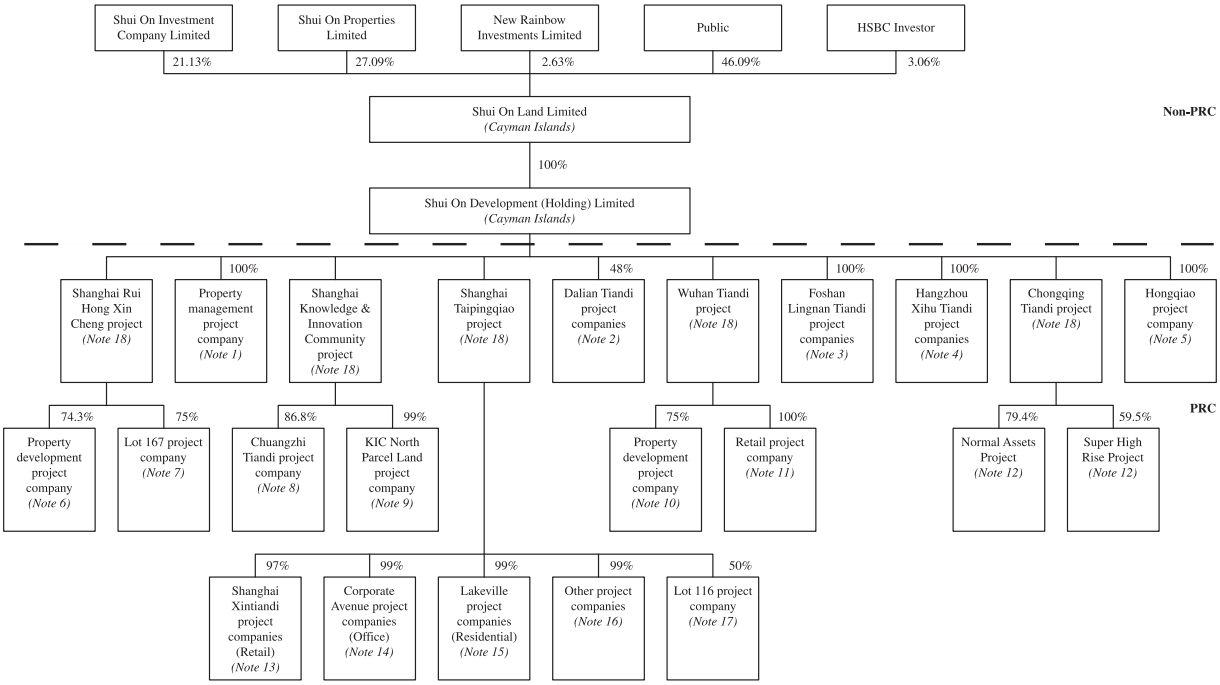
Foshan has developed extensive infrastructure plans to enhance connectivity both within the city and to neighboring Pearl River Delta cities. The centerpiece of the master plan is the Guangzhou-Foshan Subway Line 1, which opened in November 2010, and connects Guangzhou and Foshan via a 40-minute ride. Two stations along the Guangzhou-Foshan Subway Line 1 are located on our Foshan Project site, at the southwest and southeast corners of the land parcel. In addition to this line, Foshan has plans for up to seven other subway lines that are currently in various stages of planning and construction. Foshan is also well-served by Guangzhou's Baiyun International Airport, which is accessible in 40 minutes via recently constructed expressways.

Chancheng district overview

Our Foshan Lingnan Tiandi project is situated in central Chancheng district, at Foshan's traditional city core and public transportation hub. The Chancheng district functions as Foshan's cultural and commercial center, offering the city's foremost historical and cultural assets, including Donghuali and the Zumiao Temple, both national level protection sites, as well as the city's main retail areas in Zumiao Road and Jihua Road. Our project site is well-positioned within Chancheng district, as it encompasses Donghuali and Zumiao Temple within its boundaries and is adjacent to Zumiao Road. The site is at the heart of the local government's planned redevelopment zone, which will catalyze central Chancheng's development as a commercial zone, focusing on business, culture and tourism. According to Foshan Statistics Bureau, the resident population of Chancheng was approximately 980,300 in 2009, constituting 16.3% of Foshan's total population.

CORPORATE STRUCTURE

Set out below are the members of the Group and their respective principal businesses, and the effective shareholding structure of the Group as of the date of this offering memorandum.



Notes:

(1) The project company is Shanghai Feng Cheng Property Management Co., Ltd., which is incorporated in the PRC.

(2) The project companies of Dalian Tiandi include Dalian Software Park Shuion Fazhan Co., Ltd., Dalian Software Park Shui On Kaifa Co., Ltd. and its subsidiaries, each of which is incorporated in the PRC.

(3) The project companies of Foshan Lingnan Tiandi are Fo Shan Shui On Property Development Co., Ltd., Fo Shan Yi Kang Property Development Co. Ltd., Fo Shan An Ying Property Development Co., Ltd., Fo Shan Yuan Kang Property Development Co., Ltd., Fo Shan Yong Rui Tian Di Property Development Co., Ltd., Fo Shan Rui Dong Property Development Co., Ltd., Fo Shan Rui Fang Property Development Co., Ltd., Fo Shan Rui Kang Tian Di Property Development Co., Ltd. and Fo Shan Shui On Tiandi Trading Co., Ltd., each of which is incorporated in the PRC.

(4) The project companies of Hangzhou Xihu Tiandi include Hangzhou Xihu Tiandi Management Co., Ltd. and Hangzhou Xihu Tiandi Property Co., Ltd, each of which is incorporated in the PRC.

(5) The project company is Shanghai Rui Qiao Property Development Co., Ltd., which is incorporated in the PRC.

(6) The project company is Shanghai Rui Hong Xin Cheng Co., Ltd., which is incorporated in the PRC.

(7) The project company is Shanghai Baili Property Development Co., Ltd. (for Lot 167), which is incorporated in the PRC.

(8) The project company is Shanghai Yang Pu Centre Development Co., Ltd., which is incorporated in the PRC.

(9) The project company is Shanghai Knowledge and Innovation Community Development Co., Ltd., which is incorporated in the PRC.

(10) The project company is Wuhan Shui On Tiandi Property Development Co., Ltd., which is incorporated in the PRC.

(11) The project company is Wuhan Shui On Tian Di Trading Co., Ltd., which is incorporated in the PRC.

(12) Both the Normal Assets Project and the Super High Rise Project are held by Chongqing Shui On Tiandi Property Development Co., Ltd., which is incorporated in the PRC.

(13) The project companies include Shanghai Ji-Xing Properties Co., Ltd., Shanghai Bai-Xing Properties Co., Ltd., Shanghai Xin-Tian-Di Plaza Co., Ltd. and Shanghai Xing-Qi Properties Co., Ltd., each of which is incorporated in the PRC.

(14) The project company is Shanghai Xing-Bang Properties Co., Ltd. (for Lot 110), which is incorporated in the PRC.

(15) The project companies include Shanghai Fu-Xiang Properties Co., Ltd. (for Lot 113), Shanghai Lakeville Properties Co., Ltd. (for Lot 117) and Shanghai Jing Fu Properties Co., Ltd. (for Lot 114), each of which is incorporated in the PRC.

(16) The project companies include Shanghai Fu Ji Properties Co., Ltd. (for Lot 122-3), Shanghai Xing Qiao Properties Co., Ltd. (for Lot 126) and Shanghai Le Fu Properties Co., Ltd. (for Lot 127), each of which is incorporated in the PRC.

(17) The project company is Shanghai Jun Xing Property Development Co., Ltd. (for Lot 116), which is incorporated in the PRC.

(18) Includes the companies shown underneath.

Overview

We are one of the leading property developers in the PRC and the flagship property company of the Shui On Group. We engage principally in the development, sale, leasing, management and the long-term ownership of high-quality residential, office, retail, entertainment and cultural properties in the PRC, utilizing our expertise and experience in developing large-scale integrated property projects based on master plans that we have developed in conjunction with the local governments. We are actively involved in the city planning aspects of most of our projects. We believe our projects are characterized by the redevelopment and transformation of the neighborhoods and communities of the cities in which our projects are located. We strategically retain long-term ownership of certain commercial properties that we have developed, and are committed to enhancing the value of the projects on a continuing basis through comprehensive property management. Our past developments include the well-known restoration project, Shanghai Xintiandi, one of the landmarks in Shanghai.

We trace our origins to the Shui On Group, a Hong Kong-based privately-held diversified group that is primarily engaged in the real estate development, construction contracting and construction materials businesses. Under the leadership of our chairman, Mr. Lo, the Shui On Group has over 20 years of experience in property development in mainland China and over 30 years of construction and property development experience in Hong Kong.

We were incorporated in the Cayman Islands on February 12, 2004 and our shares are listed on the Main Board of the Hong Kong Stock Exchange. As of December 31, 2010, we had an authorized share capital of US$30,000,000 divided into 12,000,000,000 ordinary shares of US$0.0025 each and an issued and fully paid up share capital of US$13,028,970 consisting of 5,211,587,981 ordinary shares of US$0.0025 each.

We focus on large-scale city-core development projects, primarily strategically-located, mixed-use properties and multi-phase developments with a blend of historic restoration and modern architecture. All of our projects manifest the "Total Community" concept. Endowed with a full range of modern facilities for residential, office, retail, entertainment and leisure, our projects provide a unique environment enabling a "Live-Work-Play" lifestyle. Our aim is to make each of these projects a focal point for the entire city in which it is located.

We expect that Chinese cities will further develop and transform due to the PRC government's plan of continuing rapid economic development. The continued redevelopment of Chinese cities is in turn expected to generate significant economic value for China, demand for high-end residential and multi-phase developments and opportunities for well capitalized and reputable property companies. As Chinese cities are built into modern commercial and service centers, we believe they will become economic hubs to their hinterlands, which will be increasingly connected by a modern transportation infrastructure. An integral part of the transformation of these cities is efficient and innovative master planning of land utilization. We believe that our business model, built upon large-scale, city-core development projects, will position us to benefit from the expected emergence of modern cities in China.

In mid-2009, we launched our Three-Year Plan which is designed to accelerate sustainable growth and maintain a closer balance between value creation for the longer term and cash generation in the short- to medium-term. The cornerstone of our Three-Year Plan is to expedite the development completion of our landbank portfolio.

As of June 30, 2010, we have obtained land use rights certificates, or have entered into land grant contracts or legally binding master agreements with district governments for approximately 12.9 million sq.m. of landbank, of which approximately 9.5 million sq.m. is attributable to us. These land parcels fall under our eight major multi-phase projects with an aggregate estimated leasable and

saleable GFA of approximately 11.3 million sq.m. and approximately 1.6 million sq.m. of car parks and other public facilities. We have a controlling interest in all of the projects, except for the Dalian Tiandi project. In order to develop the Dalian Tiandi project, we entered into a joint venture agreement with SOCAM and the Yida Group. This project in Dalian city is expected to have approximately 3.3 million sq.m. of aggregate GFA, of which 48% will be attributable to us. Among such 3.3 million sq.m. of aggregate GFA, we have signed legally binding contracts for the acquisition of two plots of land with an aggregate GFA of 3.0 million sq.m. For the remaining plots of land, we plan to participate in the bidding or public auction, once they are ready for sale. We expect that the aggregate GFA on such remaining plots of land for the Dalian Tiandi project will be approximately 0.3 million sq.m.

As of June 30, 2010, we have eight major multi-phase projects in various stages of development located in the Chinese cities of Shanghai, Hangzhou, Wuhan, Chongqing, Foshan and Dalian. Shanghai and Hangzhou are located in the economically vibrant Yangtze River Delta, Wuhan is a major transportation hub located in central China and Chongqing is a major commercial and industrial center in southwestern China. Foshan, located in the Pearl River Delta, one of the major economic regions and manufacturing centers in China, is a major city in Guangdong Province and is close to Guangzhou city. Dalian, located on the coast of Bohai Bay, is a major city in Liaoning Province and a regional economic center in northeast China.

Current projects

- ***The Shanghai Taipingqiao project*** is a city-core development project consisting of office, residential, commercial, retail, entertainment and cultural properties in the heart of Shanghai. Upon completion, we expect this project to have a total leasable and saleable GFA of approximately 1.2 million sq.m., of which approximately 243,000 sq.m. had been sold as of June 30, 2010. This project comprises:

  - A historic restoration zone (Lots 109 and 112, or Shanghai Xintiandi), which has been open since 2001 and was fully completed in 2002;

  - A corporate headquarters zone (known as Corporate Avenue), of which Lot 110, or phase 1 of Corporate Avenue, consisting of retail and office properties, was completed in 2004;

  - An up-market residential zone, of which the first phase (Lot 117, or Lakeville) was completed in 2003, the second phase (Lot 114, or Lakeville Regency) was completed in 2006 and the construction of the third phase (Lot 113, or Casa Lakeville) was completed in 2010; and

  - A commercial zone, construction of which will commence following the completion of the relocation of existing residents.

  The four zones referred to above are all located around a man-made lake and landscaped area which cover an area of approximately 56,000 sq.m.

- ***The Shanghai Rui Hong Xin Cheng project***, also known as Shanghai Rainbow City, has been enlarged through our successful purchase of all the equity interests in Shanghai Baili Property Development Company Limited and the obtaining of the title with respect to the land use rights of Lot 167A and Lot 167B, Xingang, Hongkou District, Shanghai in June 2010. Upon completion, we expect this entire project to have a total leasable and saleable GFA of approximately 1.6 million sq.m., of which approximately 388,000 sq.m. has been sold as of June

30, 2010. Shanghai Rui Hong Xin Cheng will redevelop the existing residential neighborhoods into an upper-middle class residential community complete with modern amenities. Shanghai Rui Hong Xin Cheng is located within the Inner Ring Viaduct of Shanghai with public transportation links including its own dedicated metro station and major roads. Upon completion, we expect the project will comprise high rise residential buildings, commercial shopping complexes and schools.

- ***The Shanghai KIC project***, also known as the Shanghai Chuangzhi Tiandi project, comprises retail, entertainment and sports facilities, office buildings and residential properties. Upon completion, we expect this project to have a total leasable and saleable GFA of approximately 0.5 million sq.m., of which approximately 129,000 sq.m. has been sold as of June 30, 2010. This project is intended to inspire innovation and entrepreneurship, supported by retail, entertainment and sporting facilities to create a "Live-Work-Play" lifestyle. The project is located close to 17 major universities and colleges in the northeast of downtown Shanghai, including some of China's leading universities such as Fudan University and Tongji University. The project will provide a "hub area," comprising office buildings, learning centers, exhibition halls, conference and convention facilities, and commercial outlets designed to function as a work, leisure, educational and cultural center and "live-work" area, a mixed-use area comprising office buildings, retail shops and residential accommodation.

- ***The Hangzhou Xihu Tiandi project*** is an important development project similar to Shanghai Xintiandi comprising retail, food and beverage and entertainment facilities. Upon completion, we expect to have a total leasable and saleable GFA of approximately 48,000 sq.m. The project is situated adjacent to Hangzhou's West Lake, one of China's most famous and appreciated areas of natural beauty. Hangzhou, the capital city of Zhejiang Province, is a popular holiday destination approximately 180 kilometers away from Shanghai, and is connected to Shanghai by a modern super highway.

- ***The Wuhan Tiandi project*** is a city-core development project comprising retail, food and beverage and entertainment facilities, office buildings and residential properties. Upon completion, we expect this project to have a total leasable and saleable GFA of approximately 1.4 million sq.m., of which approximately 123,000 sq.m. has been sold as of June 30, 2010. Located between Shanghai and Chongqing at the confluence of the Han River and the Yangtze River, Wuhan is a major transportation hub in inland China and is the capital of Hubei Province. The project comprises two main sites, Site A and Site B, which will include Grade A office buildings, retail facilities, hotel and residential properties.

- ***The Chongqing Tiandi project*** is a city-core development project comprising office buildings, exhibition and conference facilities, retail and entertainment outlets, hotels and residential properties. Upon completion, we expect this project to have a total leasable and saleable GFA of approximately 2.8 million sq.m., of which approximately 93,000 sq.m. has been sold as of June 30, 2010. The Chongqing Tiandi project is situated on a hillside on the south bank of the Jialing River, just upstream of the confluence of the Yangtze and Jialing Rivers. We expect this project will help support and service Chongqing's extensive manufacturing and service industries. Chongqing Tiandi will be integrated with Chongqing's nearby central business district via a light rail system and major roads. The main features, in addition to modern high-quality office buildings, are expected to include a commercial core comprising business facilities such as an exhibition center and luxury hotels, a large residential area, entertainment and cultural properties, as well as a man-made lake.

- ***The Foshan Lingnan Tiandi project*** is a city-core development project comprising office, retail, hotel, cultural facilities and residential properties. The project is expected to have nearly 1.5 million sq.m. of leasable and saleable GFA. The project is planned for development in 5 phases over a period of 10 years. We may also invite strategic partners to co-invest in this Foshan Lingnan Tiandi Project if, and when, suitable opportunities arise, but no definite plans or terms have been fixed.

- ***The Dalian Tiandi project*** is a development consisting of software offices, residential and commercial properties, training centers, hotels and an area of a Shanghai Xintiandi type development. Upon completion, we expect this project to have an aggregate leasable and saleable GFA of approximately 3.2 million sq.m., subject to our success in acquiring the land with an expected GFA of 0.3 million sq.m. through competitive bidding process. We have a 48% interest in the Dalian Tiandi project. Our joint venture partners are the Yida Group with a 30% interest and SOCAM with a 22% interest. Dalian, located on the coast of Bohai Bay, is a major city of Liaoning Province and a regional economic center in northeast China.

The following table provides information relating to our landbank as of June 30, 2010.

	Approximate/Estimated leasable and saleable GFA							
	Office	Retail	Residential	Hotel/ serviced apartment/ clubhouse	Car park and other facilities	Total GFA	Group's interest	Attributable GFA
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(percent)*	*(sq.m.)*
Completed properties:								
Shanghai Taipingqiao[(1)]	81,000	54,000	10,000	18,000	54,000	217,000	99.0%[(9)]	214,000
Shanghai Rui Hong Xin Cheng[(2)]	—	35,000	—	9,000	36,000	80,000	74.3%[(10)]	60,000
Shanghai KIC[(3)]	54,000	32,000	1,000	4,000	67,000	158,000	86.8%[(11)]	137,000
Hangzhou Xihu Tiandi[(4)]	—	6,000	—	—	—	6,000	100.0%	6,000
Wuhan Tiandi[(5)]	—	46,000	1,000	—	25,000	72,000	75.0%	54,000
Chongqing Tiandi[(6)]	—	2,000	14,000	3,000	17,000	36,000	79.4%	29,000
Dalian Tiandi[(7)]	42,000	—	—	—	14,000	56,000	48%	27,000
Subtotal	177,000	175,000	26,000	34,000	213,000	625,000		527,000
Properties under development:								
Shanghai Taipingqiao	105,000	81,000	—	—	115,000	301,000	99.0%	298,000
Shanghai Rui Hong Xin Cheng	—	12,000	188,000	6,000	32,000	238,000	74.3%	177,000
Shanghai KIC	84,000	19,000	—	—	59,000	162,000	86.8%[(11)]	141,000
Hangzhou Xihu Tiandi	—	42,000	—	—	27,000	69,000	100.0%	69,000
Wuhan Tiandi	310,000	104,000	206,000	63,000	39,000	722,000	75.0%	542,000
Chongqing Tiandi	400,000	193,000	409,000	105,000	339,000	1,446,000	79.4%[(12)]	1,011,000
Foshan Lingnan Tiandi	—	148,000	136,000	50,000	120,000	454,000	100.0%	454,000
Dalian Tiandi	163,000	37,000	147,000	49,000	95,000	491,000	48.0%	236,000
Subtotal	1,062,000	636,000	1,086,000	273,000	826,000	3,883,000		2,928,000
Properties held for future development:								
Shanghai Taipingqiao	174,000	118,000	256,000	38,000	44,000	630,000	99.0%[(9)]	580,000
Shanghai Rui Hong Xin Cheng	158,000	116,000	709,000	—	13,000	996,000	74.3%[(10)]	740,000
Shanghai KIC	93,000	—	48,000	18,000	—	159,000	99.0%	157,000
Wuhan Tiandi	35,000	92,000	426,000	—	36,000	589,000	75.0%	442,000
Chongqing Tiandi	329,000	234,000	959,000	78,000	378,000	1,978,000	79.4%	1,571,000
Foshan Lingnan Tiandi	450,000	137,000	545,000	80,000	38,000	1,250,000	100.0%	1,250,000
Dalian Tiandi[(8)]	1,127,000	568,000	1,036,000	42,000	—	2,773,000	48.0%	1,331,000
Subtotal	2,366,000	1,265,000	3,979,000	256,000	509,000	8,375,000		6,071,000
Total landbank GFA	3,605,000	2,076,000	5,091,000	563,000	1,548,000	12,883,000		9,526,000

(1) Includes unsold portion in Shanghai Xintiandi, Lakeville, Corporate Avenue, Lakeville Regency and a portion of Casa Lakeville of Shanghai Taipingqiao.

(2) Includes unsold portion in Phase 1, Phase 2 and a portion of Phase 3 of Shanghai Rui Hong Xin Cheng.

(3) Includes unsold portion in KIC Village R1 and R2 and KIC Plaza Phase 1 of Shanghai KIC.

(4) Includes Phase 1 of Hangzhou Xihu Tiandi.

(5) Includes unsold portion in Phase 1 and a portion of Phase 2 of the The Riverview and the commercial part of the Wuhan Tiandi project.

(6) Includes unsold portion in Phase 1 of The Riveriera of Chongqing Tiandi.

(7) Includes a portion of Phase 1 of Dalian Tiandi.

(8) Dalian Tiandi has a landbank of 3.3 million sq.m. in GFA. The master planning with respect to this landbank has been approved by the Dalian Urban Planning Bureau on January 2, 2008. As of June 30, 2010, approximately 3.0 million sq.m. has been acquired. In order to comply with PRC rules and regulations, the remaining GFA of approximately 0.3 million sq.m. will be acquired through public bidding in due course.

(9) The Group has a 99.0% interest in all the lots, except for Shanghai Xintiandi and Lot 116, in which the Group has 97.0% and 50.0% effective interest respectively.

(10) The Group has a 74.3% interest in Shanghai Rui Hong Xin Cheng, except for Phase 1, Lots 167A and 167B in which the Group has 75.0% interest.

(11) An agreement was concluded on August 14, 2007 to increase the Group's equity interest from 70.0% to 86.8%, subject to completion of capital injection. In October 2010, the additional capital injection was successfully completed.

(12) The Group has a 79.4% interest in Chongqing Tiandi, except for Lot B11-1/02 of which the Group has a 59.5% effective interest.

The projects described above are multi-phase projects at various stages of development. While none of these projects are completed in their entirety, certain developments within these multi-phase projects have been completed. As of June 30, 2010, our completed developments included Shanghai Xintiandi, Lakeville, Corporate Avenue, Lakeville Regency, a portion of Casa Lakeville, which form a part of the Shanghai Taipingqiao project, Phase 1, Phase 2 and a portion of Phase 3 of the Shanghai Rui Hong Xin Cheng project, KIC Village R1 and R2, and KIC Plaza Phase 1 of the Shanghai KIC project, Phase 1 of the Hangzhou Xihu Tiandi project, Phase 1 of The Riviera of the Chongqing Tiandi project, Phase 1 and a portion of Phase 2 of The Riverview and the commercial part, Wuhan Tiandi of the Wuhan Tiandi project and a portion of Phase 1 of the Dalian Tiandi project.

We are one of the few leading property developers with experience in managing large-scale, complex, long-term projects in China. We generally hold a portfolio of quality properties we have developed as strategic, long-term investments. To date, such portfolios comprise office, retail, entertainment and cultural properties. We have also developed and operate 88 Xintiandi, a boutique hotel.

Other potential projects

On September 30, 2010, we made a successful bid for a land parcel located in the Hongqiao Transportation Hub, Shanghai, the PRC for RMB3,188 million. We have made a partial payment and expect the land grant contract to be entered into in 2011. The land is adjacent to and directly linked to the Hongqiao Transportation Hub. We expect that the Hongqiao Transportation Hub will become an important economic center of the Yangtze Delta, and will link Shanghai to the rest of the PRC. Based on the latest proposed development plan of the Shanghai government, the Hongqiao Transportation Hub is expected to be supported by a strong transportation network of an international airport, high speed inter-city trains, Maglev train, subway lines and a highway network. As a result of the geographical proximity to the Hongqiao Transportation Hub, we believe that the acquisition is a unique investment opportunity for the Group. The land will be developed into retail, office and hotel properties, with an estimated above-ground GFA of 233,149 sq.m.

To enhance the scale of the Shanghai KIC project, we have entered into agreements to acquire a local company that has the right to develop a site adjacent to our existing project, known as Plot A of Lot 24, Qiu 1, Fang 3, New Jiang Wan City, with an aggregate GFA of approximately 137,400 sq.m. for office and commercial property development. As of June 30, 2010, the acquisition process is yet to be completed and this land parcel does not currently form part of the landbank of the Shanghai KIC project.

Our Competitive Strengths

We believe that our success and future prospects are underpinned by a combination of the following competitive strengths.

Access to land in prime locations

Our well-established presence and highly regarded reputation in China has enabled us to gain access to prime land resources. As of June 30, 2010, we had access to approximately 12.9 million sq.m. of total GFA, of which approximately 9.5 million sq.m. of GFA is attributable to us. Our existing projects are located in the cities of Shanghai, Hangzhou, Wuhan, Chongqing, Foshan and Dalian, all of which are cities where we expect demand for quality properties to grow. Within each of these cities, our projects are in or near business or education centers, which we consider to be prime locations. We expect demand for properties in these areas to be higher than in other locations, including less central locations in each of the respective cities. We believe our product mix of each project fits well within its location. For example, the Shanghai KIC project, which has been designed to create a knowledge and innovation community in which professionals and entrepreneurs live, work and interact, is in the Yangpu district of Shanghai, in which 17 universities and colleges are also located (including two of the leading universities in the PRC, Fudan University and Tongji University).

Strong corporate governance and internal controls

We have established internal control procedures. In early 2005, we appointed a "big four" international accounting firm to provide internal audit services for us and to assist us in enhancing our system of internal controls, including an assessment of the risk control and management of our business operations, performance of regular internal audit reviews according to the internal audit plans approved by our audit committee and follow-up reviews on management implementation of recommended actions. Since March 2007, our in-house audit division has performed these functions, reporting directly to our board of directors.

Our highly experienced management team operates in accordance with what we believe to be international industry best practices and strong corporate governance standards. We have a remuneration committee, an audit committee, a nomination committee and a finance committee. We also have an ethics committee which is responsible for conflicts of interest, ethical business practices, fair dealings in business relationships and proper financial dealings.

We have received several awards in recognition of the Group's outstanding corporate governance, including 5th Corporate Governance Asia Recognition Award from "Corporate Governance Asia" magazine in 2009, The Best in Corporate Governance 2008 — Honorable Mentions (Hong Kong) from "The Asset" magazine, and Best Practice Awards 2008 — Enterprise Governance from the Best Practice Management Group.

End-to-end capabilities to develop and manage properties that comprise our large-scale mixed-use development projects

We believe we are among the leading property developers in China possessing end-to-end capabilities to develop and manage large-scale, multi-phase premium integrated residential and commercial properties, from master planning expertise, through the development cycle to ongoing property management expertise. We have a proven track record of developing and managing premium properties that comprise our city-core or integrated residential development projects. Our development projects are characterized by innovative designs and high-quality construction and finishing. Before embarking on a development, we carry out extensive feasibility studies on the region, the city and the specific project. We also work closely with local governments to understand their needs and aspirations for the whole area and develop a plan that will be economically viable while preserving any historical aspects of the location. We believe that our approach to master planning has helped shape the social and urban development of Shanghai and we take the same approach with all our projects. See "— *Our Property Projects*."

We adopt methodical property development quality controls, using an ISO 9001:2008 certified quality management system covering every stage of the development process, such as procurement of services and building materials, design and construction and project management. We also conduct regular quality assessments of our projects and contractors to ensure that our high standards are being met. Our end-to-end approach to quality assurance helps ensure that our projects are developed to our high standards. Once we have completed a project, to ensure the quality of the development, we provide comprehensive ongoing property management services and maintenance.

Well positioned to identify and develop future projects

We believe we are well positioned to access land for our future projects, and we have a competitive advantage in the early identification of project opportunities for the following reasons:

- Our master planning expertise puts us among the leading property developers in China with a successful track record and the financial resources and management capability to undertake large-scale, integrated property projects that have the redevelopment and transformational aspects characterized by our city-core and integrated projects;

- We have a project evaluation system to help identify new projects in targeted cities in the PRC which actively involves our senior management, including Mr. Lo;

- We are often invited by local authorities, such as the authorities in Dalian and Foshan in 2006 and 2007, to evaluate potential new project opportunities at an early stage, which frequently gives us the first mover advantage of being able to select suitable opportunities;

- We typically get involved from the initial stage of master planning for the site areas in which we are interested. As such, we believe we have a competitive advantage over certain other developers who bid for the land primarily based on price and without a comprehensive plan for transforming the local community; and

- Our more than 20 years of property development experience has allowed us to develop a good understanding of the regulatory processes in China and to form important relationships at various levels of the PRC government, including local governments with whom we work closely in formulating our master plans.

Quality leadership and human resources

Our management team, led by Mr. Lo, has a number of key executives with over 20 years of property development experience in mainland China and over 30 years of construction and property development experience in Hong Kong. We benefit from the close involvement of Mr. Lo in our property development projects, particularly during the origination and design stages of the projects. At the time of our establishment, a team from the Shui On Group was transferred to us, some of whom had been with the Shui On Group for over 15 years. Since then, we have hired staff from other reputable developers in Hong Kong, where they accumulated in-depth industry knowledge, developed strong technical capabilities and established project development expertise. We also conduct ongoing training and management programs for our employees to keep their knowledge current on industry standards and developments and to enhance their expertise in managing large and complex property developments to international standards.

We have also designed and established a number of management training programs to foster and develop the future generations of our management. These include our management trainee and cadet schemes, through which we seek to attract, train and retain the best graduates from premier schools, universities and education institutions in China. See the section entitled "— *Employees — Training and Development*." We also sponsor members of our senior management to undertake further education (including master degree courses or non-degree courses) at leading international academic institutions, including Harvard University and the Wharton School, University of Pennsylvania.

Established brand and reputation

We believe that due to the high-quality and innovative designs of our properties, as well as an effective marketing strategy, we have established a strong brand name in the China property market. Our attention to quality and design has resulted in the achievement of a number of awards which have further enhanced our brand and reputation. See "— *Our Property Projects*." We believe that our brand gives us a competitive advantage that allows us to achieve premium sales prices and rentals. Our brand also helps us to secure land in prime locations and to attract other well regarded professionals and partners to collaborate with us on our property projects. To further strengthen our brand name, we conduct extensive research to position our products as the premier products within each market sector in which we operate. In addition, after completion of a project, we continue to focus on brand management through ownership and/or management of our office and retail properties as well as our provision of property management services for our residential properties.

Benefits from large-scale projects and rigorous cost controls

Our focus on large-scale developments provides us with a number of strategic and operational benefits, including:

- The development of earlier phases of a multi-phase development often enhances the desirability of properties in the surrounding area, as it provides us with an opportunity to demonstrate to the market our appealing concept and the possibility to further improve our concept in the following phases. This enhances the value of our projects and reduces our development risk; and

- Mobilization of construction equipment for a subsequent phase of an existing site can be accomplished more quickly and cheaply than relocating plant, equipment, staff and sales offices and display apartments to a new site.

Our focus on large-scale developments also brings cost efficiencies, particularly in terms of procurement of materials and in negotiating construction contracts and enables us to optimize our utilization of plant and equipment, personnel resources and information systems. Our management has over 30 years of construction and property development experience during which time we have developed and adopted a systematic and disciplined approach to cost identification, control and management. We have developed cost accounting and management reporting systems and adopted cost control systems to enable us to track costs against set budgets. To balance cost competitiveness with quality of service, we tender for services on a project-by-project basis to ensure that pricing is tailored to each specific project and that we select the best available partners and consultants.

STRATEGY

In response to the need for balancing value creation and cash flow in a volatile global business environment, together with our vision to be the premier and most innovative property developer in China, in mid-2009, we introduced and are now implementing our Three-Year Plan to maintain a closer balance between value creation for the long term and cash generation in the short- to medium-term in order to achieve sustainable growth. The cornerstone of our Three-Year Plan is to expedite the development and to increase the completion rate consistently and continuously, by which we target to stay ahead of the market and generate sufficient cash flow for our accelerated program and expansion.

Our strategies to achieve our vision are as follows:

Standardization and customization to achieve efficiency

Standardization includes synchronizing best practice, standards and the operating systems of project teams and centralizing procurement, product design and layouts through formalized strategic partnerships with key architects, consultants, contractors and suppliers. We have set a target that 70% of construction materials for our projects are purchased through centralized procurement systems. Such strategies have been in operation for the last three years and have been proved to be effective. In addition, we have introduced an e-tendering system for procurement to further enhance operational efficiency. These initiatives have lowered production costs, streamlined procedures, and improved control of delivery timing and procedures. Standardization of product design and layout plans has shortened the development cycle and construction time, enabling us to expedite our construction works and to achieve targets.

In order to provide better quality and differentiated products to end-users, we continued our premium customization program in certain key projects. For Phase 3 of the Shanghai Rui Hong Xin Cheng project launched in 2009, we offered our customers a selection of interior designs based on different floor plans for approximately 20% of the units. These initiatives evoked a favorable market response. We will continue to expand and promote such initiatives across our projects.

Strong cash flow and low gearing ratio

Steady growth in the rental income of our investment properties portfolio further enhanced our financial performance, improving our cash flow position and capital structure. Property sales from various projects and rental income from our investment properties provides stable and recurrent income. The rental income stream will continue to grow as more of our investment properties are completed in the coming years. Strong cash flow and a low gearing ratio provide us with more flexibility in capital management and enable us to meet our funding requirements.

Decentralized decision-making and project-based management

The decentralization process and project-based management were implemented on January 1, 2010. At the central level, the corporate head office retains responsibility for financial management and capital allocation, as well as formulation of corporate development strategies. At the project level, because many of our projects are maturing, with a significant portion of the site area cleared and site formation completed, we initiated a project-based organization which is more conducive to coping with the ever-increasing construction volume and product delivery and providing for faster cash flow. In order to facilitate project teams to make timely, front line decisions about product development, construction management, sales and marketing and leasing, we initiated decentralization to allow greater autonomy for the project teams to make these decisions so that our projects are not only of the highest quality but also financially self-sufficient.

Achieve and maintain geographic diversity and a well-diversified business mix between properties for sale and investment properties and minimize development risk

The locations and scope of our projects help us achieve turnover, geographic and product diversity. We have a geographically diverse project portfolio located in the key cities of Shanghai, Hangzhou, Wuhan, Chongqing, Foshan and Dalian and have been constantly exploring project development opportunities in other strategic cities. We will continue to maintain a spread of our development sites to both limit earnings volatility from potential regional property market fluctuations and to allow us to enjoy regional growth upsides.

Our projects are typically completed in several phases and each project may contain properties that range from those for which we have entered into master agreements but where construction work has not yet begun, to fully completed properties for which land use rights have been granted, sales have commenced and retail and office space has been leased. We believe that the spread of development phases allows us to minimize development risks while providing earnings growth potential.

In addition, an important part of our long-term business strategy is to achieve and maintain a diversified earnings base balanced between development activities, which generate profits primarily from the sale of completed residential projects or other assets, and investment activities, which consist predominantly of office and retail assets retained by us to generate recurring income and long-term capital gains. We intend to continue to pursue turnover, product and geographical diversification, together with a sequencing of development phases, with a view to achieving and maintaining a well-diversified earnings base.

Forge strategic partnerships with developers, contractors, consultants and investors

Strategic partnership continues to be one of the pillars of our long-term business strategies to give synergies to the project developments. We continue to expand our strategic partnership with Winnington and its affiliates, with whom we are working together to re-position the Shanghai Rui Hong Xin Cheng project. Further, in July 2009, we entered into an agreement with Redevco B.V., a renowned retail real estate operator in Europe with 150 years of experience. The cooperation agreement involved the construction and operation of a commercial podium of approximately 100,000 sq.m. in the Wuhan Tiandi project.

The following table sets forth Winnington's investments in a certain number of our projects:

Project	Holding company of the project	Shareholding in holding company held by Winnington or its affiliates
Lot 116 of Shanghai Taipingqiao project . . .	Portspin Limited	49%
Shanghai Rui Hong Xin Cheng project.	Foresight Profits Limited	25%
Wuhan Tiandi project.	Fieldcity Investments Limited	25%
Chongqing Tiandi project.	Score High Limited	19.8%
Super High Rise development in Chongqing Tiandi project.	Rightchina Limited	25%

As of June 30, 2010, we will continue to look for appropriate strategic partners to co-develop projects, either at a project level and/or for a particular parcel of land. This strategy allows us to accelerate returns from our projects, diversify our risks and enhance cash flow. This strategy brings synergies to us by tapping the expertise and know-how of prospective partners.

Our Property Projects

We have eight major multi-phase projects at various stages of development. Three are located in Shanghai, and one in each of Hangzhou, Wuhan, Chongqing, Foshan and Dalian.

Our property projects take a number of years to complete and we classify each project into three categories according to their stage of development:

- **Completed properties**. Completed properties are projects for which construction of all constituent buildings has been completed and that are available for lease or sale. As of June 30, 2010, the total GFA of our completed properties is approximately 625,000 sq.m., of which approximately 527,000 sq.m. of GFA is attributable to us;

- **Properties under development**. Properties under development are incomplete property projects that are under construction or design and are in the delivery pipeline. As of June 30, 2010, the total GFA of our properties under development is approximately 3,883,000 sq.m., of which approximately 2,928,000 sq.m. of GFA is attributable to us; and

- **Properties held for future development**. Properties held for future development are properties under planning or under relocation. They represent projects for which we have entered into a legally binding master agreement or similar arrangement with, or which we have been awarded following a competitive tender by the relevant regulatory authorities, and for which we have started planning but not relocation or construction. As these properties are still at the planning stage, the details of the development plans or estimated GFAs in this offering memorandum reflect our current design and expectations only, and are subject to change and approvals by the relevant government authorities. As of June 30, 2010, the total GFA of our properties held for future development is approximately 8,375,000 sq.m, of which approximately 6,071,000 sq.m. is attributable to us.

The total landbank consists of the above-mentioned three categories of properties. Generally, it takes a total of approximately 36 months to complete a lot for a project once construction commences.

Our Shanghai projects

We have three projects in Shanghai, namely the Taipingqiao project, the Rui Hong Xin Cheng project and the Shanghai KIC project.

Shanghai Taipingqiao project

Description

The Shanghai Taipingqiao project is a city-core development project. The planning of the Shanghai Taipingqiao project adopts an integrated approach to urban planning, with an emphasis on the restoration of historic buildings and the establishment of an integrated community. At the center of the project is one of the largest man-made lakes in the center of Shanghai with a surface area of approximately 12,000 sq.m., and a park which covers an area of approximately 44,000 sq.m. with an underground car park which has approximately 230 spaces. When completed, we expect the Shanghai Taipingqiao project to comprise a GFA of approximately 656,000 sq.m. of office, retail, entertainment, hotels, serviced apartments and cultural space, in addition to a GFA of approximately 522,000 sq.m. of high-end residential properties and clubhouses, including approximately 243,000 sq.m. of GFA sold as of June 30, 2010.

Master planning

The Shanghai Taipingqiao project is located in the Luwan District and in the city center of Shanghai. A number of domestic and multinational corporations have offices nearby and important transport lines, such as the South-North Viaduct and the Inner Ring Viaduct, and Shanghai's Metro Line no. 1, no. 8 and no. 10, run through this area. The project is just south of Huai Hai Zhong Road, one of Shanghai's principal commercial streets. This section of Huai Hai Zhong Road is a prime office location, with a number of Grade A office towers.

In December 1996, Shui On Properties Limited, a company within the Shui On Group, entered into a master agreement with the Luwan District government in relation to the development of the Shanghai Taipingqiao project.

Under the terms of the master agreement, the development of the site will be carried out by a Sino-foreign equity joint venture in which Shui On Properties Limited or any of its subsidiaries holds a 90% to 95% interest and a Chinese partner entrusted or designated by the Luwan District government holds a 5% to 10% interest. We acquired our interest in the equity joint venture from the Shui On Group in April 2004. In connection with that acquisition, Shui On Properties Limited undertook to exercise all of its rights under the master agreement for our benefit and as we direct, pursuant to a deed of undertakings dated April 29, 2004.

Pursuant to the Taipingqiao master agreement, the parties commissioned the international planning and urban design architectural firm Skidmore, Owings & Merrill to develop a master development plan for the Taipingqiao area. The last revised plan was approved by the Shanghai Municipal Planning Bureau in September 2005.

The first phase of the Shanghai Taipingqiao project consisted of the historic restoration zone and construction of the lake and park area and part of the up-market residential zone. Included in this phase is the northern part of Shanghai Xintiandi (Lot 109), which has been open since mid-2001, and Lakeville (the high end residential zone), which was completed in 2003. Substantially all of the retail spaces in the northern part of Shanghai Xintiandi have been leased and all of the residential units of Lakeville were sold following the completion of Shanghai Xintiandi.

The southern part of Shanghai Xintiandi (Lot 112) consists of a four-story shopping mall and a six-story boutique hotel known as 88 Xintiandi. We completed the construction of the shopping mall and 88 Xintiandi in 2002, and commenced operations in the same year.

We commenced pre-sales of the second phase of the residential zone, Lakeville Regency, in the first quarter of 2006. As of June 30, 2010, the sale of 127,000 sq.m. GFA has been closed. We commenced pre-sales of a portion of the third phase of the residential zone, Casa Lakeville, in June 2008. The relocation of residents on Lots 126 and 127 commenced in early 2007 and the relocation of residents on Lot 115 commenced in December 2009. In addition, the relocation of Lot 116 began in November 2010. We plan to start development on the remaining lots on a progressive basis from 2011 onwards.

On June 29, 2007, the Issuer entered into a legally binding agreement with Trophy Property Development L.P. ("**Trophy Property**") for the sale of 49% of Portspin Limited, a BVI company which has the right to develop Lot 116 of the Shanghai Taipingqiao project. The transaction closed in July 2007. On December 17, 2008, Trophy Property transferred all its shares in Portspin Limited to Taipingqiao 116 Development Company Limited.

Project overview

The following table sets forth the development status of the Shanghai Taipingqiao project as of June 30, 2010:

	Approximate/Estimated leasable and saleable area							
	Office	**Retail**	**Residential**	**Hotel/ service apartment/ clubhouse**	**Car park and other facilities**	**Total GFA**	**Group's interest**	**Attributable GFA**
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(percent)*	*(sq.m.)*
Completed properties								
Xintiandi	5,000	47,000	—	5,000	12,000	69,000	97.0%	67,000
Corporate Avenue	76,000	7,000	—	—	16,000	99,000	99.0%	98,000
The Lakeville	—	—	—	1,000	7,000	8,000	99.0%	8,000
Lakeville Regency	—	—	—	9,000	18,000	27,000	99.0%	27,000
Casa Lakeville (Towers 3-8)	—	—	7,000	2,000	—	9,000	99.0%	9,000
Casa Lakeville (Towers 1,2,9-12)	—	—	3,000	1,000	1,000	5,000	99.0%	5,000
Subtotal	81,000	54,000	10,000	18,000	54,000	217,000		214,000
Properties under development								
Casa Lakeville (Xintiandi Style)	—	29,000	—	—	34,000	63,000	99.0%	62,000
Lot 126	50,000	24,000	—	—	38,000	112,000	99.0%	111,000
Lot 127	55,000	28,000	—	—	43,000	126,000	99.0%	125,000
Subtotal	105,000	81,000	—	—	115,000	301,000		298,000
Properties for future development[(2)]	174,000	118,000	256,000	38,000	44,000	630,000	99.0%[(1)]	580,000
Total	360,000	253,000	266,000	56,000	213,000	1,148,000		1,092,000

(1) The Group has a 99.0% interest in all the remaining lots, except for Lot 116, in which we have a 50.0% effective interest after the sale of a 49.0% interest to a strategic partner in 2007.

(2) Includes Lots 116, 118, 122-1/2 and 122-3 as discussed below.

We completed construction of Lakeville in 2003, Lakeville Regency in 2006 and Casa Lakeville in 2010. The sold units together comprised an aggregate GFA of approximately 243,000 sq.m. as of June 30, 2010. Ownership of all units in these residential developments, and some car parking spaces, have been transferred to the individual owners. We have, however, retained the property ownership rights in relation to the unsold units, clubhouses and the unsold car parking spaces.

Relocation of original residents

Pursuant to the relocation agreements entered into between us and the Luwan District government, the Luwan District government has appointed relocation companies to handle the relocation for the Shanghai Taipingqiao project. We are responsible for the costs of relocation. As of June 30, 2010, approximately 98%, 90% and 79% households on Lots 126, 127 and the first stage of Lot 115, respectively, had signed relocation agreements. See "*Regulation — The Land System of the PRC*" and "*Risk Factors — Risks relating to our Business — For some of our development projects, we are required to relocate existing residents and pay relocation costs, and the relocation process may not be completed as planned*."

Project details

The Shanghai Taipingqiao project blends the architecture and charm of "Old Shanghai" with modern features and amenities. The objective of the Shanghai Taipingqiao project is to revitalize the quality of the district's living environment and infrastructure.

Historic restoration zone

The historic restoration zone, Shanghai Xintiandi, is a retail and entertainment area. The northern part of Shanghai Xintiandi has been open since mid-2001 and the southern part of Shanghai Xintiandi has been open since August 2002. Xintiandi, which means "New Heaven and Earth" in Chinese, features a mix of upscale, well known retail shops and boutiques, coffee shops, restaurants, sidewalk cafes, art galleries, a museum and entertainment, cultural and recreational facilities. Shanghai Xintiandi was designed to be a re-creation of a large area of old "Shikumen," with stone-gated, courtyard houses with stone-framed entrances, an architectural symbol of early 20th century Shanghai. These old buildings, which are located throughout the site, were restored and integrated with modern buildings and feature historical and cultural characteristics. Shanghai Xintiandi has become popular with both locals and visitors.

The northern part of the Shanghai Xintiandi site features renovated or restored traditional stone buildings, or Shikumen houses, and consists primarily of speciality food and beverage, entertainment and retail facilities. The southern part of the Shanghai Xintiandi site consists of a multi-purpose entertainment and retail complex with a contemporary architectural design and a boutique hotel (88 Xintiandi). The central piazza running from north to south features landscaped open areas, outdoor cafes and show areas, which we believe introduces an element of action and vitality to the area and also serves as a link between the various areas within Shanghai Xintiandi. An underground car park with approximately 210 parking spaces has been constructed in the southern part of the Shanghai Xintiandi site. In addition, we have one clubhouse, one souvenir shop and one open-house museum located in the northern part of Shanghai Xintiandi.

Shanghai Xintiandi, which has a leasable and saleable GFA of approximately 57,000 sq.m., has been retained for rental purposes and, as of June 30, 2010, these rental units had been almost completely rented. Our tenants include UME, I.T., Starbucks, TMSK, Paulaner, Va Bene, Shanghai Tang, Zen and Ye Shanghai.

Corporate headquarters zone

The corporate headquarters zone, known as Corporate Avenue, comprises properties built around the Taipingqiao lake and is adjacent to Shanghai Xintiandi. Corporate Avenue consists of Grade A office buildings with commercial and entertainment complexes, including high-end luxury retail stores designed to create a prestigious retail shopping corridor along the lakefront. The office towers serve as an extension to the commercial area along Huai Hai Zhong Road and are intended to capitalize on their proximity to the Huang Pi Nan Road and Xi Zang Zhong Road metro stations. Tenants in this area are to include major multinational and domestic corporations. We plan to retain and lease out all units in the corporate headquarters zone.

A portion of Corporate Avenue to the north of the Taipingqiao lake, Lot 110, was completed in 2004. Lot 110 consists of lakefront twin towers and a retail podium. The office portion has a GFA of approximately 76,000 sq.m. The twin towers feature art deco style architecture, characteristic of Shanghai in the 1930s. The towers are linked by retail facilities, with a GFA of approximately 7,000 sq.m. The retail portion of Lot 110 is intended to be part of the planned retail shopping corridor (referred to above). Our major multinational corporate tenants include PricewaterhouseCoopers, Amway, Oracle, BHP, Lufthansa and Ports International. As of June 30, 2010, Lot 110 had been almost completely rented.

Lots 126 and 127 will be mixed retail and office developments around the Taipingqiao lake. We intend to target multinational and domestic corporations, major professional firms, financial institutions, consultants and selected high-end retailers as tenants of the office properties. The retail portion will serve as an extension of the lakefront shopping corridor and will feature retail outlets of luxury brands and specialty merchandise.

Construction for Lots 126 and 127 is expected to commence in 2011 and is expected to be completed in 2013 and 2014, respectively.

Up-market residential zone

The up-market residential zone will be a multi-phase residential development, targeting high-income residents.

Lakeville (Lot 117). Lakeville is located at the junction of Zi Zhong Road and Ji Nan Road, southeast of Shanghai Xintiandi and south of the Taipingqiao lake and park. Lakeville consists of one detached villa, six townhouses and 277 residential units in residential buildings ranging from 8 stories to 23 stories. The apartment buildings have been built in a modified Old Shanghai style. Recreational amenities include a clubhouse and an indoor heated swimming pool. We completed construction of Lakeville in 2003 and have sold all of the residential units, comprising an aggregate GFA of approximately 48,000 sq.m.

Lakeville Regency (Lot 114). Lakeville Regency is adjacent to Lakeville and comprises 645 residential units in four high-rise and four low- to medium-rise apartment buildings. Each of these buildings consists of two or three blocks. Lakeville Regency comprises 17 blocks in total. We completed the construction in September 2006. The total residential GFA of Lakeville Regency is approximately 127,000 sq.m., of which all had been sold out as of June 30, 2010.

Casa Lakeville (Lot 113). We commenced construction of residential units on Casa Lakeville in early 2007 and completed in 2010. Casa Lakeville has a total GFA of approximately 145,000 sq.m., consisting of approximately 78,000 sq.m. of residential units, 29,000 sq.m. of retail properties, 3,000 sq.m. of clubhouse and 35,000 sq.m. of car park and other facilities. The residential units in Casa Lakeville were launched for pre-sales in phases starting in June 2008. As of June 30, 2010, approximately 68,000 sq.m. had been sold and delivered to home buyers. As an extension of Shanghai Xintiandi, the new shopping mall in Lot 113, Xintiandi Style, held its grand opening ceremony on November 16, 2010.

Lots 116 and 118. These lots are being planned for future development and will consist of high-end residential properties. We expect to commence construction of these lots progressively from 2012 onwards.

Lot 122-1/2. Lot 122-1/2 will consist of apartment properties and is located on the top of the metro station of Metro Line no. 8. We intend to sell part of the serviced apartments and to retain the rest of the building as an investment. We have entered into a land grant contract for Lot 122-1/2, and the construction of this lot will commence following the completion of relocation.

Commercial zone

The retail complex on Lot 122-3 is also located on top of a metro station and is in the traditional commercial district of Lao Ximen. These retail and entertainment outlets are designed to complement the residential and office buildings in the vicinity to create an important entertainment center in Shanghai. Construction of this lot will commence following the completion of the relocation of existing residents.

Shanghai Rui Hong Xin Cheng

Description

The Shanghai Rui Hong Xin Cheng project, also known as Rainbow City, is an integrated residential development project aimed at redeveloping existing residential neighborhoods into an upper-middle class community, complete with modern amenities with a view to improving the urban environment and enhancing living standards for the residents. The Shanghai Rui Hong Xin Cheng project is located within the Inner Ring Viaduct of Shanghai and is served by three metro lines. The Shanghai Rui Hong Xin Cheng project comprises twelve land parcels, of which Lot 5 (Phase 1), Lot 149 (Phase 2) and Lot 8 (the first stage of Phase 3) have been completed.

Master planning

The Shanghai Rui Hong Xin Cheng project is located in the Hongkou district in Shanghai close to several leading universities and the central business district. It is connected by Metro Line no. 4, no. 8 and no. 10 to the other districts of Shanghai. There is a cluster of elementary, middle and high schools close to the Shanghai Rui Hong Xin Cheng project. In addition, pursuant to an agreement

entered into between us, the Hongkou District government and Hongkou District Education Administration, a high school has been relocated to a site within the Shanghai Rui Hong Xin Cheng project. The master plan for the Shanghai Rui Hong Xin Cheng project divides the project into ten plots of land.

In June 2010, we completed the transaction to acquire a special purpose company that holds the development rights to two lots of land (Lots 167A and 167B) with GFA of approximately 176,000 sq.m., for a total consideration of approximately RMB109 million. The two sites are located adjacent to the existing Shanghai Rui Hong Xin Cheng project and existing households on these two sites are subject to relocation. The acquisition enlarged the Rui Hong Xin Cheng project to twelve plots of land.

Upon completion, the Shanghai Rui Hong Xin Cheng project will comprise a total leasable and saleable GFA of approximately 1.6 million sq.m., of which approximately 388,000 sq.m. of GFA had been sold as of June 30, 2010. A broad and landscaped avenue, Rui Hong Road, is planned to connect the Peace Park in the north and run through the site. The site will include commercial shopping complexes and schools. One shopping complex has already opened and includes E-mart, a hypermarket chain, as a core tenant.

We did not enter into a master agreement for the Shanghai Rui Hong Xin Cheng project as we were granted the required land use rights for all lots of this project.

The Shui On Group completed the development of Lot 5, or Shanghai Rui Hong Xin Cheng Phase 1, in 2002, and sold all of the residential units by the end of September 2004. The remaining part of Shanghai Rui Hong Xin Cheng Phase 1, consists of retail shops, clubhouse, kindergarten and some office spaces. In February 2008, we acquired Shanghai Rui Hong Xin Cheng Phase 1 from Shui On Company Limited for an aggregate consideration of HK$154 million (US$20 million).

In June 2008, we completed the disposal of 25% of our interest in the Shanghai Rui Hong Xin Cheng project to Winnington. We also granted Winnington an irrevocable call option to acquire a further 24% of our equity interest in the Shanghai Rui Hong Xin Cheng project, exercisable from December 1, 2008 to December 31, 2008. The call option was not exercised during the period nor during the extended exercisable period agreed to in April 2009. On June 30, 2008, Winnington transferred all its shares in Foresight Profits Limited to Elegant Partners Limited. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Key factors affecting our results of operations and financial condition — Sale of interest in projects.*"

Project overview

The following table sets forth the development status for the Shanghai Rui Hong Xin Cheng project as of June 30, 2010:

	Approximate/Estimated leasable and saleable area							
	Office	Retail	Residential	Hotel/ serviced apartment/ clubhouse	Car park and other facilities	Total GFA	Group's interest	Attributable GFA
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(percent)*	*(sq.m.)*
Completed properties:								
Phase 1 Lot 5	—	5,000	—	3,000	10,000	18,000	75.0%	14,000
Phase 2 Lot 149	—	28,000	—	5,000	16,000	49,000	74.3%	36,000
Phase 3 Lot 8	—	2,000	—	1,000	10,000	13,000	74.3%	10,000
Subtotal	—	35,000	—	9,000	36,000	80,000		60,000
Properties under development:								
Lot 4	—	12,000	62,000	2,000	31,000	107,000	74.3%	80,000
Lot 6	—	—	126,000	4,000	1,000	131,000	74.3%	97,000
Subtotal	—	12,000	188,000	6,000	32,000	238,000		177,000
Properties for future development:[2]	158,000	116,000	709,000	—	13,000	996,000	74.3%[1]	740,000
Total	158,000	163,000	897,000	15,000	81,000	1,314,000		977,000

(1) The Group has a 74.3% interest in all the lots, except for Lot 167A and Lot 167B, in which we have a 75.0% interest.

(2) Includes Lots 2, 9 and 10 as described below.

Relocation of original residents

Pursuant to the relocation agreements entered into between us and the local government, we have engaged two relocation companies in the Hongkou district to handle the relocation of residents in Lots 4, 6 and 8. Our relocation costs in relation to Shanghai Rui Hong Xin Cheng are based on the compensation policy set by the local authorities which may be revised as and when market conditions change. We have completed the relocation of the households located on Lot 4 and Lot 8. As of June 30, 2010, approximately 97% households on Lot 6 have signed relocation agreements. The relocation work for Lot 3 began in April 2010. As of June 30, 2010, approximately 77% of households on this lot have signed relocation agreements. The local government will continue to apply the same relocation scheme when relocating the remaining lots because of the success of the relocation of Lot 3 and we expect that it will accelerate the relocation process in the future. See "*Regulation — The Land System of the PRC*" and "*Risk Factors — Risks relating to our Business — For some of our development projects, we are required to relocate existing residents and pay relocation costs, and the relocation process may not be completed as planned*."

Project details

We designed the Shanghai Rui Hong Xin Cheng project with a view to improving the urban environment and enhancing living standards for residents. Upon completion, Rui Hong Road will draw the greenery from the Peace Park into the community and provide an open green area covered with beautiful landscapes. Each residential block will have a beautiful garden, creating a peaceful and appealing living environment. We will provide clubhouses with amenities such as exercise rooms, swimming pools, children's play areas, tennis courts, reading rooms, card rooms and conference facilities. Other amenities of the Shanghai Rui Hong Xin Cheng project will include underground car parks and retail shopping complexes. The master plan for the Shanghai Rui Hong Xin Cheng project was developed by us in consultation with Pan Pacific Design and Development Group Ltd of Canada.

Lot 149, Phase 2 of the Shanghai Rui Hong Xin Cheng project, consists of 1,759 units and has a total GFA of approximately 187,000 sq.m. of residential and 28,000 sq.m. of retail podium as well as a clubhouse with a GFA of approximately 5,000 sq.m. Lot 149 is located above the metro station of Metro Line no. 4. All the residential units were sold out. The commercial facilities comprise a two-level "northern" shopping complex and a two-level "southern" commercial podium located in the lower floors of the apartment buildings. The shopping complex had been completely rented as of June 30, 2010.

Lot 8, the first stage of Phase 3, comprising 248 units with a residential GFA of approximately 32,000 sq.m., was launched in July 2009 and as of June 30, 2010, 246 units have been sold with an average selling price of approximately RMB28,000 per sq.m. and were delivered to the home buyers.

Lot 4, consisting of four residential towers with a GFA of approximately 62,000 sq.m. together with approximately 12,000 sq.m. of retail area, is under construction. The first batch of two towers with a total of 310 units of apartment were launched for pre-sale in December 2010. As of December 31, 2010, 265 units have been pre-sold and signed sale and purchase agreements. The construction of Lot 4 is planned to be completed in 2011 and 2012 in two plases.

Subsequent lots of the Shanghai Rui Hong Xin Cheng project

Lot 6 is now in the final stage of relocation and demolition work with approximately 97% of households having signed relocation agreements as of June 30, 2010. The planned GFA for residential use is approximately 126,000 sq.m. and construction work is planned to begin in the first quarter of 2011. Lot 3 successfully completed the second round of relocation intention consultation with the existing residents on April 15, 2010, with around 77% of households signing the relocation agreements as of June 30, 2010.

Lots 2, 9 and 10 will be developed progressively with relocation having commenced in December 2010. Construction of these lots is expected to commence after the relocation is completed. Construction of each lot is expected to last from two to three years.

Shanghai KIC

Description

The Shanghai KIC project, also known as the Shanghai Chuangzhi Tiandi project, is a city-core development project that is located adjacent to numerous major universities and colleges in the Yangpu district, northeast of downtown Shanghai. The Yangpu district is the home to some of China's top universities and colleges, including Fudan University, Tongji University and 15 other universities

and colleges. The Shanghai KIC project is designed to be a multi-functional community for people to study, live, work and engage in leisure activities. As a result, through the Shanghai KIC project, we intend to transform Yangpu from an industrial and manufacturing zone to a knowledge and innovation center by drawing on the readily available education and human resources surrounding the area and by creating an environment that we believe fosters education, technology (including digital technology), culture, research and business incubation, growth and development.

Master planning

In March 2004, Shui On Holdings Limited, a company within the Shui On Group, entered into a master agreement with the Yangpu District government. The master agreement shows the proposed development of a plot with a site area of approximately 839,000 sq.m. into a comprehensive large-scale community for commerce, offices, education, science and research, culture and entertainment, sports and residential purposes. It is well connected to the city center by a public transportation network consisting of the Mid-Ring Highway, over 30 public transportation routes and three metro lines, namely Metro Line no. 3, no. 8 and no. 10.

Under the terms of the master agreement, the development of the site will be carried out by a Sino-foreign equity joint venture in which a company controlled by the Yangpu District government holds a 30% equity interest and our subsidiary Shanghai Yang Pu Centre Development Co., Ltd. ("**KIC Development**") holds the remaining 70% equity interest. In October 2010, we injected US$77 million by our subsidiary, Bright Continental Limited, into the joint venture for the Shanghai KIC project. As a result, our interest increased to 86.8%. We acquired our interest in KIC Development from the Shui On Group in December 2004. In connection with that acquisition, the Shui On Group undertook to exercise all rights under this master agreement pursuant to a deed of undertakings entered into by us with Shui On Holdings Limited on December 31, 2004.

The Shanghai KIC will include:

- A "Hub Area," comprising a work, leisure, educational, cultural and service center;
- A "Live and Work" mixed-use area comprising office buildings, retail shops and residential accommodation; and
- A historic restoration zone, including the Jiangwan Sports Stadium.

Project overview

The following table sets forth the development status of the Shanghai KIC project as of June 30, 2010:

	Approximate/Estimated leasable and saleable area							
	Office	Retail	Residential	Hotel/ serviced apartment/ clubhouse	Car park and other facilities	Total GFA	Group's interest	Attributable GFA
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(percent)*	*(sq.m.)*
Completed properties								
KIC Village R1	8,000	7,000	—	—	12,000	27,000	86.8%	23,000
KIC Plaza Phase 1 (Hub 1)	29,000	21,000	—	—	24,000	74,000	86.8%	64,000
KIC Village R2 (Lots 7-9, 8-2)	9,000	3,000	1,000	—	13,000	26,000	86.8%	23,000
KIC Village R2 (Lot 7-7)	8,000	1,000	—	4,000	18,000	31,000	86.8%	27,000
Subtotal	54,000	32,000	1,000	4,000	67,000	158,000		137,000
Properties under development								
KIC Plaza Phase 2 (Hub 2)	43,000	7,000	—	—	31,000	81,000	86.8%	70,000
C2 (Lots 5-5,5-7,5-8)	41,000	12,000	—	—	28,000	81,000	86.8%	71,000
Subtotal	84,000	19,000	—	—	59,000	162,000		141,000
Properties for future development(1)	93,000	—	48,000	18,000	—	159,000	99.0%	157,000
Total	231,000	51,000	49,000	22,000	126,000	479,000		435,000

(1) Includes Lots R3, R4 and C3 as described below.

The development of the Shanghai KIC project also comprises restoration of the Jiangwan Sports Stadium, a historic athletic stadium originally built in 1935, and construction of office, residential and commercial buildings.

Relocation of original residents

Under our master agreement with the Yangpu District government, we have agreed to pay compensation to residents to be relocated. To date, the relocation process in Yangpu District has been completed as planned, primarily because the pre-existing buildings were mostly state-owned factories which have been allocated alternative sites by the government. All of the residents that needed to be relocated for certain plots of the Shanghai KIC project have already moved and the land cost is fixed. See "*Regulation — The Land System of the PRC*" and "*Risk Factors — Risks relating to our Business — For some of our development projects, we are required to relocate existing residents and pay relocation costs, and the relocation process may not be completed as planned*."

Project details

The Shanghai KIC project is a mixed-use project, designed to be a multi-function community for education, technology, culture, research and development and business incubation uses. When completed, the Shanghai KIC project is expected to comprise a leasable and saleable GFA of approximately 0.5 million sq.m. (excluding the historical zone). The master plan for the Shanghai KIC project was developed by us in consultation with Skidmore, Owings and Merrill.

In 2006, the Hub Area of the Shanghai KIC won the Urban Design Citation Award from the AIA San Francisco, a Chapter of the American Institute of Architects.

The Hub Area

The Hub Area is located along Song Hu Road, in between Zheng Tong Road and Zheng Li Road. The Hub Area will serve as the commercial center of the Shanghai KIC project comprising office buildings, learning centers, exhibition halls, conference and convention facilities and commercial outlets serving the needs of students, professors, entrepreneurs and professionals studying, living and working in the area.

The Hub Area covers a site of approximately 62,000 sq.m. with a total leasable and saleable GFA of approximately 100,000 sq.m. upon completion. The development of the Hub Area is divided into two phases. Hub 1 comprises office and commercial buildings which we intend to lease along the University Avenue leading to a plaza in front of the entrance of the stadium and the stadium itself. Construction of Hub 1 was completed in November 2006 and the occupancy rate was approximately 86% as of June 30, 2010. Hub 2 was fully completed in December 2010.

Live and Work Area

The Live and Work Area will consist of Lots R1, R2, R3 and R4 and C1, C2 and C3. It is located in the blocks surrounded by Zheng Tong Road, Guo Ding Road, Zheng Li Road and Song Hu Road. The Live and Work Area will be a mixed-use area comprising low-rise buildings with offices in the front and residential units at the back. The low-rise buildings will be targeted at entrepreneurs engaged in start-up ventures, professionals and faculty members of nearby universities. The buildings are to be designed in a loft style. The Live and Work Area will also have retail outlets serving the daily needs of residents such as restaurants, cafes, laundries and convenience stores.

The development of Lots R1 and R2 were completed in phases from 2006 to 2010. In March 2010, we successfully bid for Lots R3, R4 and C3 in Shanghai KIC with a total GFA of approximately 159,000 sq.m. for a consideration of approximately RMB1,264 million. This parcel of land has been included as part of the master plan for the entire development of Shanghai KIC.

Other potential zones

To enhance the scale of the Shanghai KIC project, we have entered into agreements to acquire a local company that has the right to develop a site adjacent to our existing project, known as Plot A of Lot 24, Qiu 1, Fang 3, New Jiang Wan City, with an aggregate GFA of approximately 137,400 sq.m. for office and commercial property development. As of June 30, 2010, the acquisition process is yet to be completed and this land parcel does not currently form part of the landbank of the Shanghai KIC project.

Projects outside of Shanghai

Hangzhou Xihu Tiandi

Description

The Hangzhou Xihu Tiandi project is a focal point development project located in Hangzhou, the capital city of Zhejiang Province. Hangzhou is a popular tourist destination and is known for its natural beauty and historical and cultural heritage. The city is also a major transportation hub, with an integrated network of railways and highways as well as an international airport, and is located approximately 180 kilometers away from Shanghai.

Master planning

The Hangzhou Xihu Tiandi project will comprise mixed-use, entertainment, retail, and food and beverage properties consisting of approximately 48,000 sq.m. of leasable and saleable GFA. The project is divided into two phases, each of which involves the development, management and operation of retail properties including fine dining restaurants. Hangzhou Xihu Tiandi is another historic restoration project that is intended to offer a blend of traditional and modern architecture, set in a park on the southern edge of Hangzhou's scenic West Lake.

Project overview

The following table sets forth the development status of the Hangzhou Xihu Tiandi project as of June 30, 2010:

	Approximate/Estimated leasable and saleable area							
	Office	Retail	Residential	Hotel/ serviced apartment/ clubhouse	Car park and other facilities	Total GFA	Group's interest	Attributable GFA
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(percent)*	*(sq.m.)*
Completed properties:								
Hangzhou Xihu Tiandi, Phase 1	—	6,000	—	—	—	6,000	100%	6,000
Subtotal	—	6,000	—	—	—	6,000		6,000
Properties under development:								
Hangzhou Xihu Tiandi, Phase 2A	—	38,000	—	—	27,000	65,000	100%	65,000
Hangzhou Xihu Tiandi, Phase 2B	—	4,000	—	—	—	4,000	100%	4,000
Subtotal	—	42,000	—	—	27,000	69,000		69,000
Total	—	48,000	—	—	27,000	75,000		75,000

With respect to the land for Phase 2B of Hangzhou Xihu Tiandi, in March 2004 we entered into a lease agreement with the Hangzhou Municipal Bureau of Land and Resources for a term of five years commencing from the date of issuance of the land use certificate (which has not been issued yet). We may renew the lease agreement by applying to the Hangzhou Municipal Bureau of Land and Resources 180 days before the expiration of the lease agreement. The land for Phase 2B is planned for the

construction of a road by the Hangzhou District government. The lease agreement may not be renewed if the Hangzhou District government wants to implement the road building plan. Under the lease agreement, the land for Phase 2B can be used for commercial, office and tourism purposes. The land can be sub-leased subject to approval of the Hangzhou Municipal Bureau of Land and Resources. We have the right to use the land for Phase 1 of Hangzhou Xihu Tiandi for a term of 20 years, pursuant to the joint venture contract for the establishment of Hangzhou Xihu Tiandi Management Co., Ltd.

Relocation of original residents

The Hangzhou District government is responsible for the relocation. As of June 30, 2010, approximately 89% of the residents living on the land for Phase 2A and Phase 2B have signed the relocation agreement. See "*Regulation — The Land System of the PRC*" and "*Risk Factors — Risks relating to our Business — For some of our development projects, we are required to relocate existing residents and pay relocation costs, and the relocation process may not be completed as planned*."

Project details

Hangzhou Xihu Tiandi is a leisure and lifestyle destination project incorporating food and beverage, entertainment and retail facilities designed by Wood and Zapata. The project has drawn design inspiration from Hangzhou's Southern Chinese architectural style and lush, green environment. The project has also been designed to conserve non-renewable energy and preserve the natural environment. Phase 2 of Hangzhou Xihu Tiandi was awarded the *2005 Platinum Pre-certification Certificate of the Leadership in Energy and Environmental Design Core and Shell (LEED-CS)* from the US Green Building Council.

Phase 1

The Phase 1 site is located at No. 147 Nanshan Road, Shangcheng District, Hangzhou, on the southern edge of Hangzhou's scenic West Lake. Phase 1 has approximately 6,000 sq.m. of leasable GFA and features restaurants, cafes and other entertainment properties. Our tenants include international food and beverage outlets such as Starbucks, Häagen Dazs and Crystal Jade. Phase 1 was completed in April 2003.

Phase 2

Phase 2 will have a total leasable and saleable GFA of approximately 42,000 sq.m. upon completion.

Wuhan Tiandi

Description

In April 2005, we won the bid for the development of a site known as "Yong Qing Pian" in Wuhan. Our project in Wuhan is known as the Wuhan Tiandi project. The Wuhan Tiandi project is a city-core development project with an estimated total leasable and saleable GFA of approximately 1.4 million sq.m. upon completion, of which approximately 123,000 sq.m. of GFA had been sold as of June 30, 2010. We plan to develop a large-scale, mixed-use urban property development on two main sites, Site A and Site B. Site A is mainly for office buildings, retail, food and beverage and entertainment facilities, with some residential lots. Site B is mainly for residential usage, neighborhood retail facilities and some commercial parcels for office and retail development. Construction of the Wuhan Tiandi project commenced in the first quarter of 2006.

Master planning

Wuhan, the capital of Hubei Province, is a major transportation hub in China located between Shanghai and Chongqing, at the confluence of the Yangtze River and the Han River, a tributary of the Yangtze River. The site is located in Hankou's Jiang'an District, at a prominent position along the Yangtze River where the city's second bridge has been built connecting Hankou to Wuchang. The bridge is part of the roadwork system that forms Wuhan's inner ring road. The site is separated into Site A and Site B by the elevated road works linking to the bridge.

On June 29, 2007, the Issuer entered into a legally binding agreement with Trophy Property for the sale of 25% of the issued share capital of Fieldcity Investments Limited and the sharing of 25% of then outstanding loans owed by Wuhan Shui On Tiandi Property Development Co., Ltd. to Trophy Property. Wuhan Shui On Tiandi Property Development Co., Ltd. is a wholly foreign owned project company that was formed by Fieldcity Investments Limited. The transaction was closed on July 12, 2007. On December 17, 2008, Trophy Property transferred all its shares in Fieldcity Investments Limited to Wuhan Tiandi Development Company Limited.

Under the terms of the sale and purchase agreement, Trophy Property purchased 25% of our interest in Fieldcity Investments Limited. The consideration for the sale and purchase was based on the valuation of the underlying properties held under Fieldcity Investments Limited as of June 30, 2006, the addition of a 20% premium on top of such valuation, and the sharing of the remaining unpaid land grant fees with respect to the underlying properties. The transaction closed on July 12, 2007, immediately upon the finalization and execution of a share charge to be entered into between the Issuer and Winnington, pursuant to which Winnington will grant a charge over its shares in Score High Limited as security for Trophy Property's obligations under the sale and purchase agreement with respect to Wuhan Tiandi project or such other date as agreed by the parties. See the section entitled "*Related Party Transactions — Sale of indirect interest in Wuhan Tiandi project company.*"

In connection with the sale of these interests to Trophy Property, a shareholders' agreement has been entered into between the Issuer and Trophy Property in relation to their investments in Fieldcity Investments Limited. The following represents a summary of the principal terms.

The shareholders' agreement provides that each shareholder may appoint one director for every 25% of the shares in issue of Fieldcity Investments Limited held by that shareholder or its affiliated entities (as defined under the shareholders' agreement). Initially, therefore, the Issuer is entitled to appoint three directors of Fieldcity Investments Limited, and Trophy Property is entitled to appoint one director.

The shareholders' agreement requires the consent of all shareholders of Fieldcity Investments Limited for certain matters. These matters include altering the memorandum and/or articles or other constitutional documents of any member of Fieldcity Investments Limited or its subsidiaries, or materially changing the nature or scope of the business.

Project overview

The following table sets forth the development status of the Wuhan Tiandi project as of June 30, 2010:

	Approximate/Estimated leasable and saleable area							
	Office	Retail	Residential	Hotel/ serviced apartment/ clubhouse	Car park and other facilities	Total GFA	Group's interest	Attributable GFA
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(percent)*	*(sq.m.)*
Completed properties:								
Wuhan Tiandi (Lots A4-1, A4-2, A4-3)	—	46,000	—	—	25,000	71,000	75.0%	53,000
The Riverview (Lot A7)	—	—	1,000	—	—	1,000	75.0%	1,000
Subtotal	—	46,000	1,000	—	25,000	72,000		54,000
Properties under development:								
Lot A6	—	2,000	30,000	—	16,000	48,000	75.0%	36,000
Lot A5	57,000	2,000	—	—	—	59,000	75.0%	44,000
Lot A11+A12	—	—	50,000	4,000	18,000	72,000	75.0%	54,000
Lot A1/A2/A3	253,000	100,000	—	50,000	—	403,000	75.0%	302,000
Lot A4-4	—	—	—	9,000	5,000	14,000	75.0%	11,000
Lot B9	—	—	72,000	—	—	72,000	75.0%	54,000
Lot B11	—	—	54,000	—	—	54,000	75.0%	41,000
Subtotal	310,000	104,000	206,000	63,000	39,000	722,000		542,000
Properties for future development:	35,000	92,000	426,000	—	36,000	589,000	75.0%	442,000
Total	345,000	242,000	633,000	63,000	100,000	1,383,000		1,038,000

Relocation of original residents

The Wuhan Tiandi project was obtained through public bidding and we have made substantial payment for the land. The Wuhan government is responsible for all the related relocation work at its own cost. Land on Site A has been completely cleared and delivered to us in phases and is now under construction. Site B is currently under relocation. As of June 30, 2010, approximately 30% of the residents signed relocation agreements. The first phase of Site B, Lot B9 and Lot B11 are expected to be handed over to us in 2011. See "*Regulation — The Land System of the PRC*" and "*Risk Factors — Risks relating to our Business — For some of our development projects, we are required to relocate existing residents and pay relocation costs, and the relocation process may not be completed as planned*."

Project details

In the plan that we prepared in consultation with Skidmore, Owings & Merrill, we envisaged an urban mixed-use community that is intended to promote the redevelopment of Wuhan as one of the transportation hubs of China.

Site A

The planned leasable and saleable GFA of Site A is expected to be approximately 734,000 sq.m. upon completion. We have sold and handed over approximately 123,000 sq.m. of residential GFA in Site A to the home buyers as of June 30, 2010.

Nine historic buildings on Site A are planned to be restored to create buildings with historical and cultural characteristics similar to those restored at Shanghai Xintiandi. We propose to build a high-rise landmark office tower next to the light rail transit station.

Site A is planned to be developed in five phases. The initial construction commenced in the first quarter of 2006. The first phase of the residential development of Lot A9 and Lot A7, Phase 1 of The Riverview, with approximately 69,000 sq.m., was completed in 2007 and 2008, respectively. The second phase of the residential development, Phase 2 of The Riverview, consists of three plots of land, namely Lot A8, Lot A10 and Lot A6. Apartments in Lots A8 and A10, with approximately 55,000 sq.m. of residential GFA, were pre-sold in 2009 and delivered to the customers in the first half of 2010. Lot A6 in Phase 2 of the Riverview was launched for pre-sale in January 2010 and the construction of this lot was completed in the second half of 2010.

We have also completed the commercial portion of Site A, Wuhan Tiandi on Lots A4-1, A4-2 and A4-3, which has a total leasable GFA of approximately 46,000 sq.m. As of June 30, 2010, the occupancy rate of Wuhan Tiandi had been substantially rented.

Construction works at Lot A5, Lot A11 and Lot A12 are in progress. Lot A5 has a total leasable and saleable GFA of approximately 59,000 sq.m. to be developed into a Grade A office tower with a retail shopping complex. Construction works are estimated to be completed in 2011. Lot A11 and Lot A12, Phase 3 of The Riverview, with a total residential GFA of approximately 50,000 sq.m., will be developed into luxury residential apartments and is expected to be completed in 2011.

The construction of the shopping mall (retail podium of Lots A1, A2 and A3) commenced after the ceremony held on November 17, 2010.

Site B

We expect the total leasable and saleable GFA of Site B to be approximately 679,000 sq.m. when the site is completed, of which more than 81% will comprise residential units.

Site clearance and formation of Site B is under way. Lot B9 and Lot B11 are expected to be handed over to us in 2011. The construction works of these two residential lots, also known as Phase 4 of the Riverview, together with the park and the central clubhouse are expected to commence after the handover of these land parcels. These two residential lots have a total leasable and saleable GFA of approximately 126,000 sq.m., and are scheduled for delivery in 2012 and 2013, respectively.

Chongqing Tiandi

Description

The Chongqing Tiandi project is a city-core development project comprising, on completion, an expected leasable and saleable GFA of approximately 2.8 million sq.m. The project is situated on the south bank of the Jialing River on the hillside, just upstream of the confluence of the Yangtze and

Jialing Rivers. The Chongqing Tiandi project is located adjacent to the central business district in the Yuzhong District in Chongqing, an economic hub of southwest China. We intend for this project to support and service Chongqing's extensive manufacturing and service industries. It will include facilities such as an exhibition and merchandise center, luxury hotels and office buildings as well as residential and retail, food and beverage and entertainment properties. Construction of the Chongqing Tiandi project commenced in the fourth quarter of 2005.

On completion, we expect that the Chongqing Tiandi project will be integrated with and become a new part of Chongqing's central business district. The design takes advantage of the plot's unique landscape and envisions a commercial and residential space around a man-made lake and the surrounding hillsides.

Master planning

In August 2003, our subsidiary, Grand Hope Limited, entered into a master agreement with the Yuzhong District government in relation to the development of the Chongqing Tiandi project, following which, our subsidiary, Chongqing Shui On Tiandi Property Development Company Limited, entered into three land grant contracts with Chongqing Municipal Bureau of Land Resources and Housing Management in December 2003, March 2005 and March 2007, respectively, for the Chongqing Tiandi project covered in the master agreement.

Chongqing Shui On Tiandi Project Development Co., Ltd. is a Sino-foreign equity joint venture project company that was formed pursuant to a master agreement entered into between Grand Hope Limited, a 100% indirect subsidiary of Score High Limited, and the Yuzhong District government in relation to the development of the Chongqing Tiandi project. Grand Hope Limited holds a 99% interest in this project company and Chongqing Yuzhong State-owned Asset Management Co., Ltd. holds the remaining 1% interest.

The Issuer entered into legally binding agreements with Winnington and Ocean Equity Holdings Limited on September 1, 2006 and September 9, 2006, respectively, for the sale of 19.8% in total (9.9% to each of Winnington and Ocean Equity Holdings Limited) of Score High Limited which holds 99% indirect interest in the Chongqing Tiandi project.

Under the terms of the respective sale and purchase agreements, Winnington and Ocean Equity Holdings Limited each agreed to purchase 9.9% of our interest in Score High Limited. The consideration for the sale and purchase is benchmarked against the valuation of the underlying properties held under Score High Limited and the cost recorded on the books of Score High Limited. The transactions were closed on November 15, 2006. In addition, either party to the respective sale and purchase agreements is entitled to terminate the sale and purchase agreement if any of the other parties' warranties, which are material to the sale of the shares in Score High Limited as contemplated by that sale and purchase agreement, have been breached, or are untrue or misleading in a material manner. Winnington and Ocean Equity Holdings Limited have each been granted put options, which can be exercised no earlier than 7 years but no later than 7½ years after the signing of the sale and purchase agreements. These put options require Shui On Investment Company Limited to purchase their interests in Score High Limited at the prevailing market price based on the net asset value of the Chongqing Shui On Tiandi Project Development Co., Ltd. on an appraisal basis as determined by independent third parties. Shui On Investment Company Limited in turn, has granted us a call option to purchase its interest in Score High Limited on the same terms as the terms of the put options

exercised by Winnington and Ocean Equity Holdings Limited. The decision whether to exercise this call option will be taken by our independent non-executive directors, subject to the requirements of the Hong Kong Stock Exchange Listing Rules, including independent shareholders' approval if appropriate. In August 2007, Ocean Equity Holdings Limited transferred its 9.9% interest in Score High Limited to Winnington. See "*Related Party Transactions — Sale of indirect interest in Chongqing Tiandi project company.*"

In connection with the above-mentioned transfer of interests, a shareholders' agreement has been entered into between the Issuer and Winnington. The following represents a summary of the principal terms.

The shareholders' agreement provides that each shareholder may appoint one director for every 8% of the shares in issue of Score High Limited held by that shareholder or its affiliated entities (as defined under the shareholders' agreement).

The shareholders' agreement requires the consent of all shareholders of Score High Limited for certain specified matters outside the ordinary course of business. These matters include the carrying on of any business outside the scope of the existing business of Score High Limited, any change to the share capital of Score High Limited or its subsidiaries, and any alteration of the memorandum and articles of association of Score High Limited or its subsidiaries.

On December 30, 2008, Winnington transferred all its shares in Score High Limited to Chongqing City Centre Development Company Limited.

Pursuant to a sale and purchase agreement dated August 21, 2008, as amended by a supplementary agreement dated August 29, 2008, between Score High Limited as seller and Winnington as purchaser, Score High Limited agreed to sell its 25% equity interest in Rightchina Limited which holds 99% interest in the Super High Rise development in the Chongqing Tiandi project. Pursuant to the agreement, Score High Limited also granted an irrevocable call option to Winnington or its affiliate to acquire an additional 25% equity interest of Score High Limited in Rightchina Limited, exercisable during the period from December 1, 2008 to December 31, 2008. The call option was not exercised during the period nor the extended exercisable period agreed to in April 2009. Super High Rise development is our development for the Chongqing Tiandi project on Lot B11-1/02, comprising primarily office, hotel, retail and other commercial space, with a planned leasable and saleable GFA of approximately 519,000 sq.m. upon completion.

On December 18, 2008, Winnington transferred all its shares in Rightchina Limited to Golden Swan Holdings Limited.

The following table sets forth the development status of for the Chongqing Tiandi project as of June 30, 2010:

	Approximate/Estimated leasable and saleable area							
	Office	Retail	Residential	Hotel/ serviced apartment/ clubhouse	Car park and other facilities	Total GFA	Group's interest	Attributable GFA
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(percent)*	*(sq.m.)*
Completed properties:								
The Rivera Phase 1 (Lot B1-1/01)	—	2,000	14,000	3,000	17,000	36,000	79.4%	29,000
Subtotal	—	2,000	14,000	3,000	17,000	36,000		29,000
Properties under development:								
The Riviera Phase 2 Stage 1 (Lot B2-1/01)	—	2,000	47,000	—	14,000	63,000	79.4%	50,000
The Riviera Phase 2 Remaining (Lot B2-1/01)	—	5,000	155,000	4,000	41,000	205,000	79.4%	163,000
Chongqing Tiandi (Lot B3/01)	—	52,000	—	—	33,000	85,000	79.4%	67,000
Super High Rise Stage 1 (Lot B11-1/02)	115,000	13,000	—	—	57,000	185,000	59.5%	110,000
The Riviera Phase 3 (Lot B19/01)	—	6,000	115,000	—	36,000	157,000	79.4%	125,000
The Riviera Phase 4 (Lot B20-5/01)	—	2,000	92,000	—	22,000	116,000	79.4%	92,000
Lot B12-1/02	85,000	23,000	—	—	26,000	134,000	79.4%	106,000
Super High Rise Remaining (Lot B11-1/02)	200,000	90,000	—	101,000	110,000	501,000	59.5%	298,000
Subtotal	400,000	193,000	409,000	105,000	339,000	1,446,000		1,011,000
Properties for future development:	329,000	234,000	959,000	78,000	378,000	1,978,000	79.4%	1,571,000
Total	**729,000**	**429,000**	**1,382,000**	**186,000**	**734,000**	**3,460,000**		**2,611,000**

Relocation of original residents

We negotiated a fixed land price with the land bureau in Chongqing and the local government is responsible for relocating original residents. Almost all the relocation work was completed as of June 30, 2010 and most of the land parcels in the Chongqing Tiandi project had been handed over to us phase by phase. See "*Regulation — The Land System of the PRC*" and "*Risk Factors — Risks relating to our Business — For some of our development projects, we are required to relocate existing residents and pay relocation costs, and the relocation process may not be completed as planned*."

Project details

The master plan for the Chongqing Tiandi project was developed by us in consultation with Skidmore, Owings and Merrill. The main features of the Chongqing Tiandi project are planned to include:

- A man-made lake with pavilions and walkways along the shore;
- A commercial core comprising business service facilities including an exhibition and merchandise center, luxury hotels, conference facilities, office buildings as well as retail and entertainment properties; and

- Residential clusters on the hillside replicating Chongqing's traditional hill-town characteristics and offering scenic views of the lake and the river.

Construction of the first phase of residential development on Lot B1-1/01, Phase 1 of The Riviera, was completed in June 2008. The site comprises approximately 112,000 sq.m. of leasable and saleable GFA. As of June 30, 2010, 93,000 sq.m. of residential properties had been sold and delivered to the home buyers.

Construction work at Lot B2-1/01, The Riviera Phase 2 are under way. Construction work at Lot B19/01, The Riviera Phase 3, commenced in the first quarter of 2010. Construction works of Chongqing Tiandi commercial portion in Lot B3/01 have been fully completed in 2010. A soft opening was held in January 2010. Public facilities, such as the Grand Theatre and man-made lakes were opened to the public in May and June of 2010, respectively, providing a new recreational area to residents in Chongqing. Construction work of a Grade A office tower in Phase 1 of Lot B11-1/02 with a leasable and saleable GFA of 128,000 sq.m. commenced in late 2009 and is planned to be delivered in 2013.

Foshan Lingnan Tiandi

Description

The Foshan Lingnan Tiandi project, a large-scale city center development project similar to the Shanghai Taipingqiao project, is located in Zumiao and Donghuali in Foshan City, Guangdong Province, with a planned leasable and saleable GFA of approximately 1.5 million sq.m. This development is zoned for a comprehensive mixed-use community with a restoration project. Construction of the Foshan Lingnan Tiandi project commenced in 2008.

Master Planning

The Foshan Lingnan Tiandi project is located in the center of Chancheng district, which is the urban district of Foshan and also the political, finance, cultural and transportation center. Among the 22 historic culture heritage centers located in the area, Zumiao and Donghuali are the most famous sites. Zumiao, meaning "Temple of Ancestor" in Chinese, is an ancient temple which attracts millions of tourists from all over the world every year. Donghuali is a lane where upper-class residents lived in the Qing Dynasty and is now known for its artistic and unique architecture. Zumiao and Donghuali are both national-level cultural relics.

On November 30, 2007, we, through eight subsidiaries duly organized in Hong Kong, successfully acquired the site for the Foshan Lingnan Tiandi project in a public auction. A land grant contract between us and the local government was signed on May 30, 2008, and we have made substantial payment for the site.

The Foshan Lingnan Tiandi project is a city-core development project comprising office, retail, hotel, cultural facilities and residential properties. The project is expected to comprise nearly 1.5 million sq.m. of leasable and saleable GFA and is planned for development in 5 phases over a period of 10 years.

Project overview

The following table sets forth the development status of the Foshan Lingnan Tiandi project as of June 30, 2010:

	Approximate/Estimated leasable and saleable area							
	Office	Retail	Residential	Hotel/ serviced apartment/ clubhouse	Car park and other facilities	Total GFA	Group's interest	Attributable GFA
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(percent)*	*(sq.m.)*
Properties under development:								
Lot 4	—	—	40,000	3,000	15,000	58,000	100%	58,000
Lot 14	—	—	14,000	—	12,000	26,000	100%	26,000
Lingnan Tiandi Stage 1 (Lot 1-1)	—	23,000	—	—	1,000	24,000	100%	24,000
Liangnan Tiandi Stage 2 (Lot 1-2)	—	29,000	—	9,000	3,000	41,000	100%	41,000
Lot D+G	—	17,000	—	37,000	25,000	79,000	100%	79,000
Lot 5	—	1,000	49,000	1,000	18,000	69,000	100%	69,000
Lot 15	—	1,000	17,000	—	15,000	33,000	100%	33,000
Lot E1	—	54,000	—	—	19,000	73,000	100%	73,000
Lot E2	—	16,000	16,000	—	6,000	38,000	100%	38,000
Lot EOS	—	7,000	—	—	6,000	13,000	100%	13,000
Subtotal	—	148,000	136,000	50,000	120,000	454,000		454,000
Properties for future development	450,000	137,000	545,000	80,000	38,000	1,250,000	100%	1,250,000
Total	450,000	285,000	681,000	130,000	158,000	1,704,000		1,704,000

Relocation of original residents

The neighborhood of our Foshan Lingnan Tiandi project is the traditional commercial center of Foshan city. The government plans to rebuild this area into the central business district of Foshan, which would include high-end retail, office, hotel, cultural facilities and residential properties. Pursuant to a Bidding Confirmation dated November 30, 2007, the Foshan government promised to handle all the related relocation work at its own cost.

Project details

We have engaged Skidmore, Owings & Merrill to prepare a master plan for the project. The proposed master plan includes a comprehensive mixed-use community comprised of Grade A offices, five-star hotels, high-end residential and cultural facilities, and also Foshan Tiandi, a restoration project similar to Shanghai Xintiandi. The master plan has won the following international renowned awards including American Institute of Architects (the "**AIA**") Honor Award for Regional & Urban Design 2009, AIA San Francisco Chapter — Honor Award for Urban Design 2009, AIA Hong Kong Chapter — Merit Award for Urban Design 2008 and MIPIM Architectural Review Future Project Award 2009, which reflected its high recognition by these professional institutions.

The project will be a city-core development comparable to the Shanghai Taipingqiao Project, with the following planning principles:

(1) developing a mixed-use district that creates a balance among live, work and play lifestyles;

(2) creating a development with historic assets but also serving as cultural and entertainment venues;

(3) utilizing small blocks to create pedestrian streets;

(4) planning a street framework that will allow for a high degree of connectivity and phasing flexibility;

(5) building open space amenities that provide value to adjacent properties;

(6) providing a high degree of connectivity with mass transit systems (such as subways and buses);

(7) integrating public facilities, like schools, that will serve families in the residential community; and

(8) erecting a super high-rise as a landmark for the area.

Construction of the Foshan Lingnan Tiandi project's commercial portion (Lot 1) began in 2008. A portion of it is scheduled for a soft opening in the first quarter of 2011.

A mixed-use complex with a hotel, serviced apartments and a retail podium (Lot D) is under construction and scheduled to be completed in 2011. Marco Polo Hotels was appointed to be the operator of the hotel and serviced apartments.

Construction works of low-rise apartments and townhouses in Lot 4 and Lot 14, the first phase of residential development, are under way and scheduled for delivery in 2011. Lot 4, with a total of 246 units, was launched for pre-sale in the second half of 2010. As of December 31, 2010, 234 units have been pre-sold and signed sale and purchase agreements. The average selling price was approximately RMB18,000 per sq.m.

Dalian Tiandi project

Description

Located in the city of Dalian, the Dalian Tiandi project (previously called Dalian Software Park Phase 2) is a large-scale development with an expected aggregate GFA of approximately 3.3 million sq.m. according to the master planning. As of June 30, 2010, approximately 3.0 million sq.m. of aggregate GFA had been acquired by the Group together with two equity partners. The remaining GFA of approximately 0.3 million sq.m. will be acquired through public bidding in due course. Dalian is a regional economic center in northeast China. With rapid growth over the past few years, the software and business process industries in Dalian have been designated among its pillar industries by the Dalian government. It is expected that Dalian will become one of the major information technology outsourcing and business process outsourcing centers in China.

Master planning

On May 25, 2007, our subsidiary, Innovate Zone Group Limited ("**Innovate Zone**"), entered into a shareholders agreement with Main Zone Group Limited ("**Main Zone**") and Many Gain International Limited ("**Many Gain**") to form a joint venture company incorporated in BVI, Richcoast Group Limited ("**Richcoast**"), which is owned 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone and Many Gain, respectively. Richcoast, in turn, established four subsidiaries incorporated in Hong Kong and acquired from the Yida Group a 78% equity interest in each of the four Dalian joint ventures formed by the Yida Group in the PRC (the "**PRC JV Company**"). The PRC JV Company holds the

relevant Dalian project companies for development of Dalian Tiandi project. Main Zone is a subsidiary of SOCAM and Many Gain is a subsidiary of the Yida Group. Our aggregate interest in the PRC JV Company is 48%. As of June 30, 2010, Innovate Zone, Main Zone and Many Gain had injected all required fundings into the Dalian Tiandi project.

Other than the Designated Land for which the land use right has been granted to the Yida Group and been transferred to the Dalian joint ventures, the acquisition of the land was and will be by way of competitive bidding and there can be no assurance that the Dalian joint ventures will be successful in acquiring all or any piece of the land (other than the Designated Land). As the Yida Group has already incurred costs in reclaiming, clearing and preparing the land and has done so with the consent of the relevant government authorities in the PRC, if any part of the land is granted to a third party in the bidding process, we believe that the PRC government will compensate the Yida Group for the relevant costs incurred, even though there is no written assurance from the PRC government to that effect. The Yida Group has agreed to assign such rights to compensation to the Dalian joint ventures in such case.

Project overview

The following table sets forth the development status of the Dalian Tiandi project as of June 30, 2010:

	Approximate/Estimated leasable and saleable area							
	Office	**Retail**	**Residential**	**Hotel/ serviced apartment/ clubhouse**	**Car park and other facilities**	**Total GFA**	**Group's interest**	**Attributable GFA**
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(percent)*	*(sq.m.)*
Completed properties:								
Huangnichuan Road North								
Lot D22	42,000	—	—	—	14,000	56,000	48.0%	27,000
Subtotal	42,000	—	—	—	14,000	56,000		27,000
Properties under development:								
Huangnichuan Road North								
Lot D14	49,000	—	—	—	13,000	62,000	48.0%	30,000
Lot E29	—	—	—	9,000	2,000	11,000	48.0%	5,000
Lot B02	114,000	—	—	—	3,000	117,000	48.0%	56,000
Lot C10	—	—	40,000	—	8,000	48,000	48.0%	23,000
Lot D10 (IT Tiandi)	—	37,000	—	40,000	17,000	94,000	48.0%	45,000
Lot E06	—	—	107,000	—	52,000	159,000	48.0%	77,000
Subtotal	163,000	37,000	147,000	49,000	95,000	491,000		236,000
Properties for future development[(1)]	1,127,000	568,000	1,036,000	42,000	—	2,773,000	48.0%	1,331,000
Total	1,332,000	605,000	1,183,000	91,000	109,000	3,320,000		1,594,000

(1) Dalian Tiandi has a landbank of 3.3 million sq.m. of GFA. The master planning with respect to this landbank has been approved by the Dalian Urban Planning Bureau on January 2, 2008. As of June 30, 2010, approximately 3.0 million sq.m. had been acquired. In order to comply with the PRC rules and regulations, the remaining GFA of approximately 0.3 million sq.m. will be acquired through public bidding in due course.

The Dalian Tiandi project is a large-scale integrated development project comprising software offices, residential, commercial and retail properties, together with educational, research, outdoor recreational and environmental facilities and other public amenities. It will involve the development, construction, sale, lease, operation and management of the Dalian Software Park ("**DSP**") at Dalian. The project is planned for development in phases over a period of about 10 years.

Relocation of original residents

The Yida Group is responsible for the relocation of residents on the site of Dalian Tiandi. The two plots of land with an aggregate GFA of 3.0 million sq.m., for which we have signed legally binding contracts for the acquisition and obtained land use right certificates, have been handed over to us.

Project details

Dalian Tiandi, a large scale mixed-use development, is located adjacent to the Phase One of DSP in the west of Dalian City. It is the second phase of DSP and is designed to serve the city's emerging information technology outsourcing and business process outsourcing industries.

The projects in Huangnichuan Road North mainly comprise the software offices, residential, IT Tiandi, training centers and supporting facilities. We plan to build an indoor area similar to Shanghai Xintiandi and other commercial facilities, a hotel, offices and high-end residential units, acting as a business hub in Hekou Bay to serve the expatriates and professionals in Dalian Tiandi, and also the people from the city center and Northeast China.

Software offices (Lot D22) with approximately 42,000 sq.m. of GFA in Huangnichuan Road North were completed in the first half of 2010.

Construction of the residential project, Greenville (Lot E06), is underway. 100 units of villa were launched for pre-sale in 2010 and 91 units have been pre-sold and signed sale and purchase agreements as of December 31, 2010. It is anticipated the project will be ready for delivery in 2011. In addition, 354 units of high-rise apartment were launched for pre-sale on December 25, 2010. As of December 31, 2010, 223 units have been subscribed and sale and purchase agreements will be signed in the beginning of 2011.

Other parts of the project, including IT Tiandi, other phases of software offices, engineers' apartments together with training centers are under construction and are expected for delivery progressively in the coming three years.

Overview of our Principal Activities

Our principal business activities are discussed below:

Site selection and master planning

We place a strong emphasis on the site selection process and consider it fundamental to the success of our property development projects. Our site selection process is led by members of our senior management including our chairman and other executive directors. We conduct in-depth market analysis in order to understand the spatial dynamics and relevant economic trends of a city before we proceed with site acquisition and preparation of the conceptual master plan for a property development project. In addition to accepting invitations from PRC government authorities to review development prospects in their respective cities, we continually screen cities and locations in China to identify new

property development opportunities. In the city screening process, our research and strategic planning department, in conjunction with outside consultants, would undertake in-depth site feasibility analysis to evaluate its development potential. This analysis includes:

- an assessment of the economic and property market trends;
- a study of the physical characteristics of the site;
- a site positioning analysis; and
- a preliminary planning proposal to match the target development with its location and to determine the amount and mix of floor areas of office, residential, commercial and other land uses appropriate for the site.

In determining whether to enter into a new development, we consider, among others, the following factors and risks of development:

- the appropriate mix of office, residential or retail property type proposed for the development;
- the supply and demand for the various product types and the competitive landscape;
- the degree to which the proposed development fits in with our business and growth strategies, as well as the development plans of the local, provincial and central government;
- the expected financial returns arising from sales and leasing activities as well as overall capital appreciation, from the development;
- the tax and regulatory environment in the geographic area in which the development is to be located;
- the availability of suitable plots of land for the site, in terms of size and location;
- the presence of historically significant architectural details that can be preserved and incorporated into the project; and
- the convenience of transport access to the site and any benefits from features or facilities located near the site, such as natural parks, lakes, rivers, greenery, schools, universities and commercial facilities.

Land acquisition

We actively seek land suitable for our projects. We enter into master agreements or similar arrangements with respect to our projects. We seek to acquire land use rights directly by: (i) competitive bidding through public tenders, auctions or listing at a land exchange administered by the local government; and (ii) purchasing land use rights directly from third parties or acquiring companies that hold land use rights. In addition, where we are permitted by PRC law to do so, we acquire land use rights by agreement with local governments for the comprehensive redevelopment of urban areas.

Project design, interior design and product positioning

We engage independent architects and engineering consultants to provide the design services required for each of our development projects, all in accordance with the intentions of the approved master plans, the design guidelines, market positioning and the development schedules adopted by our project directors.

The services of the architects and the engineering consultants are managed by a design management team which helps project directors to organize a project consultants' team that is most appropriate for the size and nature of each project undertaken. Generally, such consultants' team consists of an architect, a structural engineering consultant, a building services consultant, a landscape designer, an interior designer and any other specialist consultants as required by each specific project. We focus on the importance of consistency and detailing in architectural design. Project architects will be commissioned to provide full design service, whenever possible.

We maintain and constantly update a list of pre-qualified architects and engineering consultants, local and international firms of good professional standing and firms that are fully committed to the Chinese market. We will appoint a project consultants' team and the design management team will formulate a design brief based on the proposals of the master plan and consultations with the project director, his market research advisors, if any, our in-house sales and marketing/leasing team, the construction manager, the property manager and other relevant individuals in order to position the project to respond to the demands of the prevailing market and to meet the development costs budgeted by the project director. Progress and quality of the service of the project consultants' team will be closely monitored by the design management team.

Procurement and construction work

We engage independent contractors to provide construction work to our projects including, but not limited to, piling and foundation work, civil work, electrical and mechanical work, interior fitting out work. In addition to our centralized procurement of material, we have established strategic partnering with capable and reliable main contractors, electrical and mechanical contractors, interior fitting out contractors to our projects and thus enhance our efficiency, quality and cost benefits. We also engage, to a limited extent, related parties in the Shui On Group and SOCAM to carry out the construction of development projects or supply materials to our development projects. Any transactions with these related parties are carried out on an arm's-length basis on normal commercial terms. We establish and maintain approved registers of design consultants, other consultants, contractors and material suppliers to ensure that only those that are competent are permitted to participate in the tender process. Our quantity surveying and procurement department (the "**QS&P Department**") is responsible for inviting prequalified contractors, material suppliers and consultants to submit competitive bids for the construction work. Competitive bids are sought for each construction contract (beyond a certain value), and the decision to award is vested with the procurement committee for the relevant project and is made on the basis of capability to satisfy contract requirements and reputation for quality and price. The QS&P Department has standardized its documentation and operation procedure into a departmental operation manual to ensure consistency amongst all projects. In addition, the QS&P Department performs a quarterly technical audit of projects to monitor the good quantity surveying and procurement practices and relevant company policies.

During the construction phase, a project team is assigned for each development. These project teams, under the direction of the respective project directors, manage the project development process, ensure the quality and timely completion of each project and control the costs according to the approved budget. They are supported by external design consultants, construction supervisory consultants

required by the PRC government and quantity surveying consultants as well as internal quantity surveyors, site engineers, and procurement and design staff. The project teams are further supported by sales and marketing, corporate finance and development, finance and accounting, research and strategic planning, legal, public relations and branding and communications personnel. Each project team is required to plan and perform incoming material inspection/testing and control the in-process and final inspection/testing works prior to handing over of the completed units to the customers in accordance with the ISO 9001:2008 procedures and systems developed by the quality management department.

None of our directors, their associates or any shareholders holding more than 5% of our share capital has any interest in our five largest construction contractors during any of the three years ended December 31, 2009 and the six months ended June 30, 2010, except for SOCAM, which holds 70% equity interest in Shanghai Shui On Construction Company Limited, one of our five largest construction contractors in 2009 and the six months ended June 30, 2010. See "*Related Party Transactions — Provision of construction services by SOCAM to us.*"

Pre-sales, sales and marketing

Upon satisfaction of certain requirements set out in the relevant laws and regulations, we typically conduct pre-sales of our property units prior to the completion of a project or a project phase. All of the proceeds from the pre-sales of our properties are required to be deposited into special accounts. Before the completion of the pre-sold properties, the proceeds deposited in the special accounts may be used for the restricted purposes of purchasing construction materials, equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities and/or project financing banks. See "*Regulation — The land system of the PRC — Pre-sales*" for details of regulations with which we must comply relating to pre-sales (including further details of pre-sales regulations which must be complied with in each of Shanghai, Chongqing, Wuhan, Hangzhou, Foshan and Dalian).

We have a team of sales and marketing personnel located in Shanghai, Chongqing, Wuhan, Hangzhou, Foshan and Dalian who are responsible for the branding, positioning and sales and marketing of our property developments. Our sales and marketing functions are delegated in part or in whole to our subsidiaries which specialize in marketing and sales. The sales and marketing staff cooperate and coordinate closely in order to determine and execute appropriate advertising and sales plans for a particular property development.

By their nature, property sales generally involve sales to a diverse group of purchasers. Due to the high capital outlay involved in property purchases, we expect that sales to purchasers may not be recurrent within a single year such that any one purchaser could be meaningfully considered as a "major customer."

An important part of our sales and marketing process is the branding and positioning of our property developments before and after their completion. During the planning and design phase, our sales and marketing personnel work closely with our planning and business development staff to develop the branding and positioning of each property development. This process includes a determination of the target customers of each project, as well as strategies to maximize usage of and turnover from the property. In our city-core property developments, such as our Shanghai Taipingqiao and Shanghai KIC

projects, the branding and positioning process is designed to build a particular type of community and lifestyle. After completion of a project, our sales and marketing staff also develop advertising, sales and rental plans for the office, retail, cultural and entertainment properties held for rental, and for the residential properties sold.

We use various advertising media to market our property developments, including newspapers, magazines, television, radio, direct mail, e-marketing and outdoor billboards. We also participate in real estate exhibitions to enhance our brand name and promote our property developments.

We set up on-site reception centers to display information relating to the relevant property development and off-site promotional centers in areas frequented by targeted customers in circumstances where on-site reception centers may not be suitable.

Property management and after sales services

We emphasize customer service and efficient and effective maintenance services for our completed projects. Our property management staff also assist the project teams in handover inspections and the follow-up work required on our completed projects.

In accordance with local regulations, we manage properties developed by us on behalf of our customers until the owners' committee of the relevant property is established and a new property manager is appointed. With respect to our completed residential property developments, the owners of units in these developments are free to choose their own property management company upon establishment of a homeowners' organization but, to date, most of our completed residential properties are managed by Shanghai Feng Cheng Property Management Company Limited, one of our wholly owned subsidiaries. We are committed to enhancing the value of our projects on a continuing basis through comprehensive management of our properties.

We conduct customer satisfaction surveys regularly on our hand-over projects and our property management services to identify areas that could be further improved to enhance customer satisfaction.

Joint Venture Arrangements

Our joint venture partners

Each of our joint venture partners in China is an associated enterprise of the local district government in the area where the development project is located. We have established subsidiaries in Hong Kong, Mauritius and the British Virgin Islands to enter into the relevant joint venture contracts with our joint venture partners in China.

Capital contributions

Except for Hangzhou Scenic Garden Development Corporation Ltd., our cooperative joint venture partner of Hangzhou Xihu Tiandi Management Co., Ltd., which contributed the operating rights of the buildings at Phase 1 of the Hangzhou Xihu Tiandi project as its capital contribution, and our other joint venture partners make their capital contributions in and cash in amounts proportionate to their percentage of equity interests specified in the relevant joint venture contracts.

In addition, the Chinese joint venture partners are generally responsible for, among other things, the following:

- assisting the project companies in applying for relevant government approvals and permits for the establishment and operation of the project companies; and

- liaising among the joint venture partners, the project companies and the relevant government authorities to ensure efficient operation of the project companies and the relevant development projects.

Apart from making cash contributions in accordance with the percentage of our equity interest in the relevant joint ventures, we are generally required to:

- prepare application documents for the establishment of the project companies, including, among others, feasibility studies, joint venture contracts and articles of association;

- establish financial reporting and accounting systems in accordance with international standards; and

- assist the project companies in obtaining the financing necessary for their operations and the relevant development projects.

Profit sharing and assets distribution

Except as described below, our joint venture partners are generally entitled to share distributable profits according to their respective percentage of ownership specified in the relevant joint venture contract.

Hangzhou Scenic Garden Development Corporation Ltd., our joint venture partner of Hangzhou Xihu Tiandi Management Co., Ltd., is entitled to a fixed annual distributable profit, or 50% of the total annual distributable profit if it exceeds a certain amount.

Shanghai Xintiandi Plaza Commercial Co., Ltd., our joint venture partner of Shanghai Rui Zhen Food & Beverage Co., Ltd., is entitled to a fixed after-tax payment annually, which is equivalent to 10% of its capital contribution, i.e. US$21,000.

Upon the expiration of all the equity joint venture contracts (including any extension thereof), the joint venture parties will generally share the proceeds from the liquidation of the relevant project companies according to their respective percentage of ownership.

Board representation and management

The board of directors of each joint venture is the highest decision-making authority of each of our joint ventures. In general, the board of directors of our joint ventures consists of three to seven directors, and the voting power to appoint the directors correspond to the respective percentage of ownership of the joint venture partners.

We have majority interests in all of our joint ventures and can appoint the chairman of each of these joint ventures except for the four joint venture companies for the development of the Dalian Tiandi project in which we have an attributable interest of 48%.

The general managers and, in some cases, one or more deputy general managers are in charge of day-to-day operation and management of our joint ventures. We appoint the general manager of each joint venture.

Term of operation and termination

Our joint ventures have a term of operation ranging from 20 to 70 years commencing from the date of establishment of the joint venture, subject to extension upon the unanimous consent of its board of directors and the approval by the original examination and approval authorities.

Each of our joint ventures may be terminated upon the unanimous consent of its board of directors and the approval of the original approval authority.

Except for Hangzhou Xihu Tiandi Management Company Limited, Shanghai Rui Hong Xin Cheng Co., Ltd. and Shanghai Rui Zhen Food & Beverage Co., Ltd., each of our joint ventures may be terminated by either party if any of the following events occurs:

- the other party to the joint venture materially breaches the joint venture contract and fails to rectify the breach within 90 days or causes the joint venture to be inoperable or unable to achieve its business goals, as the case may be;

- the joint venture or either party to the joint venture becomes insolvent, is under liquidation or dissolution proceedings, ceases operation, or is unable to repay its debts when due;

- an event of force majeure lasts more than three or six months, as the case may be, and the parties to the joint venture fail to reach a fair resolution; or

- any other events as set out in the relevant PRC laws and regulations.

Hangzhou Xihu Tiandi Management Company Limited and Shanghai Rui Hong Xin Cheng Co., Ltd. may be terminated by either party to the joint venture if the other party materially breaches the joint venture contract or the articles of association, and such breach causes the joint venture to be inoperable or unable to achieve its business goals.

Shanghai Rui Zhen Food & Beverage Co., Ltd. may be terminated by either party to the joint venture if the other party materially breaches the joint venture contract and fails to rectify the breach within 30 days.

Tenants and Leases

We usually retain ownership of our office, retail, cultural and entertainment buildings, renting these out to tenants. We seek to maintain long-term relationships with our tenants and to maintain a good balance in their composition.

Our leases are generally for terms of 24 to 36 months (up to 120 months for anchor tenants, with rental escalation and/or review provisions) and typically require security deposits of three months' rent. The lease payments we receive under certain leases with restaurant and entertainment properties are based on a participation in the turnover of the businesses.

Rents are typically set based upon prevailing market rates, and the rents payable by our retail tenants often include a turnover component. Our tenants are generally charged a monthly management fee, which covers building maintenance expenses and air-conditioning services. Tenants are also required to pay their own utility charges.

We regularly monitor the creditworthiness and payment history of the tenants of our retail properties. We may elect not to renew the leases of retail tenants whose creditworthiness or payment history is lagging, in order to improve our rental income.

Financing

We have three main sources of funding for our property development: internal resources, offerings of equity or debt securities and secured or unsecured loans. Our financing methods vary from project to project. Our project construction loans are generally secured by mortgages over the land use rights of the project companies, our equity interests in the project companies, insurance over their assets and properties, the proceeds of the rental and sale of our completed properties and bank accounts. We also obtain loans from non-controlling interest shareholders for the development of co-investment projects.

Our memorandum and articles of association do not limit the amount or percentage of indebtedness that we may incur. However, certain agreements relating to our borrowings contain customary restrictions, requirements and other limitations on our ability to incur indebtedness.

Quality Control

We establish and implement procedures and systems in accordance with the requirements of ISO 9001:2008 to monitor the different aspects of our project management activities in design, procurement, quantity surveying, construction and maintenance works. Regular audits are conducted to ensure compliance by respective departments and projects.

The quality control of each of our projects is headed by the respective project management team and performed in accordance with approved ISO procedures and systems to ensure compliance with the specifications of our projects. We construct and approve specific mock-ups to establish the quality standard required for each project before mass construction begins. We regularly monitor and assess the performance of the design consultants, other consultants, contractors and material suppliers to ensure that they meet the specified requirements and appropriate follow-up action is taken against, and penalties imposed on, those that do not meet the required standards.

We place strong emphasis on quality control to ensure that the quality of our projects complies with relevant regulations and meets market standards and customers expectations. Records that are necessary to provide evidence of conformity and the performance of quality control activities are required to be kept in related functional departments by each project and by the construction supervisory consultant. Each project is also subject to the monitoring effort of the appointed construction supervisory consultant, as required by PRC government regulations. An independent inspection unit is also hired to perform the final inspection and testing works in addition to the effort by the project team. Defects found during handover inspection and during the maintenance period are recorded in the Warranty and Maintenance System for follow-up action and as a statistical tool for improvement actions.

Our Quality Assurance Management Department also monitors the performance of the Third Party Quality Consultant in conducting regular quality assessments of each project site and reports irregularities to the respective project managers, project general managers, project directors responsible for the projects and top management. The project teams are required to rectify the problem immediately. The assessment scores and ranking of each project are posted to encourage improvement and are being used as a basis for measuring performance of the responsible project team.

We have received a number of awards in recognition of the high quality achieved in our property developments, including the 2006 Magnolia Award from the Shanghai Construction Trade Association for Towers 1, 2, 7 and 8 of Lakeville Regency, Green Building Certification Award (2 Star) for Live and Work area Phase 2 (Lots 7-7 and 7-9) in Shanghai KIC, the 2006 Housing Quality "AA" Pre-certification Award for the residential portion of Chongqing Tiandi Lot B1-1/01 from the Chongqing Municipal Construction Commission and the 2006 Cobalt Tower Award from the US Green Building Council.

Environmental and Safety Matters

As an operator and developer of property in the PRC, we are subject to various environmental laws and safety regulations set by the PRC national, provincial and local governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. We incorporate such requirements into our contracts with our contractors and material suppliers and monitor their implementation through the efforts of our project teams.

Employees

As of June 30, 2010, the number of employees in the Group was 1,305. In addition, the headcount of the property management business was 1,230. The following table sets out the number of our employees categorized by function as of that date:

Department	No. of Employees
Management	29
Sales and Marketing	162
Research and Development, Planning & Design	75
Project Construction and Engineering	279
Quantity Survey and Procurement	67
Operation Management	251
Finance & Accounting	105
Human Resources	39
Legal	30
Administration & IT	122
Corporate Development, PR and Corporate Communication & Branding	60
Food & Beverage	41
Kindergarten	45
Total	**1,305**

Employee benefits

We provide comprehensive benefit package for all employees, as well as career development opportunities. This includes retirement schemes, share option scheme, medical insurance, other insurance, in-house training, on-the-job training, external seminars and programs organized by professional bodies and educational institutes.

We strongly believe in the principle of equality of opportunity. The remuneration policy of the Group for rewarding its employees is based on their performance, qualifications and competency displayed in achieving the corporate goals.

Training and development

We formed the Shui On Academy in 2008 to provide systematic learning programs for our employees in four areas: core knowledge (company and industry), management, professional and personal excellence. The learning experiences cover in-house programs, external training, e-learning and on-the-job learning. We partner with leading institutions to bring in outside best practices. Additionally, staff have the opportunity to participate in innovative learning practices such as action learning projects that challenge learners to apply their new knowledge and skills to real-life business issues. Finally, we have several training programs that focus on accelerating the capability of high-potential staff.

To ensure the sustainable growth of the Company, we offer different trainee programs designed to help identify high-potential employees at early stages in their careers and then enhance their development through targeted programs, with the ultimate goal of preparing them for management and leadership roles.

Management Cadet ("MC") program

This fast track development program was established in 2002 to help employees take up core management positions in an accelerated time frame. The program is open to all internal staff who have at least two years of working experience and have the potential for development. A rigorous, fair and transparent process is used to select the best candidates. Senior management, working with an external consultant, are the principal assessors. Once accepted into the program, MCs are given challenging job assignments and/or postings within corporate service departments to increase the breadth and depth of their understanding of our operations and business. Mentored by members of the top management, including the chairman and directors, MCs are given learning opportunities through special assignments and privileged exposure to high level meetings and contacts, knowledge and experience sharing sessions, internal and external workshops, as well as overseas programs and visits.

Functional Executive ("FE") program

Established in 2009, professionals and managers selected for the FE program are given customized development plans designed to prepare them to serve in senior functional positions.

Management Trainee ("MT") program

Established in 1997, this program puts recent university graduates on the road to future management positions. Beginning with an intensive 6-week induction period that takes the trainees across the country to all of the cities with our projects, trainees are also given an in-depth understanding of the business through half-day seminars with each of the company's departments. These promising graduates are expected to form the backbone of our management team and must go through a

three-year program that includes personal development, management skills training and job rotations. Each trainee is assigned a senior manager as a mentor who provides guidance and career development counseling. Upon successful completion of the program, MTs are assigned to a junior management position.

Graduate Trainee ("GT") program

This program was established to prepare fresh graduates for professional positions by acquiring technical/ professional knowledge and management skills through a structured and systematic on-the-job development program. GTs go through the same intensive six-week induction period as the MTs, but while the duration of the GT program varies by professional stream, all GTs are rotated to different positions within their field, including a six-to-twelve-month secondment to an external professional institution or consultancy for some streams. In 2009, we expanded the program beyond Project Management and recruited its first batch of Commercial, Legal, Human Resources, and IT trainees. At the same time, this program was also extended to existing employees with outstanding performance records.

Relationship with our employees

We maintain good working relations with our employees. We sponsor a number of employees' self-organized social clubs and task forces and provide support in organizing and promoting staff social activities and community services. We have not suffered from any material disruption to our normal business operations as a result of any labor dispute, strike or employee dispute.

Competition

We believe that the real estate market in the PRC is highly fragmented. While there are a number of competitors who may target different segments and regions of the PRC real estate market from us, we currently are not aware of other property developers with the same record of property development coupled with master planning expertise relating to large-scale integrated property projects in the PRC.

On a city and district level, however, we face varying levels of competition for our products, depending on the location and positioning of our projects. Our existing and potential competitors in each city and district include major domestic state-owned and private developers in the PRC, as well as developers from Hong Kong and elsewhere in Asia and other parts of the world. See "*Risk Factors — Risks relating to our Industry — Increasing competition in the PRC property market may adversely affect our business and financial condition.*"

Non-Competition Agreement

We have entered into a non-competition agreement with Mr. Lo and Shui On Company Limited, to govern the conduct of the following activities in the PRC between Mr. Lo and the Shui On Group on the one hand, and us on the other:

- the acquisition, development or dealing in land, real estate or investments in land or real estate, or any option or right in relation to any of such interests;

- the development of real estate projects, or acquiring or holding any right, option or other interest in such developments;

- property management; and

- acquisition, holding or dealing in any shares of, or interest in, any company, investment trust, joint venture or other entity which engages in any of the above businesses (together, the "**Defined Business**").

Under this agreement, Mr. Lo and Shui On Company Limited have undertaken that we shall be the flagship company of the Shui On Group for its property development and investment business in the PRC. In particular, they have undertaken on a several basis, subject to the exceptions referred to below, that they shall not, and will ensure that no company controlled by Mr. Lo (other than SOCAM or its subsidiaries) (the "**Associated Companies**") or in the Shui On Group shall carry on or engage, invest, participate or be interested (economically or otherwise) in any Defined Business in the PRC. Mr. Lo and Shui On Company Limited have further undertaken to ensure that any business investment or other commercial opportunity in the PRC relating to the Defined Business (the "**New Opportunity**") that Mr. Lo (or his Associated Companies) or the Shui On Group identifies or that is offered to them by a third party are first referred to us.

The non-competition agreement will terminate upon the earlier of:

- In relation to Shui On Company Limited, the date when Shui On Company Limited ceases to control, directly or indirectly, 30% or more of our Shares;

- In relation to Mr. Lo, the date when Mr. Lo ceases to control, directly or indirectly, 30% or more of our Shares; or

- The date when our Shares cease to be listed on any internationally recognized stock exchange (provided that such delisting is voluntary and at our instigation).

Legal Proceedings

We are subject to various legal proceedings and claims that arise in the ordinary course of business such as disputes with tenants of our office and commercial properties and disputes with the owners of units in our residential properties. However, as of the date of this offering memorandum, we are not subject to any material litigation which, if determined adversely ageists us, would have a material adverse effect in our results of operation or financial position.

Litigation, Tax and Estate Duty Indemnity from Shui On Company Limited

Under a deed of indemnity dated May 30, 2006, Shui On Company Limited has undertaken to us that it will indemnify and keep us indemnified against (a) any losses arising from any third party litigation, arbitration or administrative proceedings brought against any member of us with respect to acts or omissions by us before the date of our listing on the Hong Kong Stock Exchange, (b) any and all tax liabilities (including for estate duty) falling on any member of us which might be payable by us as a consequence of any event occurring, or with respect to, any income, profits or gains earned, accrued or received on or before the date of our listing on the Hong Kong Stock Exchange, and (c) any LAT liability under PRC law in relation to sales or presales of properties during the year ended December 31, 2006 to the extent not disclosed in the profit forecast in our Prospectus regarding our listing on the Hong Kong Stock Exchange provided no claims may be brought against Shui On Company Limited for such LAT liability after the expiry of one month from the date of the signature of the auditor's report with respect to the audited consolidated financial statements of our Group as of December 31, 2006 and for the year ended December 31, 2006. As of the date of this offering memorandum, we have not brought any claims against Shui On Company Limited arising out of the deed of indemnity.

Shui On Company Limited will not, however, be liable under the deed of indemnity for litigation or taxation in certain circumstances including where (a) a provision or reserve has been made for such litigation or taxation in our audited accounts as of December 31, 2005, (b) the claim would not have arisen but for a voluntary act carried out by us after the date of our listing on the Hong Kong Stock Exchange, (c) the claim is disclosed in the Prospectus regarding our listing on the Hong Kong Stock Exchange, or (d) we fail to act in accordance with the reasonable request of Shui On Company Limited in relation to the handling of the claim. In addition, Shui On Company Limited will not be liable under the deed of indemnity for taxation claims to the extent that (a) a provision or reserve in our audited accounts as of December 31, 2005 is determined to be excessive, or (b) the taxation liability or the increase in tax liability arises as a result of an increase in rates of taxation or change in law made after the date of our listing on the Hong Kong Stock Exchange with retrospective effect.

The liability of Shui On Company Limited under the deed of indemnity will terminate after the expiry of 7 years from the date of the deed of indemnity.

The directors have been advised that no material liability for estate duty is likely to fall upon us or any of our subsidiaries in the Cayman Islands, Hong Kong, the British Virgin Islands, Mauritius, or the PRC, being jurisdictions in which we or one or more of our subsidiaries are incorporated.

Intellectual Property Rights

We rely on a combination of trademarks, service marks, domain name registrations, copyright protection and contractual restrictions to establish and protect our brand name and logos, marketing designs and Internet domain names.

We have registered trademarks relating to our business in the PRC. Some of these marks will also be registered, or are in the process of being registered, in Hong Kong where we believe it is important to establish our right to use these marks. We have also registered the Internet domain name "shuion.com.cn" and other related domain names.

Our trademark adviser, Shanghai Changan Trademark Service Company Limited, has advised us that we cannot apply for registration in the PRC of our corporate logo in our name because the trademark is too similar to the seagull logo used by the Shui On Group, which is already registered in the name of Shui On Holdings Limited, a member of the Shui On Group, and that both logos must be registered in the name of one entity pursuant to PRC law. Shui On Holdings Limited has successfully completed the registration of our corporate logo in the PRC in its name.

We have entered into a licensing arrangement with Shui On Holdings Limited with regards to our exclusive right to use our corporate logo for all purposes in the PRC. The license is royalty-free for a term of 10 years from May 30, 2006 and can be renewed by notice from either party.

The Shui On Group has transferred certain trademarks and domain names to us. The Shui On Group is not entitled to use the same trademarks and domain names as used by the Group.

Insurance

We maintain insurance policies with insurance companies in the PRC which cover property damage due to natural hazards, including lightning, typhoons, tornadoes, floods, landslides and other natural phenomena, and accidents, including fire and explosion, and general liability under property all risk insurance, business interruption insurance, public liability insurance and money insurance. As of June 30, 2010, we have not experienced any significant loss or damage to our properties.

We maintain all risk and third party liabilities insurance coverage for our properties under construction, including those that have been completed and are pending delivery, subject to customary deductibles, limitations and exclusions. There are no mandatory requirements to maintain insurance coverage in the PRC with respect to our property development operations. Since January 1, 2002, we have not suffered any losses or damages or incurred any liabilities relating to our properties that had a material adverse effect on our business.

Properties Occupied By Us

Our principal office and corporate headquarters are located at Shui On Plaza, 25th and 26th Floor, 333 Huai Hai Zhong Road, Shanghai, PRC. Our headquarters, which comprise approximately 5,148 sq.m., are staffed by our management and office personnel. We lease our headquarters from the Shui On Group at market rates. Our lease with the Shui On Group is for a term to December 31, 2012. We do not anticipate any difficulty in renewing this lease or finding replacement facilities. We also maintain offices located at or close to each of our project sites, which are used by our project teams, as well as sales and rental offices. Of these offices, the Rui Hong Xin Cheng, Shanghai KIC, Chongqing and Wuhan offices are located on properties owned by us, and the Hangzhou, Foshan and Dalian offices are located in leased premises not owned by us.

DIRECTORS

Our Board currently consists of eleven Directors, comprising four Executive Directors, one Non-executive Director and six Independent Non-executive Directors.

The following table sets out the name, age and position of our Directors as of the date of this offering memorandum:

Name	Age	Position
Mr. Vincent H. S. LO, GBS, JP	62	Chairman, Executive Director and Chief Executive Officer
Mr. Louis H. W. WONG	59	Executive Director and Managing Director — Project Management
Mr. Daniel Y. K. WAN	52	Executive Director, Managing Director and Chief Financial Officer
Mr. Freddy C. K. LEE	48	Executive Director and Managing Director
The Honourable LEUNG Chun Ying, GBS, JP	56	Non-executive Director
Sir John R. H. BOND	69	Independent Non-executive Director
Dr. Edgar W. K. CHENG	67	Independent Non-executive Director
Dr. William K. L. FUNG, SBS, JP	61	Independent Non-executive Director
Professor Gary C. BIDDLE	59	Independent Non-executive Director
Dr. Roger L. McCARTHY	62	Independent Non-executive Director
Mr. David J. SHAW	64	Independent Non-executive Director

Executive directors

Mr. Vincent H. S. LO, GBS, JP, aged 62, has served as our Chairman and Chief Executive Officer since the inception of our Company in February 2004. He is Chairman of the Shui On Group, which he founded in 1971, Chairman of SOCAM, a Non-executive Director of Great Eagle Holdings Limited and a Non-executive Director of Hang Seng Bank Limited.

Mr. Lo has been honored for his entrepreneurial endeavors with the international prestigious business award "Ernst & Young Entrepreneur of the Year 2009" in the China Real Estate Category, and also been chosen as the grand country award winner among the 12 category winners. He was also awarded the Gold Bauhinia Star (GBS) in 1998 and appointed Justice of the Peace in 1999 by the Government of the Hong Kong Special Administrative Region (HKSAR). In 1999, Mr. Lo was made an Honorary Citizen of Shanghai. He was named Businessman of the Year at the Hong Kong Business Awards in 2001, and won the Director of the Year Award from The Hong Kong Institute of Directors in 2002 and Chevalier des Arts et des Lettres by the French government in 2005.

In addition to his business capacity, Mr. Lo has been active in community services. He participated in the preparatory works of the establishment of the Hong Kong Special Administrative Region. He currently serves as a Member of The Eleventh National Committee of the Chinese People's Political Consultative Conference, Hong Kong's representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council, the President of Shanghai-Hong Kong Council for the Promotion and Development of Yangtze, an Economic Adviser of the Chongqing Municipal Government, the Honorary Life President of the Business and Professionals Federation of Hong Kong, a Vice Chairman of the Chamber of International Commerce Shanghai and the Honorary Court Chairman of Hong Kong University of Science and Technology.

Mr. Louis H. W. WONG, aged 59, is Managing Director - Project Management and has served as an Executive Director of the Company since October 2008. He is responsible for all project management matters of the Company. Mr. Wong is responsible for the day-to-day management of the Company together with the other Managing Directors. Mr. Wong joined the Shui On Group in 1981. From November 2002 until May 2004, he was Managing Director of Shui On Properties Limited. He was previously a Non-executive Director of SOCAM and a Director of Shui On Company Limited. He is currently a member of the Chinese People's Political Consultative Conference Committee of Luwan District of Shanghai, Vice President of the Shanghai Real Estate Trade Association and Vice President of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Ltd. He has also served as a member of the Construction Industry Training Authority, the First Vice President of the Hong Kong Construction Association, a Director of the Real Estate Developers Association of Hong Kong, a member of the Construction Advisory Board in Hong Kong, Chairman of the Departmental Advisory Committee for the Department of Building and Construction of the City University of Hong Kong, a member of the Provisional Construction Industry Coordination Board, a governing council member of the Construction Industry Institute of Hong Kong, a member of the Occupational Safety and Health Council in Hong Kong, a member of the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption and Honorary President of the Hong Kong Institution of Construction Engineers. He holds a Bachelor of Science degree in Civil Engineering from the University of Manchester and is a fellow member of the Institution of Civil Engineers, fellow member of the Chartered Institute of Building and a member of the Hong Kong Institution of Engineers.

Mr. Daniel Y. K. WAN, aged 52, is the Managing Director and Chief Financial Officer of the Company responsible for all aspects relating to our finance and accounting, legal, company secretarial and information technology affairs. He is also responsible for the day-to-day management of the Company together with the other Managing Directors. Mr. Wan joined the Company in March 2009. He has extensive experience in the financial industry with over 20 years in senior management positions. Prior to joining the Company, Mr. Wan was the General Manager and Group Chief Financial Officer of The Bank of East Asia, Ltd. Mr. Wan holds a Bachelor of Business Administration degree from The Chinese University of Hong Kong and a Master of Business Administration degree from The University of Wales. He is a fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and a member of The Institute of Chartered Accountants in England and Wales. Mr. Wan was a member of the Accounting Standards Advisory Panel of the Hong Kong Society of Accountants, member of the Auditing Standards Committee of the Hong Kong Society of Accountants, member of the Board of Review (Inland Revenue), member of the Small and Medium Enterprises Committee, member of the Travel Industry Compensation Fund Management Board, Chairman of the Investment Committee of the Travel Industry Compensation Fund and part-time member of the Central Policy Unit.

Mr. Freddy C. K. LEE, aged 48, is the Managing Director. He is also Director - Wuhan and Foshan and the Managing Director of Shui On Development Limited ("**Shanghai SOD**"). Mr. Lee joined the Shui On Group in 1986 and has over 15 years of working experience in construction management and 9 years of working experience in property development in the PRC. Besides being responsible for all aspects of our projects in Wuhan, Foshan and Taipingqiao, Mr. Lee is responsible for the implementation of the Company's Three-Year Plan. Mr. Lee holds a Master's degree in Construction Management from the City University of Hong Kong and a Bachelor's degree in Quantity Surveying from Reading University, England. He is currently a member of the Royal Institution of Chartered Surveyors in the United Kingdom and a member of the Hong Kong Institute of Surveyors.

Non-executive director

The Honourable LEUNG Chun Ying, GBS, JP, aged 56, has served as an Independent Non-executive Director of our Company since May 2006 and was re-designated as a Non-executive Director with effect from January12, 2007. He is a Director of DTZ Holdings plc ("**DTZ**") and Chairman of DTZ in Asia Pacific. Mr. Leung is the Convenor of the, non-official members, Executive Council of Hong Kong. He is also a member of the National Standing Committee of the Chinese People's Political Consultative Conference, a member and Chairman of the Council, City University, a member of the Court of City University, Chairman of the Coalition of Professional Services and Chairman of One Country Two Systems Research Institute Limited. He is also a Non-executive Director of Sing Tao News Corporation Limited. Mr. Leung holds a Bachelor of Science degree in Valuation and Estate Management from Bristol Polytechnic, England. He is an Honorary Doctor of Business Administration, University of the West of England, an Honorary Doctor of Business Administration, Hong Kong Polytechnic University, and a fellow of the Hong Kong Institute of Surveyors.

Independent non-executive directors

Sir John R. H. BOND, aged 69, has served as an Independent Non-executive Director of our Company since September 2006. He was previously the Group Chairman of HSBC Holdings plc and was with HSBC from 1961 until May 2006. He is Chairman of Vodafone Group Plc, a Non-executive Director of A. P. Moller Maersk and an Advisory Director of Northern Trust Corporation. He is also a member of the Mayor of Shanghai's International Business Leaders' Advisory Council, a participant in the China Development Forum, a member of the International Advisory Board to the Tsinghua University School of Economics and Management and a member of the Mitsubishi International Advisory Committee.

Dr. Edgar W. K. CHENG, aged 67, has served as an Independent Non-executive Director of our Company since September 2006. He has pursued several careers in the fields of medicine, public service and business and finance in the United States and Hong Kong over the past 38 years. A graduate from the University of Notre Dame and the Medical College of Wisconsin, USA, Dr. Cheng was Clinical Associate Professor of Medicine at Cornell University Medical College and practiced medicine and conducted clinical research at the Memorial Sloan-Kettering Cancer Center in New York. A former Chairman of the University Grants Commission in Hong Kong, a former member of the Education Commission and a former Chairman of the Council of The Chinese University of Hong Kong, Dr. Cheng is currently Chairman of the World-Wide Investment Co. Limited and has been in other financial market positions such as Chairman of The Stock Exchange of Hong Kong Limited, Vice-chairman and Non-executive Director of Hang Seng Bank Limited, Vice President of the International Federation of Stock Exchange, Founding Chairman of the Hong Kong Securities Institute, a member of the board of directors of the Hong Kong Futures Exchange Limited, a member of the Conference Board's Global Advisory Council, an Independent Director of Goldman Sachs Guo Hua Securities Co. Limited, a member of the board of directors of the Hong Kong Institute for Monetary Research, an Independent Non-executive Director of Standard Chartered Bank (Hong Kong) Limited and an Independent Non-executive Director of American International Assurance Co. Limited. He is currently an Independent Non-executive Director of CNOOC Limited. Dr. Cheng served as the Head of the Central Policy Unit of the Government of Hong Kong Special Administrative Region from 1999 to 2001. He was also a member of the Commission on Strategic Development, a member of the Greater Pearl River Delta Business Council and Chairman of the Council for Sustainable Development. He is currently a member of the Judicial Officers Recommendation Commission. Dr. Cheng also plays an active role in Hong Kong-China affairs. He was appointed by the PRC Government as a Hong Kong Affairs Advisor (1991-1997). He became a member of the Preparatory Committee and also the Selection Committee for the Hong Kong Special Administrative Region of the National People's Congress (1996-1997). At present, he is a member of The Eleventh National Committee of the Chinese People's Political Consultative Conference.

Dr. William K. L. FUNG, SBS, JP, aged 61, has served as an Independent Non-executive Director of our Company since May 2006. Dr. Fung is Group Managing Director of Li & Fung Limited and has held key positions in major trade associations. He is past Chairman of the Hong Kong General Chamber of Commerce, Hong Kong Exporters' Association and Pacific Economic Cooperation Committee. He has been awarded the Silver Bauhinia Star by the Hong Kong Special Administrative Region Government in 2008. Dr. Fung graduated from Princeton University with a Bachelor of Science degree in Engineering and also holds an MBA degree from the Harvard Graduate School of Business. He was conferred Honorary Doctorate degrees of Business Administration by Hong Kong University of Science and Technology and by the Hong Kong Polytechnic University. Dr. Fung is an Independent Non-executive Director of VTech Holdings Limited, an Independent Director of Singapore Airlines Limited since December 1, 2009 and an Independent Non-executive Director of Sun Hung Kai Properties Limited since February 1, 2010. He is also a Non-executive Director of other listed Li & Fung group companies including Convenience Retail Asia Limited and Trinity Limited which was listed on The Stock Exchange of Hong Kong Limited on November 3, 2009.

Professor Gary C. BIDDLE, aged 59, has served as an Independent Non-executive Director of our Company since May 2006. Professor Biddle is PCCW Chair Professor of Accounting at The University of Hong Kong. Formerly he served as Dean of the Faculty of Business and Economics of The University of Hong Kong and as Council Member, Court Member, and Associate Dean of the School of Business and Management of Hong Kong University of Science and Technology. Professor Biddle obtained his MBA and Ph.D. degrees from the University of Chicago. Previously he served as professor at University of Chicago and at University of Washington, and as visiting professor at China Europe International Business School and at IMD Business School in Switzerland. He is a member of the American Institute of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants, Washington Society of Certified Public Accountants, and he is past President and co-founding council member of the Hong Kong Academic Accounting Association. Professor Biddle publishes in the world's leading journals on topics including performance measurement, valuation and value creation and works with leading companies and business schools worldwide. Professor Biddle is also an Independent Non-executive Director of Kingdee International Software Group Company Limited.

Dr. Roger L. McCARTHY, aged 62, has served as Independent Non-executive Director of our Company since May 2006. Dr. McCarthy is currently the principal of McCarthy Engineering. He was formerly Chairman Emeritus of Exponent, Inc. (NASDAQ symbol "EXPO"). He was also Chairman of Exponent Science and Technology Consulting Co., Ltd. (Hangzhou) (毅博科技諮詢(杭州)有限公司), a wholly owned subsidiary of Exponent, Inc., which he founded in 2005 to expand Exponent Inc.'s services to the PRC. Dr. McCarthy holds five academic degrees: an Arts Bachelor (A.B.) in Philosophy and a Bachelor of Science in Mechanical Engineering (B.S.E.M.E.) from the University of Michigan; and an S.M. degree in Mechanical Engineering, the professional degree of Mechanical Engineer (Mech.E.), and a Ph.D. in Mechanical Engineering all from the Massachusetts Institute of Technology ("MIT"). He graduated from the University of Michigan Phi Beta Kappa, summa cum laude, the Outstanding Undergraduate in Mechanical Engineering in 1972. He was a National Science Foundation fellow. In 1992, Dr. McCarthy was appointed by the first President Bush to the President's Commission on the National Medal of Science. Dr. McCarthy is one of approximately 160 Mechanical Engineers elected to the US National Academy of Engineering. He currently serves on the External Advisory Boards of the Department of Mechanical Engineering at the University of Michigan and the Material Sciences Department at Stanford University, and he delivered the 2008 commencement address for the University of Michigan's College of Engineering. He is also the longest serving member of the Visiting Committee for the Mechanical Engineering Department at the Massachusetts Institute of Technology (MIT).

Mr. David J. SHAW, aged 64, has served as an Independent Non-executive Director of our Company since May 2006. Mr. Shaw is employed by the HSBC Group as Adviser to the Board of HSBC Holdings plc, a London-based appointment which he took up in June 1998. Mr. Shaw is a solicitor, admitted in England and Wales and in Hong Kong. He was a partner of Norton Rose from 1973 until 1998 and during that period spent approximately 20 years working in Hong Kong. Mr. Shaw obtained a law degree from Cambridge University. He is a Non-executive Director of HSBC Private Banking Holdings (Suisse) SA and HSBC Bank Bermuda Limited and a director of HSBC Private Bank (Suisse) SA, which are companies within the HSBC Group. He is also an Independent Non-executive Director of Kowloon Development Company Limited.

Senior Management

Mr. TANG Ka Wah, aged 51, is Director - Chongqing and is also an Executive Director of Shanghai SOD. He is responsible for all aspects of our project in Chongqing. He joined the Shui On Group in 1985 and has over 24 years of working experience in the construction industry. He is a member of the Institution of Structural Engineers and a member of the Hong Kong Institution of Engineers. Mr. Tang is a chartered engineer. He holds a Bachelor's degree in Engineering from The University of Hong Kong and a Master's degree in Business Administration — E-Commerce from the West Coast Institute of Management & Technology, West Australia.

Mr. Charles W. M. CHAN, aged 54, is Director - Projects and is responsible for the Dalian Tiandi project and KIC project. He joined the Shui On Group in January 2004. Prior to joining our Company, Mr. Chan was Deputy Managing Director of Frasers Property (China) Limited, Executive Director of SunCorp Technologies Limited, Vice President of Citibank N.A. and Manager of PricewaterhouseCoopers. He is a fellow of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in Australia. Mr. Chan holds a Bachelor's degree in Economics from the University of Sydney.

Mr. Albert K. B. CHAN, aged 50, is Director of Planning and Development. He is currently responsible for the conceptualization and master planning of our Company's new projects and takes charge of the Development & Planning & Design Department. He was previously responsible for the overall planning and design of the Shanghai Xintiandi development project. Mr. Chan joined Shui On Properties Limited in 1997. Prior to joining our Company, he was a Project Director at the Department of Design and Construction, New York City. Mr. Chan holds a Bachelor's degree in Architectural Design from the University of Minnesota, a Master's degree in Architecture from the University of California, Berkeley, and a Master's degree in Science in Architecture and Urban Design from Columbia University. He also holds an MBA, majoring in finance from New York University. He is a member of the American Institute of Architects, a member of the American Planning Association, a member of the Urban Land Institute and a registered architect of New York State.

Mr. UY Kim Lun, aged 47, is Director of Legal Affairs and Company Secretary of our Company. He joined our Company in 2005 and is responsible for the legal, company secretarial and compliance issues of our Company. Mr. Uy holds a Bachelor's degree, with honors, in Laws and a Postgraduate Certificate in Laws from The University of Hong Kong. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1994. He has over 18 years of post-qualification experience and has worked in the legal departments of several bluechip companies in Hong Kong before joining our Company.

Mr. Bryan K. W. CHAN, aged 36, is Project Director for the Hongqiao Project. He is responsible for the new project at Hongqiao, Shanghai. Mr. Chan joined the Company in February 2009. Prior to joining our Company, Mr. Chan had been an adviser to the Commercial Division of the Company. Mr.

Chan received a Bachelor of Arts degree in Economics from Northwestern University and a Master's of Accounting degree from the University of Southern California. He is a member of the Urban Land Institute (ULI), International Council of Shopping Centers (ICSC) and Entrepreneurs' Organization — Hong Kong and Shanghai chapters.

Mr. Ken C. K. WONG, aged 55, is the Director of Finance of the Group. Mr. Wong joined the Group in September 2009. His main responsibilities are overseeing the finance, treasury, accounting and investor relations functions of the Group. Prior to this posting, for over 12 years, Mr. Wong as an Associate Director, worked for a leading listed property development and investment company with significant presence in the Mainland and Hong Kong. He has over 30 years of extensive finance accounting and general management work experience and had been holding various senior management positions with listed companies, mainly in the property industry. Mr. Wong is a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Board Committees

Audit Committee

We established an Audit Committee in June 2004. The Audit Committee was re-constituted in May 2006 with terms of reference in compliance with Rule 3.21 of the Rules Governing the Listing of Securities and the Code on Corporate Governance Practices ("**CG Code**"). The Audit Committee currently comprises three members, namely Professor Gary C. Biddle (Chairman), Dr. Edgar W. K. Cheng and Dr. Roger L. McCarthy, all of whom are Independent Non-executive Directors who possess the appropriate professional qualifications or accounting or related financial management expertise. To retain independence and objectivity, the Audit Committee has been chaired by an Independent Non-executive Director (with appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of our existing external auditors. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process and internal control system and nominate and monitor external auditors.

Remuneration Committee

We established a Remuneration Committee in June 2004. The Remuneration Committee was re-constituted in May 2006 with terms of reference in compliance with the CG Code. The Remuneration Committee currently comprises three members, Dr. William K. L. Fung (Chairman), Mr. Lo and Professor Gary C. Biddle. The majority are Independent Non-executive Directors. The primary duties of the Remuneration Committee are to evaluate the performance and make recommendations on the remuneration package of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

Nomination Committee

We established a Nomination Committee in April 2009. The Nomination Committee was constituted in April 2009 with terms of reference in compliance with the recommended best practices of the CG Code. The Nomination Committee currently comprises three members, Mr. Lo, Sir John R. H. Bond and Professor Gary C. Biddle. The majority are Independent Non-executive Directors. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of Independent Non-executive Directors.

Finance Committee

We established a Finance Committee in April 2009. The Finance Committee was also constituted in April 2009 with well defined terms of reference that stipulate and monitor the financial strategies, policies and guidelines of the Group. The Finance Committee currently comprises seven members, Mr. Lo, Sir John R. H. Bond, Dr. William K. L. Fung, Professor Gary C. Biddle, Mr. Louis H. W. Wong, Mr. Daniel Y. K. Wan and Mr. Freddy C. K. Lee. The primary duties of the Finance Committee are to make recommendations to the Board on financial policies and planning.

Compensation of Directors and Senior Management

The aggregate amount of compensation (including fees, salaries, housing allowances, other allowances and benefits in kind) paid and granted by us to our Directors for each of the years ended December 31, 2008 and 2009 were approximately RMB43 million and approximately RMB15 million (approximately US$2 million), respectively.

The bonuses paid to our Directors for each of the years ended December 31, 2008 and 2009 were approximately RMB27 million and approximately RMB5 million (approximately US$1 million), respectively.

During the years ended December 31, 2008 and 2009 and other than as set out below:

- No remuneration was paid by us to or receivable by our Directors as an inducement to join or upon joining us.

- No compensation was paid by us to or receivable by our Directors or past directors for the loss of office as a director or for loss of any other office in connection with the management of our affairs.

- None of our Directors waived any compensation.

The remuneration of members of our senior management team is determined by the Remuneration Committee of our Board and is reviewed on an annual basis taking into consideration performance criteria such as the Company's operating results, individual performance and comparable market statistics.

The five highest paid individuals of our Company include three Directors for the year ended December 31, 2008 and two Directors for the year ended December 31, 2009, whose aggregate compensation has been included in the aggregate compensation of our Directors above. Including the compensation of such Directors, the aggregate amount of fees, salaries, housing allowances, contribution to retirement benefits plans, bonuses paid or receivable, and other allowances and benefits in cash or in kind paid by us to the five highest paid employees during the years ended December 31, 2008 and 2009 were approximately RMB16 million and approximately RMB16 million (approximately US$2 million), respectively. No compensation was paid by us to or receivable by such employees for the years ended December 31, 2008 and 2009 for loss of office in connection with the management of our affairs, or as an inducement to join or upon joining us.

Except as disclosed above, no other payments have been paid or are payable by us or any of our subsidiaries to our Directors, with respect to the years ended December 31, 2008 and 2009.

The following discussion summarizes certain aspects of PRC law and regulations, which are relevant to our operations and business. These include laws relating to land, real estate development, foreign investment enterprises and foreign exchange control. For a description of the legal risks relating to government regulation of our business, and in particular the land system in China, see "Risk Factors."

Establishment of Foreign Invested Property Development Enterprises

Overview

The PRC promulgated its first joint venture law in 1979. Since then, a broad range of related laws, administrative rules and regulations have been adopted to provide a framework within which foreign investment activities can be effectively conducted and regulated. The government has encouraged foreign direct investment in order to accelerate the inward flow of foreign capital, technology and management techniques.

Foreign invested enterprises in the PRC, or FIEs, may take a number of forms, including:

- Equity joint ventures;
- Co-operative joint ventures; and
- Wholly foreign-owned enterprises.

Procedures for establishment of a FIE

The establishment of a foreign invested enterprise requires the approval of the MOFCOM (or its delegated authorities). Certain documents including a feasibility study report, joint venture contract and articles of association of joint venture are required to be submitted to MOFCOM or its delegated authorities for approval. Within 30 days after the issue of the approval certificate by MOFCOM, the applicant is required to apply to the State Administration Bureau for Industry and Commerce ("**SAIC**") (or its local bureau) for the issue of a business license. A joint venture entity is formally established on the date its business license is issued.

Establishment of a Property Development Enterprise

According to the Law of the People's Republic of China on Administration of Urban Real Estate (the "**Urban Real Estate Law**"), promulgated by the Standing Committee of the National People's Congress ("**NPC**") on July 5, 1994 and effective on January 1, 1995, and amended on August 30, 2007 by the Standing Committee of the NPC, a property developer is defined as an enterprise which engages in the development and sale of property for the purpose of making profits. Under the Regulations on Administration of Development of Urban Real Estate (the "**Development Regulations**"), promulgated and implemented by the State Council in July 1998, an enterprise which is to engage in property development shall satisfy the following requirements: (i) its registered capital shall be RMB 1 million or more; and (ii) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. The local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a property developer. According to The Notice on Relevant Issues on Establishment and Filing of the Property Development Enterprise in Shanghai (關於房地產開發企業設立和備案有關問題的通知) promulgated jointly by Shanghai Municipal Housing, Land and Resources Administration Bureau and Shanghai Administration of Industry and Commerce, effective

as of January 1, 1995, an enterprise engaging in the property development business shall satisfy the following requirements: (i) The registered capital shall be no less than RMB 5 million; and (ii) such enterprise shall have four or more personnel with at least an intermediate professional qualification.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries issued by the State Council on May 25, 2009, the minimum portion of capital fund for affordable housing and ordinary housing is 20%, while for other real estate property project, the minimum capital portion is 30%.

To establish a property development enterprise, the developer should apply for registration with the administration for industry and commerce. The property developer must also report its establishment to the property development authority in the jurisdiction where the registration authority is located, 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 sale of property, the relevant requirements of the laws and administrative regulations regarding foreign-invested enterprises must also be observed and relevant examination and approvals be administered and received.

Under the "Foreign Investment Industrial Guidance Catalogue" promulgated by MOFCOM and NDRC in November 2004, effective as of January 1, 2005, foreign investment in the development and construction of ordinary residential units is encouraged, whereas, foreign investment in the development of a whole land lot which shall be operated only by a Sino-foreign equity joint venture or a Sino-foreign co-operative joint venture, and the construction and operation of high-end hotels, villas, premium office buildings, international conference centers and large theme parks are subject to restrictions, foreign investment in other property development is permitted. On October 31, 2007, MOFCOM and NDRC jointly issued the new Foreign Investment Industrial Guidance Catalogue, effective as of December 1, 2007, foreign investment in the development and construction of ordinary units falls in the permitted category, whereas, foreign investment in secondary market transactions in the real estate sector and the businesses of real estate intermediaries or agents is subject to restrictions. A foreign investor intending to engage in the development and sale of real estate may establish a joint venture, cooperative venture or wholly-owned enterprise by the foreign investor in accordance with the laws and administrative regulations regarding foreign-invested enterprise. Prior to its registration, the enterprise must be approved by the relevant commerce authorities, upon which an Approval Certificate for a Foreign-Invested Enterprise will be issued.

In July 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE promulgated the "Circular On Standardizing the Admittance and Administration of Foreign Capital In the Real Estate Market." Under such circular, when a foreign investor establishes a property development enterprise in China where the total investment amount is US$10 million or more, such enterprise's registered capital must not be less than 50 percent of its total investment amount. Foreign institutions which have no branches or representative offices in the PRC or foreign individuals who work or study in the PRC for less than one year, are prohibited from purchasing any real property in the PRC. Furthermore, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- foreign institutions or individuals who buy property not for their own use in China should follow the principle of Commerce Existence and apply for the establishment of a foreign-invested enterprise, pursuant to the regulations of foreign investment in property. After obtaining approval from the relevant authorities and upon completion of the relevant registrations, foreign institutions and individuals can then carry on their business pursuant to their approved business scope;

- where the total investment amount of a foreign-invested property enterprise is US$10 million or more, its registered capital shall be no less than 50 percent of the total investment amount; where the total investment amount is less than US$10 million, its registered capital shall follow the requirements of the existing regulations;

- for establishment of a foreign-invested property enterprise, the commerce authorities and the administration for industry and commerce take charge of the approval and registration of the foreign-invested property enterprise and the issuance of the Approval Certificate for a Foreign-Invested Enterprise (which is only effective for one year) and the Business License. Upon full payment of the land premium, the foreign-invested property enterprise should apply for a "Certificate of Land Use Rights." With a Certificate of Land Use Rights, it can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities, and an updated Business License which will have the same approved business period with the formal approval Certificate for Foreign-Invested Enterprise from the administration of industry and commerce;

- transfers of projects or shares in foreign-invested property enterprises or acquisitions of domestic property enterprises by foreign investors should strictly follow the relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (i) a written undertaking of fulfillment of the "Contract for the State-owned land use rights assignment," the "Construction Land Planning Permit" and the "Construction Works Planning Permit," (ii) a "Certificate of Land Use Rights," (iii) documents evidencing the filing for modification with the construction authorities, and (iv) documents from the relevant tax authorities evidencing the payment of tax; and

- when acquiring domestic property enterprises by way of shares transferred or otherwise, or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, handle the debts of the banks and pay the consideration in one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, with unsound financial track records, or who have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On August 14, 2006, the General Office of MOFCOM enacted the "Notice on Relevant Issues Concerning the Carrying Out Circular On Standardizing the Admittance and Administration of Foreign Capital in the Property Market." According to the Notice, if the total investment of a foreign-invested property development enterprise exceeds US$3 million, the registered capital must not be less than 50% of the total estimated investment; if the total investment is less than or equal to US$3 million, the registered capital must be less than 70% of the total estimated investment. When a foreign investor merges with a domestic property development enterprise by transferring equity or by purchasing equity from other Chinese shareholders of a foreign-invested property development enterprise, the original employees the merged companies must be settled down properly, bank debts must be settled and the entire consideration for the transfer must be paid off at one time within three months after the earlier of the issue of the business license or the effective date of the equity transfer agreement.

On May 23, 2007 MOFCOM and SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision On Foreign Investment In the Real Estate Sector in the PRC", which stipulates the following requirements for the approval and supervision of foreign investment in real estate:

- foreign investment in the PRC real estate sector relating to high-grade properties should be strictly controlled;

- before obtaining approval for the setup of real estate entities with foreign investment, (i) both the land use rights certificates and housing ownership right certificates should be obtained or, (ii) contracts for obtaining land use rights or housing ownership rights should be entered into;

- entities which have been set up with foreign investment need to obtain approval prior to the expansion of their business operations into the real estate sector, and entities which have been set up for the purpose of real estate development operation need to obtain new approvals, in case they expand their real estate business operations;

- acquisitions of real estate entities 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 real estate entities with foreign investment should not in any way guarantee a fixed investment return;

- registration shall be immediately effected according to applicable laws with MOFCOM regarding the setup of real estate entities with foreign investment approved by local PRC governmental authorities;

- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those who fail to file with MOFCOM or fail to pass the annual reviews; and

- for those real estate entities who are wrongfully approved by local authorities for their setups, (i) MOFCOM should carry out investigations and order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

On June 10, 2010, MOFCOM issued the "Notice Relating to Releasing the Authorization Level for Foreign Enterprise's Investment." It stipulates that for investment of USD300 million under the Encouraged and Permitted category and USD50 million under the Restricted Category in the Foreign Investment Industrial Guidance Catalogue, institutions for approval is MOFCOM departments of Provincial or Specific Cities level. While for investment over the limited amount under the encouraged category and without comprehensive balance usage by the State, institutions for approval is the local authority level.

On July 10, 2007, the General Affairs Department of 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 MOFCOM." This new regulation restricts the ability of foreign-invested real estate companies to raise funds offshore for the purposes of injecting such funds into the companies by way of shareholder loans. The notice stipulates, among other things that:

- SAFE will no longer process foreign debt registration or applications for purchase of foreign exchange submitted by real estate enterprises with foreign investment who obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007; and

- SAFE will no longer process foreign exchange registrations (or change of such registrations) or applications for the sale and purchase of foreign exchange submitted by real estate enterprises with foreign investment who obtained approval certificates from local government commerce departments on or after June 1, 2007 but who have not registered with MOFCOM.

On September 27, 2007, PBOC and CBRC jointly issued a "Circular on Strengthening Commercial Real Estate Loan Administration." This circular reaffirmed some of the restrictions applicable to the sale of residential and commercial units imposed by prior regulations as well as introduced new rules that prohibit, among other things, the provision of working capital financing by commercial banks to property developers (other than property development loans, which may only be used on local property development projects and not on projects in other regions without prior approvals from governmental authorities). In the case of a borrower who purchases his first residential unit with GFA of more than 90 sq.m., he is required to make a down payment of no less than 30% of the purchase price, with such percentage increasing to 40% for his subsequent residential unit purchases. In addition, the loan interest rate applicable to such subsequent residential unit purchases cannot be lower than 1.1 times of the benchmark lending rate published by PBOC during the same period. For commercial units, the down payment should be no less than 50% of the purchase price, with a maximum loan period of 10 years and a minimum loan interest rate of 1.1 times PBOC lending rate for the same period.

On June 18, 2008, MOFCOM promulgated Notice on record of Foreign-invested real estate enterprises. This new regulation aimed to strictly supervise record materials, simplify registration procedures, improve work efficiency, and further promotes the record registration. MOFCOM hereby notifies the relevant issues as follows:

- MOFCOM shall authorize the provincial counterparts of commerce to supervise the record materials on Foreign-invested real estate enterprises. After approval on Foreign-invested real estate enterprises (including but not limited to incorporation of enterprise, increase of the registered capitals, transfer of equity interests, merger and acquisition), the competent commercial department shall present the relevant materials, which should be submitted to MOFCOM for record, to the provincial counterparts of commerce for supervising;

- the provincial counterparts of commerce shall supervise the validity, authenticity and accuracy of the following materials pursuant to requirements on a Notice On Relevant Issues On Carrying Out Circular On Standardizing the Admittance and Administration of Foreign-Invested Real Estate Enterprises," "Notice On Further Strengthening and Regulating the Approval and Supervision On Foreign Investment In the Real Estate Sector in the PRC" and the relevant provisions;

- the provincial counterparts of commerce shall cooperate with other relevant provincial departments to supervise relevant materials pursuant to the relevant laws and regulations, then send the fulfilled the Filing Form on Foreign-invested real estate enterprises with the Stamp of the General Office of provincial government and the provincial counterparts of commerce to MOFCOM for record files;

- MOFCOM shall cooperate with other relevant departments of the state council to supervise Foreign-invested real estate enterprises (five to ten companies are selected at random quarterly). The provincial counterparts of commerce shall present materials of the selected company to MOFCOM within five days of the notice being issued; and

- provided that the selected company fails to pass such supervision, MOFCOM shall notify SAFE to cancel their foreign exchange registration formalities and foreign investment statistics.

The Land System of the PRC

Overview

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

Although all land in the PRC is owned by the state or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purposes or transfer their interests to other parties. Individuals and entities may acquire land use rights in different ways, the two most important being land grants from local land authorities and land transfers from land users who have already obtained land use rights.

Land grants

National and local legislation

In April 1988, the National People's Congress passed an amendment to the constitution of the PRC. The amendment, which allowed for the transfer of land use rights according to the PRC Law stipulations, paved the way for reforms of the legal regime governing the use of land and transfer of land use rights. In December 1988, the Standing Committee of the NPC also amended the Land Administration Law of the PRC to permit the transfer of land use rights for value.

In May 1990, the State Council enacted the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例). These regulations, generally referred to as the Urban Land Regulations, formalized the process of the grant and transfer of land use rights. Under this system, the State retains the ultimate ownership of the land. However, the right to use the land, referred to as land use rights, can be granted by the state and local governments at or above the county level for a maximum period of 70 years for specific purposes, including for residential and commercial development, pursuant to a land grant contract and upon payment to the State of a land grant fee for the grant of land use rights.

The Urban Land Regulations prescribe different maximum periods of grant for different uses of land as follows:

Use of land	Maximum period (years)
Commercial, tourism and entertainment	40
Residential	70
Industrial	50
Educational, scientific, cultural, public health and sports	50
Comprehensive utilization or others	50

Under the Urban Land Regulations, domestic and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The State may not resume possession of lawfully-granted land use rights prior to expiration of the term of grant. If the public interest requires the resumption of possession by the State under special circumstances during the term of corresponding grant,

compensation may be paid by the State. Subject to compliance with the terms of the land grant contract, a holder of land use rights may exercise substantially the same rights as a land owner during the grant term, including holding, leasing, transferring, mortgaging and developing the land for sale or lease.

In addition to the general framework for transactions relating to land use rights set out in the Urban Land Regulations, local legislation provides for additional requirements, including those applicable to specific transactions within specific areas relating to the grant and transfer of land use rights. These local regulations are numerous and some of them are inconsistent with national legislation. Under PRC law, national laws and regulations prevail to the extent of such inconsistencies.

Methods of land grant

There are two methods by which land use rights may be granted, namely by private agreement or competitive processes (i.e., tender, auction or listing at a land exchange administered by the local government).

Under the "Regulations on the Assignment of State-Owned Land Use Rights through Competitive Bidding, Auction and Listing-for-Sale (拓標、掛牌拍賣出讓國有土地使用權的規定)" promulgated by the Ministry of Land and Resources on May 3, 2002, or as the "**2002 Regulations**", amended in 2007 and effective on November 1, 2007, land for the use of industry, commerce, tourism, entertainment and commodity housing development shall be assigned by way of competitive bidding, a public auction or a listing-for-sale. The procedures are as follows:

(a) The land authority under the people's government of the city and county (the "**assignor**") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as land parcel, the qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.

(b) Unless it is otherwise prescribed by any law or regulation, all the natural persons, legal persons and other organizations inside and outside the territory of the PRC may apply for the participation in the assignment of state-owned construction land use rights through bid invitation, auction or quotation. No assignor may set restrictions that may affect fair and impartial competition in the announcement on the assignment through bid invitation, auction or quotation. For the assignment through quotation, the expiry date for applications in the announcement shall be two days prior to the completion of the assignment through quotation. For the applicants complying with the requirements as set down in the announcement on the assignment through bid invitation, auction or quotation, the assignor shall notify them to participate in the bid invitation, auction or quotation.

(c) After determining the winning tender or the winning bidder by the competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder shall then enter into a confirmation. The assignor should return the bidding or tender deposit to other bidding or auction applicants within five working days after the completion of bidding, public auction or listing-for-sale.

(d) The assignor and the winning tender or winning bidder shall enter into a contract for state-owned land use right assignment according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the assignment price of the state-owned land use rights.

(e) The winning tender or winning bidder should apply for land registration after paying off the assignment price in accordance with the state-owned land use right assignment contract. The government above the city and county level should issue the "Land Use Permit for State-Owned Land."

According to the "Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction" issued by the Ministry of Land and Resources on September 4, 2003 (the "**Notice**"). Land use for luxurious commodity houses shall be stringently controlled, and applications for land use for building villas shall be stopped. On May 30, 2006, the Ministry of Land and Resources issued the "Urgent Notice of Further Strengthening the Administration of the Land." It is expressly prescribed in this Notice that land for property development must be assigned by way of competitive bidding, public auction or listing-for-sale; the rules for stopping the development project for villas should be strictly enforced; and all supply of land for such purpose and the handling of related land use procedure will be ceased from the day of the Notice's issuance.

Under the "Urgent Notice of Further Strengthening the Administration of the Land," the land authority should rigidly execute the "Model Text of the State-Owned Land Use Right Assignment Contract" and "Model Text of the State-Owned Land Use Right Assignment Supplementary Agreement (for Trial Implementation)" jointly enacted by the Ministry of Land and Resources, and SAIC. The document of the land use right assignment should ascertain the requirement of planning, construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed to in the Land Use Right Assignment Contract.

Under the revised "Regulations on the Assignment of State-Owned Land Use Rights for Construction Use Right Through Competitive Bidding, Auction and Listing-for-Sale" issued by the Ministry of Land and Resource on September 28, 2007, and enforced on November 1, 2007, land of industrial use (including the land for warehouses but not including the land for mining), commercial use, tourism, entertainment and commodity housing development or more than 2 competing users on one piece of land shall be assigned by way of competitive bidding, a public auction or a listing-for-sale. The assignee shall apply for the land registration and obtain the "Land Use Permit for State-Owned Construction Land" after paying off the assignment price in accordance with the contract on the assignment of state-owned construction land use right. Provided that the assignee fails to do so, neither the entire "Land Use Permit for State-Owned Construction Land" nor "Land Use Permit for State-Owned Construction Land" for the land, in divided portion (based on the already paid-off sum), may be issued by the local government.

In June 2003, the Ministry of Land and Resources promulgated the Regulations on Grant of State-Owned Land use Rights by Agreement, or (the "**2003 Regulations**"), to regulate granting of land use rights by agreement with respect to land, the designated uses of which are other than for commercial purposes as described above. According to the 2003 Regulations, the local land bureau, together with other relevant government departments, including the city planning authority, will formulate the plan concerning the land grant, including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the State, and submit such plan to the relevant government for approval. Afterwards, the local land bureau and the relevant party will negotiate and enter into the land grant contract based on the above-mentioned plan. If two or more parties are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or listing on a land exchange in accordance with the 2002 Regulations.

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

Model state-owned construction land grant contract

To standardize a land grant contract, in 2008, the Ministry of Land and Resources and the State Administration for Industry and Commerce published a model state-owned construction land grant contract ("**land grant contract**"), upon which many local governments have formulated their respective local form land grant contract to suit their specific local circumstances. The model land grant contract contains terms such as serial number of land, location of land, area of land, use of land, conditions of land upon delivery, term of grant,land grant fee and its payment schedule, registration of land, intensity of land investment, land use conditions and restrictions (including GFA, building plot ratio, greenbelt ratio and height and density limitations), construction of public facilities, auxiliary construction, deadline for commencement of construction, deadline for completion of construction, payment of idle fees, application for extension of the stipulated construction period, restrictions on transfer, rent and mortgage of construction land use right, application of renewal, force majeure, breach of contract and dispute resolution.

If a land user wishes to change the specified use of land after the execution of a land grant contract, approvals must first be obtained from the relevant land bureau and the relevant urban planning department, and a supplemental agreement or a new land grant contract may have to be signed and the land grant fee may have to be adjusted to reflect the added value of the new terms of use. Registration procedures must be carried out after payment of the added value.

If a land user wishes to terminate the land grant contract in virtue of his excuse, the land may be returned to the assignor after the approval of the original approving authority and an amount of the land grant fee may also be returned to the assignee.

Idle land

According to the "Measures on Disposing of Idle Land" promulgated and implemented by MLR on April 28, 1999, a parcel of land can be defined as idle land under any of the following circumstances:

- after obtaining the land-use rights, the development and construction of the land has not begun within the time limit for commencement of the development, as stipulated without the consent of the government authorities that originally approved the use of the land;

- the "Contract On Lease of the Right to Use State-Owned Land" does not stipulate or the "Approval Letter On Land Used for Construction" does not prescribe the date of starting the development and construction, and the development and construction of the land has not begun at the expiry of one year from the day when the "Contract On Lease of the Right to Use State-Owned Land" became effective, or when the administrative department of land issued the "Approval Letter On Land Used for Construction";

- the development and construction of the land has begun, but the area of construction is less than one third of the total area to be developed and the invested amount is less than 25% of the total amount of investment; development and construction has been continuously suspended for one year without approval; or

- other circumstances prescribed by law and administrative regulations.

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

Termination

A land use right terminates upon the expiry of the term of grant specified in the land grant contract and the resumption by the state of that right.

The state generally will not withdraw a land use right before the expiration of its term of grant and if it does so for special reasons, such as in the public interest, it must offer proper compensation to the land user.

Upon expiry, the land use right and ownership of the related buildings erected on the land and other attachments may be acquired by the state without compensation. The land user will take steps to surrender the land use rights certificate and cancel the registration of the certificate in accordance with relevant regulations.

A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a land grant fee and affect an appropriate registration for the renewed grant.

In March 2007, the National People's Congress adopted the Property Rights Law of the People's Republic of China ("**Property Rights Law**"), 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, use such land use rights as equity contributions, donations or collateral for financing. If the state takes the premises owned by entities or individuals, it must compensate the property owner in accordance with the law and protect the lawful rights and interests of the owners.

Land transfers from current land users

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into an assignment contract or a joint venture development agreement with the land user.

The assignment contract or joint venture development agreement must be registered with the relevant local land bureau at the municipal or county level. Upon a transfer of land use rights, all rights and obligations contained in the land grant contract are deemed incorporated as part of the terms and conditions of such transfer.

Certain domestic PRC individuals or entities enjoy the right to use land allocated by the State without payment of any consideration for an indefinite period of time. This type of land use right is generally referred to as an allocated land use right. The Urban Land Regulations state that assignment, lease or mortgage of allocated land use rights in urban areas and any buildings or attachments situated on the land is subject to the approval of the relevant land and real estate administrative departments. The conditions for approval include the following:

- the existing land user must be an individual or a company, enterprise or other economic organization;

- the existing land user must hold a State land use rights certificate and the relevant ownership certificates for the buildings and attachments;

- a formal land grant contract must be entered into with the relevant land department; and

- the land grant fee must be paid or such payment may be made from the proceeds of such assignment, lease and mortgage.

In addition, pursuant to the Real Estate Transfer Operation Guide for Shanghai City (promulgated in April 30, 1997 and amended in September 20, 2000), for usage right of state-owned land obtained by transfer method in whole land-lot size, their development and construction shall already fulfill the constitute conditions for industrial land usage or other construction land usage, and the planning and management department shall specific the planned usage nature of the transferred land, and the conditions for the planned technical parameters.

The assignment contract or the joint venture development agreement is subject to terms and conditions specified in the land grant contract. For residential construction projects, PRC law requires that at least 25% of total construction costs have been expended before assignment can take place. A higher minimum construction and investment fee may be provided in land grant contracts entered into between the local land administration bureau and the land user. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee of the land use rights. The relevant local government has the right to acquire the land use rights to be assigned if the assignment price is significantly lower than the market price. Relevant local governments may also acquire the land use rights from a land user in the event of a change in town planning. The land user will then be compensated for the loss of his land use rights.

Relocation of original residents

Where the land to be developed comprises land on which buildings have been erected and/or is occupied, we are required to compensate and relocate original residents before demolition and site clearance can be carried out. As specified in our land grant contracts, either the land authorities or our project companies are responsible for relocating existing residents and demolishing existing structures on the project sites. In cases where we are responsible for relocation, we are required to compensate the owners or residents of existing buildings on land to be developed for relocation in accordance with the "City Housing Resettlement Administration Regulations" (implemented on November 1, 2001) and the applicable local regulations. In Shanghai, the "Shanghai City Housing Resettlement Administration Implementation Rules" (implemented on November 1, 2001) and "Shanghai

Resettlement Compensation Standard" (issued on December 27, 2001) provide that the amount of the relocation compensation payable by the property developer to affected residents should be calculated in accordance with pre-set formulae provided by the relevant local authorities. In general, a property developer is required to take into account the following:

- the minimum compensation unit price (which means the average market unit price of housing in the same area regularly announced by the PRC Government at the district/county level);
- the appraised unit price of the building to be demolished;
- the price compensation index published by the PRC Government (which should not be lower than 20% and is determined by the district or county government); and
- the GFA of the buildings to be demolished.

In March 2005, the Shanghai government also issued notice of regulations specifying that a relocation and demolition permit may not be granted to property developers in Shanghai unless the relocation compensation consisted of a minimum of 70% of payment-in-kind compensation (meaning new accommodation).

In Chongqing, the "Chongqing City Housing Resettlement Administration Rules," promulgated on March 26, 1999, implemented on December 1, 2002 and amended on May 29, 2003, provide that the amount of the relocation compensation payable by the property developer to affected residents should be calculated based on the valuation conducted by the qualified valuation institute and should take into account the location, the usage and the GFA of the buildings to be demolished.

In Wuhan, the "Wuhan City Housing Resettlement Administration Implementation Measures," implemented on March 1, 2002 and amended on May 15, 2007, provide that the amount of the relocation compensation payable by the property developer to affected residents should be calculated based on the real estate valuation unit price of demolished housing (Price of construction areas /per square meter) and the construction areas of demolished housing, the usage, the structure, the age and the GFA of the buildings to be demolished.

In Hangzhou, the "Hangzhou City Housing Resettlement Administration Rules," implemented on May 8, 2002, provide that the amount of the relocation compensation payable by the property developer to affected residents should be calculated based on the minimum compensation unit price (meaning the average market unit price of housing in the same area and for the same usage regularly announced by the government at the city level) taking into account the location, the decoration, the usage, the structure, the age and the GFA of the buildings to be demolished.

Other local governments have their own local regulations. Regardless of whether we or the relevant land authorities are responsible for relocating existing residents, if any resident is dissatisfied with the relocation compensation and refuses to move, we or the land authorities may seek to resolve the dispute by: (i) negotiating with the relevant resident to reach a mutually acceptable relocation compensation arrangement; or (ii) applying to the relevant local real estate administration authority (where the existing buildings are located) for its determination of whether the relocation compensation and relocation timetable is in compliance with law. The local real estate administration authority will then make a decision based on the principle of fairness and justice as to the proper costs and timetable. Where the local real estate administration authority itself is the owner or resident of the existing building, the dispute will be submitted to the local government who will make the decision.

Documents of title and registration of property interests

A land use rights certificate is the evidentiary legal document to demonstrate that the registered land user has the lawful right to use the land during the term stated in the land use rights certificate. Upon the completion of construction of a building (including passing the acceptance tests by various government departments), a building ownership certificate will be issued to the owner of the building. The holder of a land use right who is issued a building ownership certificate holds the land use rights and owns the building erected on the land. All holders of land use rights, and other rights with respect to the land, such as the right to buildings erected on the land, must register all their lawful state-owned land use rights, as well as ownership rights to the buildings. In this regard, real estate registries have been established in all cities in China. In most cities, there are separate registries for land use rights and buildings. However, in Shanghai and some other major cities, the two registries have been combined. In places where there are separate registries, the holder of a land use right will be issued a building ownership certificate for its ownership of the building and a land use rights certificate for its land use rights in the underlying land. In the other places where registries have been combined, such as in Shanghai, the land use rights certificate and the building ownership certificate are combined into a single certificate. Under PRC law, land use rights and building ownership rights which are duly registered are protected by law.

Whether the registered land user can assign, mortgage or lease the land use rights will be subject to conditions stipulated in the original land grant contract. In addition to the requirement to register land use rights, there is also a requirement to register a mortgage of a land use right in local land registration departments. See "— *Mortgage and guarantee*."

Mortgage and guarantee

The mortgage of real property in the PRC is governed by the Security Law of the PRC, or the Security Law, the Law of the PRC on the Administration of Urban Real Property, or the Real Property Law, and other relevant real estate-related laws and regulations. A real property mortgage agreement must be in writing and must contain specific provisions including (i) the type and amount of the indebtedness secured, (ii) the period of the obligation by the debtor, (iii) the name, quality, quantity, conditions, location, ownership or use right of the mortgaged property, and (iv) the scope of guarantee. Pursuant to the Real Property Law, buildings newly-erected on a piece of urban land after a mortgage contract has been entered into shall not constitute mortgaged property. If the mortgaged property is auctioned off, the new buildings added on the land may be auctioned together with the mortgaged property, but the mortgagee shall not be entitled to priority compensation from the proceeds of the auction of the new buildings.

Pursuant to the Security Law, a real property mortgage contract becomes effective on the date of registration with the local real property department. When carrying out mortgaged property registration, the loan contract and the mortgage contract as well as the land use rights certificate or the building ownership certificate with respect to the mortgaged property must be submitted to the registration authority. If the mortgagor cannot repay the loan that is secured by the mortgaged property, the mortgagee may agree with the mortgagor to receive payment by evaluating the mortgaged property in terms of money or through the proceeds of the auction or selling off the property. If no such agreement is reached, the mortgagee may institute proceedings in a People's Court. After the mortgaged property has been evaluated in terms of value or been auctioned or sold off, any portion of the proceeds that exceeds the amount of the indebtedness shall belong to the mortgagor and any shortfall shall be paid by the mortgagor.

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

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

Property development

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

On July 16, 2004, the State Council promulgated the "Decision of the State Council on Investment System Reforms," (the "**Decision**"). Prior to the implementation of the Decision, the approval for the establishment of foreign invested entities engaged in real estate development activities was governed by the minutes of a meeting that was called by the Chinese Communist Party and the State Council on May 4, 1984 to discuss the topic of opening up 14 coastal cities to foreign investors (the "**Minutes**"), and the Notice on Certain Issues About the Development of Real Estate promulgated by the State Council on November 4, 1992 (the "**Notice**").

The "Notice from MOFCOM Relating to Releasing the Authorization Level for Foreign Enterprise's Investment" (the "**2010 Notice**"), promulgated on June 10, 2010, stipiulates that for investment of USD300 million under the Encouraged and Permitted category and USD50 million under the Restricted Category in the Catalogue Guiding the Foreign Enterprise Investment, the establishment of amendment issues will be approved or managed by the commercial departments of Provincial or Specific Cities level.

Pursuant to the Minutes, the Notice and subsequent laws and regulations, local governments have certain authority to examine and approve, on their own, non-productive type projects (such as real estate projects) using foreign investment. Pursuant to the Decision, "restricted" projects, as stipulated by the Foreign Investment Industrial Guidance Catalogue(revised version of 2007), refer to projects involving development and operation of high-class properties including high-class hotels, villas and high-end office building and international exhibition centers. Other projects with lower-class belong to a "permitted" column. Since PRC laws and regulations do not set out strict and clear definition on "high-class" real estate, the standard for "high-class" falls into the discretion of the relevant local authority subject to different level of local development and the local authorities are not required to apply for approval from or registration with the central level authority.

Pursuant to the Urban Land Regulations, foreign entities may acquire land use rights in the PRC unless the law provides otherwise. However, in order to develop the acquired land, the foreign entities need to establish foreign investment enterprises in the PRC as the project companies to develop the property. These project companies may be in the form of Sino-foreign equity or cooperative joint ventures or wholly foreign-owned enterprises. The typical scope of business of such project company

includes development, construction and sales and leasing commodity properties and ancillary facilities on the specific land as approved by the government and property management. The term of the property development company is usually the same as the term of grant of the land use rights in question.

Establishment of a project company is subject to the approval by the relevant departments of the PRC government in accordance with the following procedure. First, the PRC party to a joint venture project or the foreign investor, in the case of a wholly foreign-owned project, will submit a project application report to the central or local development and reform commission for verification and approval. If the development and reform commission considers the proposed property development project to be consistent with the prevailing national and local economic plans and foreign investment regulations, it will grant an approval to the applicant with respect to the project. NDRC and MOFCOM have been given the authority to regularly promulgate guidelines for the direction of foreign investment.

Once the project application report has been verified and approved, the PRC party and the foreign investor may proceed to prepare a joint feasibility study report that reflects their assessment of the overall economic viability of the proposed project company. At the same time, the parties may proceed to negotiate and execute the joint venture contract and articles of association for the establishment of a project company. In the case of a wholly foreign-owned project, the foreign investor may then prepare and sign the articles of association. The joint feasibility study report, the joint venture contract and/or articles of association will then, depending, among other things, on the industry to which it belongs under the Catalogue and the amount of total investment, be submitted to MOFCOM or its local counterpart, as the case may be, for approval. If MOFCOM or its local counterpart finds the application documents to be in compliance with PRC law, it will issue an approval certificate for the establishment of the project company. With this approval certificate, the foreign investor and/or the PRC party can apply to the local administration for industry and commerce for a foreign investment enterprise business license to the project company.

Once a foreign entity developer has established a project company and secured the land use rights to a piece of land for development, it has to apply for and obtain the requisite planning permits from the planning departments and have its design plan approved by, and apply for and obtain a construction permit from, the relevant construction commission for commencement of construction work on the land. When the construction work on the land is completed, the completed buildings and structures must be examined and approved by the government departments before they can be delivered to purchasers or lessors for occupancy.

Under the "Provisions on Administration of Qualifications of Property Developers" (the "**Provisions on Administration of Qualifications**") promulgated by the Ministry of Construction in March 2000, a property developer shall apply for registration of its qualifications according to regulations stated in the Provisions on Administration of Qualifications. An enterprise may not engage in development and sale of property without a qualification classification certificate for property development. The construction authority under the State Council oversees the qualifications of property developers throughout the country, and the property development authority under a local government on or above the county level shall oversee the qualifications of local property developers.

In accordance with the Provisions on Administration of Qualifications, property developers are classified into four classes. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualifications shall be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower

qualifications shall be formulated by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority.

Under the Development Regulations, the property development authorities shall examine applications for registration of qualifications of a property developer when it reports its establishment, by considering its assets, professional personnel and business results. A property developer shall only undertake property development projects in compliance with the approved qualification registration.

After a newly established property developer reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days of its receipt of the above report. The Provisional Qualification Certificate shall be effective in one year as from its issuance, while the property development authority may extend the validity to a period of no longer than 2 years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

A developer of any qualification classification may only engage in the development and sale of property within its approved scope of business and may not engage in business which is limited to another classification. A class 1 property developer is not restricted as to the scale of property project to be developed and may undertake a property development project anywhere in the country. A class 2 property developer or lower may undertake a project with a gross floor area of less than 250,000 sq.m. and the specific scope of business shall be as confirmed by the construction authority under the government of the relevant province, autonomous region or municipality. Pursuant to the Provisions on Administration of Qualifications, the qualification of a property developer shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property developer's qualification. Procedures for annual qualification inspection with developers of class 2 or lower shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Pre-sales and sales

Pursuant to the Real Property Law and the Measures for Administration of the Pre-sale of Urban Commodity Premises, or the Pre-sale Measures, as amended in July 2004, residential properties for sale that are under construction may be sold when the following conditions and/or requirements are satisfied:

- the land grant fee with respect to the land use rights has been paid in full and the land use rights certificate has been obtained;

- the construction works planning permit and the construction project commencement permit have been obtained;

- at least 25% of the total amount of the project investment fund has been injected into the development of the project and the progress of construction and the completion date of the project has been ascertained; and

- the pre-sale permit has been obtained.

The Shanghai local government stipulation, "Certain Opinion Relating to Enhancing Our City's Real Estate Market Restriction and Accelerating the Promotion of Housing Protection" (關於進一步加強本市房地產市場調控加快推進住房保障工作的若干意見) has adjusted the completion progress level for pre-sale of commodity residential housing projects that obtained the "Permit for Construction Work" after July 1, 2010. Those residential housing projects must have completed the main structural works and passed examination before they can be for pre-sale, and thus raising the standard for pre-sale. In Chongqing, similar requirements are also imposed under the Regulations for Administration of Real Estate Transactions in Urban Areas of Chongqing Municipality (重慶市城鎮房地產交易管理條例) promulgated in June 2002. These regulations further prescribe that, at the time of pre-sale, the units that have been presold and the land use rights to the underlying land must not be mortgaged. In Hangzhou, according to Certain Regulations on Administration of Urban Property Development in Hangzhou (杭州市城市房地產開發經營管理若干規定) as adopted in 2000 and amended in 2003, the following standards must be met for pre-sales: (i) for tier buildings, one-third or more of the main structural construction has been completed; and (ii) for high buildings, the main construction underground has been completed. As for Wuhan, they have announced the Temporary Regulations with respect to the Management of the Pre-Sale of Commodity of Housing in Wuhan (武漢市商品房預售方案管理暫行規定), which had made corresponding requirements.

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of a commodity property, the developer shall sign a contract on the pre-sale of the commodity property with the purchaser. The developer shall, within 30 days upon signing the contract, apply for registration and record of the contract for pre-sale commodity property to the relevant administrative departments governing the real estate and land administration department of the city or country governments. The real estate administrative department shall take the initiative to apply network information technology to gradually implement the web-based registration of pre-sale contracts.

Pursuant to the "Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices" on May 9, 2005, there are several regulations concerning commodity properties sale:

- The buyer of a commodity building is prohibited from conducting any transfer of the pre-sale of the commodity building that he has bought but is still under construction. Before completion and delivery of a pre-sale commodity building to the buyer, and before the buyer obtains the individual property ownership certificate, the administrative department of real estate shall not handle any transfer of the commodity building.

- A real name system for house purchase should be applied; and an immediate archival filing network system should be carried out for the pre-sale contracts of commodity properties.

On July 6, 2006, the Ministry of Construction, NDRC, and SAIC jointly enacted a Notice on Reorganizing and Regulating Order in the Real Estate Transactions, the details of which are as follows:

- The developer should start to sell the commodity properties within 10 days after receiving a "Permit for Pre-sale of Commodity Properties." Without this permit, the pre-sale of commodity properties, as well as subscription (including reservation, registration and number selecting) and acceptance of any kind of pre-sale payments, is forbidden.

- The real estate administration authority should establish an immediate network system for pre-sale contracts of commodity properties and a system for the publication of real estate transaction information. The basic information of the commodity building, the schedule of the

sale and the ownership status should be duly, truly and fully published in the network system and on the locale of sale. The advance buyer of a commodity building is prohibited from conducting any transfer of the advance sale of the commodity building that he has bought but is still under construction.

- Without the "Permit for Pre-sale of Commodity Properties," no advertisement of the pre-sale of commodity properties can be published.

- Real estate development enterprises with a record of serious irregularity or enterprises which do not satisfy the requirements of pre-sale of commodity properties are not allowed to take part in sale activities.

- The real estate administration authority should strictly carry out the regulations for the pre-sale contract registration and records and apply the real name system for property purchase.

Pursuant to the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) issued by the General Office of the State Council on January 7, 2010, local governments must decide the minimum scale of presales rationally and may not issue separate presale permits by floor or unit.

On April 13, 2010, the Ministry of Housing and Urban-Rural Development of the People's Republic of China issued the Notice on Further Strengthening the Supervision Over the Real Estate Market and Improving the Presale System of Commercial Housing (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). It provides that, among other things, within 10 days after the real estate developers obtain the presale permit for the project for sale, they shall release the information regarding the number of properties allowed for presale under such presale permission and the price of such property to the public at one time. They shall also sell the properties to the public at the price as published and strictly subject to the presale permits.

Leasing

Both the Urban Land Regulations and the Real Property Law permit leasing of granted land use rights and the buildings or homes constructed on the land. Leasing of properties situated in urban areas is governed by the "Measures for Administration of Leasing of Urban Buildings," or the Leasing Measures. The Leasing Measures were promulgated by the Ministry of Construction in April 1995 in accordance with the Real Property Law in order to strengthen the administration of the leasing of urban buildings. The Leasing Measures permit property owners to lease their properties to others for residential or commercial property uses except as otherwise prohibited by relevant law. The landlords and tenants who are the parties to a property lease transaction are required to enter into a written lease agreement specifying all of the terms of the lease arrangement as required by statute. Leasing of buildings and the underlying land use rights must not exceed a maximum term of 20 years. The lease agreement becomes effective upon signing; however, it must be registered with the relevant real property administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant's interest against claims from third parties. A tenant may, upon obtaining consent from the landlord, assign or sublet the premises to sub-tenants. Local governments may impose rent controls.

According to the Real Property Law, rental income derived from the lease of buildings and the underlying land use rights from a landlord who acquired only allocated land use rights without payment of consideration for such acquisition must be turned over to the State.

Separation of markets for domestic and foreign property purchasers

When the PRC real property market first developed in the early 1990s, there was a "foreign" market in which high-end properties were designated to be sold to purchasers from Hong Kong, Macau, Taiwan and foreign countries for hard currency and a "domestic" market in which properties of domestic standards of quality were designated to be sold to local PRC purchasers for Renminbi. Such mandatory bifurcation of the real property market has been lifted in Beijing and Shanghai in recent years. For instance, Shanghai first merged the two markets in the residential sector in 2001 and subsequently, unified the two markets in the non-residential sector in 2003. At present, Hangzhou still maintains a bifurcated market while Wuhan has never implemented a bifurcated market system.

Real estate financing

PBOC issued the "Circular On Further Strengthening the Management of Loans for Property Business" on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of real estate development and individual home mortgages as follows:

(a) The property loan by commercial banks to real estate development enterprises shall be granted only under the title of real estate development loan and it is strictly forbidden to extend such loans as current capital loans for real estate development projects or other loan items. No lending of any type shall be granted to enterprises which have not obtained the land use right certificates, construction land permit, construction planning permit and construction work permit;

(b) Commercial banks shall not grant loans to property developers to pay off land premiums; and

(c) Commercial banks may only provide mortgage loans to individual buyers when the main structural buildings have been topped out. According to the Shanghai local government has adjusted the completion progress level for pre-sale of commodity residential housing projects that obtained the "Permit for Construction Work" after July 1, 2010. Those residential housing projects must have completed the main structural works and undergone examination before they can be for pre-sale, and thus raising the standard for pre-sale.

Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks issued by the CBRC on September 2, 2004, any real estate developer applying for real estate development loans shall have at least 35% of capital funds required for the development.

According to the "Circular On Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market" enforced on July 11, 2006, foreign-invested real estate development enterprises which have not paid up their registered capital fully, or failed to obtain a land use right certificate, or with under 35% of the capital for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments shall not approve any settlement of foreign loans by such enterprises.

On July 10, 2007, SAFE issued a circular indicating that it would not process for foreign investment enterprises in the real estate sector any foreign debt registration or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM after June 1, 2007. See "*Risk Factors — Risks Relating to our Business — The PRC government has recently implemented restrictions on the ability of PRC property developers to obtain offshore financing*."

On September 27, 2007, PBOC and CBRC issued the Circular on Strengthening the Lending Practice for Commodity Properties, which further tightened mortgage lending, including:

For capital sum (owners' interest) portion of project not reaching the 35% hurdle rate or project not obtaining the land usage certificate, the construction land usage permit, the construction work planning permit or work commencement permit, commercial banks shall not grant any forms of lending. Upon MLR and the Construction Authorizer's investigation and confirmation, those real estate development enterprises which have been hoarding land or properties for speculation, commercial banks shall not grant any lending. For commodity houses left idle for more than 3 years, commercial banks shall not accept such properties as collaterals for lending.

On December 5, 2007, the PBOC and CBRC jointly issued the Supplemental Circular On Strengthening the Management of Commercial Real-Estate Credit Loans, which clarifies that the times of property mortgage loans should be calculated on a family basis, including the borrower and his spouse and minor children.

On September 21, 2010, MLR and CIN announced the Notice Relating to enhancing Housing Property Land and Construction Management Restriction (關於進一步加強房地產用地和建設管理調控的通知), requiring a strict management to housing land sales, and a strict examination to the land bidders. For breaching the following requirements, MLR will forbid the land bidder and its controlling shareholders to bid land: i) forging documents and land speculation; ii) illegal transfer of land use right; iii) letting land being idle for more than a year and iv) breaching of the conditions prescribed by the contract of assignment of the land.

On September 29, 2010, PBOC and CBRC issued the Decree Relating to the Improvement of Differential Housing Lending Policy Notice (關於完善差別化住房信貸政策有關問題的通知), which prohibits commercial banks from granting or extending loans to property developers that violate laws and regulations such as (i) holding idle land; (ii) changing the land use; (iii) changing the land nature; (iv) delaying the commencement and completion of development; and (v) intentionally holding properties for future sale, for the purpose of new property development.

Property management

Under the "Measures for the Administration of Qualifications Certificates of Property Services Enterprises" promulgated by the Ministry of Construction in March 2004, and amended by the Ministry of Construction on November 27, 2007, a property management enterprise shall apply for assessment of qualifications by the qualification approval authority. An enterprise which passes such a qualification assessment will be issued a Qualification Certificate evidencing the qualification classification by the authority. No enterprise may engage in property management without undertaking a qualification assessment and obtaining a Qualification Certificate.

According to the "Regulation on Property Management" enacted by the State Council on June 8, 2003 and implemented on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, the general meeting of owners in a property can appoint and dismiss the property management enterprise with affirmative votes of owners holding more than half of the voting rights. Before the formal appointment of a property management enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a developer) and a property management enterprise.

Insurance

There is no mandatory provision under PRC laws and regulations requiring a property developer to obtain insurance policies for its property developments. According to the common practice of the real estate industry in Guangdong, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies are required to pay for the insurance premium at their own costs and obtain 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 risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction.

Recent macroeconomic control measures

The General Office of the State Council enacted the "Circular On Stabilizing Housing Price" on March 26, 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the real estate market.

In April 2005, the Ministry of Construction and certain other Chinese government authorities jointly issued the Notice of Stabilizing Property Prices, followed by a set of new measures. As a result:

- as from June 1, 2005, a business tax was levied on property sales proceeds subject to the length of the period for which the property has been held and type of property concerned;

- transfer of uncompleted properties has been banned;

- planning permits in relation to projects which are not in compliance with their respective planning permits will be revoked; and

- land provision for villa construction was banned and land provision for high-end residential property construction was restricted.

On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Doing a Good Job of Stabilizing House Prices, the opinion provides that:

Intensifying the planning and control and improving the supply structure of houses

Where the housing price is growing excessively and where the supply of ordinary commodity houses in the medium or low price range, and economical houses is insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses in the medium or low price range and economical houses.

The construction of low-density, upmarket houses shall be strictly controlled. With respect to construction projects of medium- or low-price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design such as height of buildings, plot ratio and green space. The real estate authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land assignment to ensure an effective supply of small or medium-sized houses at

moderate and low prices. The local government must intensify the supervision of planning permits for real estate development projects. Housing projects that have not been commenced within two years must be examined again, and those that turn out to be not in compliance with the planning permits will be revoked.

Intensifying the control over the supply of land and rigorously enforcing the administration of land

Where the price of land for residential use and residential properties grows too rapidly, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses in the medium or low price range and economical house should be emphatically increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.

Adjusting the policies of business tax on residential property house transfer and strictly regulating the collection and administration of tax

From June 1, 2005, the business tax on transfer of a residential property by an individual within two years of the purchase will be levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual who sells two years or more after the purchase shall be exempted from the business tax. For transfer of a house other than ordinary residential property by an individual two years or more after the purchase, the business tax will be levied on the basis of the balance between the proceeds from selling the property and the purchase price.

Strictly rectifying and regulating the market order and seriously investigating into and punishing any irregular and rule-breaking sales

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought but is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

On May 24, 2006, the State Council forwarded the "Opinion On Adjusting the Housing Supply Structure and Stabilizing Property Prices" (the "**Opinion**") of the Ministry of Construction and other relevant government authorities. The Opinion provides the following:

Adjusting the housing supply structure

- Developers must focus on providing small- to medium-sized ordinary commodity properties at low- to mid-level prices to cater to the demands of local residents.

- As of June 1, 2006, newly approved and newly commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under the Central Government, cities listed on state plans and provincial capital cities have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a construction permit must follow the prescribed ratio.

Further adjustments by tax, loan and land policies

- From June 1, 2006, business tax will be levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, the business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, the business tax will be levied on the balance between the selling price and the purchase price.

- Commercial banks are not allowed to advance loan facilities to real estate developers who do not have the required 35% or more of the total capital for the construction projects. Banks shall not accept mortgages of commodity apartments remaining unsold for three years or more.

- At least 70% of the total land supply for residential property development must be used for developing small- to medium-sized low-cost public housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the real estate developer who offers the highest bid. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly restricted.

Reasonably monitoring the scope and progress of Demolition of urban housing

- The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halt the excessive property growth triggered by passive means.

Further rectifying and regulating the order of real estate properties market

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted planning permits but have not been commenced. The relevant authorities will ensure that no planning permit, construction permit or permit for pre-sale of commodity properties is issued to those construction projects which do not satisfy the regulatory requirements, in particular, the prescribed ratio requirement. If the real estate developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of the land and to confiscate the land in accordance with the law.

- The real estate administration authority and the administration of industry and commerce will investigate illegal dealings such as contract fraud cases in accordance with the law. The illegal conduct of pre-completion sale of commodity apartments without satisfying all the conditions will be enjoined, and a proper administrative penalty will be imposed in accordance with the law. For those real estate developers who maliciously manipulate the supply of commodity housing, the relevant authorities will impose a proper economic punishment in accordance with the law including revoking the business licenses of those serious offenders and will pursue personal liability for those concerned.

Gradually relieving the housing demands for low-income families

- To expedite the establishment of a low-cost public housing supply system in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

Improving information disclosure system and system for collecting real estate statistics

On July 6, 2006, the Ministry of Construction promulgated the Opinion on Carrying Out the Residential Property Size Ratio in Newly-Built Residential Buildings (Jianzhufang 2006 No. 165) (the "**Supplemental Opinion**"). The Supplemental Opinion provides the following:

- As of June 1, 2006, of the newly approved and newly commenced construction projects in different cities including town and counties, at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments). The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality.

- The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a real estate developer has not followed the ratio requirement without approval, the town planning authorities will not issue a Planning Permit. If the real estate developer has not followed the requirements of the Planning Permit, the relevant authority reviewing the planning documents will not issue a certification, the construction authority will not issue a Construction Permit, and the real estate authority will not issue a Permit for pre-completion sale of the commodity apartments.

In the case of construction projects that were granted approval before June 1, 2006 but that were not granted a construction work permit by that date, the local government shall, upon its local conditions, ascertain the specific projects that shall adjust the residential property size ratio according to its local requirements of the prescribed residential property size ratio, the different nature of land use planning and the project layout.

On August 14, 2006, the General Office of MOFCOM promulgated a Notice for the Enforcement of the Regulation on the Access and the Management of Foreign Investment in the Real Property, which reinforces the minimum registered capital requirements on the foreign invested real property enterprises. According to this Notice, the registered capital of a foreign invested real property enterprise must account for at least 50% of its total investment amount if its total investment amount is above US$3 million. For an enterprise whose total investment amount is less than US$3 million, its registered capital must account for at least 70% of its total investment amount.

On May 23, 2007, MOFCOM and SAFE jointly promulgated a Notice to further Strengthen and Regulate the Approval and Supervision of Foreign Direct Investment in Real Properties, or "Circular 50," which emphasized that overseas investors cannot circumvent the governmental examination and approval requirements through the change of beneficial ownership of domestic real property enterprises. Circular 50 exerts stricter control over government approval for the establishment of foreign invested real property enterprises and requires that foreign investors must obtain land use rights or property ownerships, or have entered into purchase agreements for land use rights or for real properties with the relevant land administration authorities, land developers or owners of real properties prior to its establishment of a real property enterprise. Otherwise, its application for the establishment of a real property enterprise will not be approved.

On August 30, 2007, the Standing Committee of NPC promulgated the revised PRC Urban Real Estate Administration Law which took effect on the same day. The law stipulates that the State, for public benefit, can take back State-owned land and/or the premises, owned by enterprises or individuals, built on State-owned land. The local PRC Government will provide the enterprises or individuals with compensation for the return of the State-owned land and/or the demolition.

On September 27, 2007, PBOC and CBRC further tightened mortgage lending by PRC banks, by increasing the amount of down payment a property purchaser must make before seeking mortgage financing.

On October 10, 2007, the Ministry of Land and Resources issued a regulation, which reiterated that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and/or commence development on the land, effective November 1, 2007.

On January 3, 2008, the State Council issued the Notice to Enhance the Economical and Intensive Use of Land (關於促進節約集約用地的通知), which requires fully utilize the market's fundamental efforts in promoting land resources distribution, and perfect the economical and intensive usage of land mechanism. a) to strictly enforce the industrial and operative lands' bid tender, auction and listing transfer system. For industrial usage land and operative land of commercial, traveling, entertainment and commodity housings etc. (including land usage for ancillary business operation, research and training), and for the same land lot with two or more intending land users, a open transfer by bid tender, auction and listing shall be carried out; b) to enhance the contract system for land usage; c) to perfect residential land structure, continue to stop land supply for real estate development of houses, confirming not less than 70% of the residential land supply used for construction of low rent housing, economical housing, fixed-price housing and medium and small sized housing, to prevent large sized housing to occupy excessive land.

On December 20, 2008, the General Office of the State Council issued the Certain Opinion on Promoting the Healthy Development of Real Estate Market, which changed the period of the business tax levied on the full amount of the sale proceeds on conveyance of residential properties from five years from the date of purchase to two years from the date of purchase. If an individual sells his non-ordinary apartment after two or more years from the date of purchase, the business tax will be levied on the balance between the selling price and the purchase price. This policy is executed temporarily till to December 31, 2009.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market ,which is also aimed at dampening speculation in the property market and slowing the rate of price increases. The notice, among other things, provides that the minimum down payment for the purchase of a second residential property by any household with mortgage on its first residential property shall be 40% of the purchase price.

On March 8, 2010, the Ministry of Land and Resources issued the Notice on Strengthening the Supply and Supervision of Land Use for Real Estate Property. The notice, among other things, provides that (1) land resource authorities shall strictly control the land supply for large-sized apartments and prohibit the land supply for villas; and (2) the land use rights grant contract must be executed within ten days after a grant of land has been mutually agreed and a down payment of 50% of the land grant premium shall be paid within one month from the execution of the land use rights grant contract with the remaining amount to be paid no later than one year after the execution of the land use rights grant contract, subject to limited exceptions.

On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities, according to which a stricter differential housing credit policy shall be enforced. It provides that, among other things, (1) for first-time family buyers (including the borrower, his/her spouse and his/her underage children, similarly hereinafter) of apartments larger than 90 square meters, a minimum 30% down payment must be paid; (2) the down payment requirement on second-home mortgages was raised to at least 50% from 40% and also reiterated that an extra 10% should be adopted on the interest rates for housing loans granted to such buyers; and (3) for those who buy three or more houses, even higher requirements on both down payments and interest rates shall

be levied. In addition, the banks can suspend housing loans to buyers who own two or more housing units in places where housing prices are rising too rapidly and are too high, and housing supply is insufficient. And according to the Decree Relating to the Improvement of Differential Housing Lending Policy Notice promulgated by PBOC and CBRC On September 29, 2010, the commercial banks shall stop providing housing mortgage temporarily to any members of a family unit purchasing the third or the subsequent residential housing or non-local residents who fail to provide local one-year or longer tax payment certificates or social insurance payment certificates.

On September 29, 2010, the PBOC and CBRC issued the Decree Relating to the Improvement of Differential Housing Lending Policy Notice, which, among other things:

- prohibits commercial banks from granting or extending loans to property developers that violate laws and regulations such as: (i) holding idle land; (ii) changing the land use; (iii) delaying the commencement and completion of development; (iv) intentionally holding properties for future sale, for the purpose of new property development;

- increase the minimum of down payment to at least 30% of the purchase price of the property.

Implementation of macroeconomic control measures in major cities in the PRC

As real estate prices in Shanghai have been rising faster than the national rate, the central and local government have also adjusted local economic policies on several occasions in an effort to curb prices and discourage speculation in Shanghai. In March and April 2005, the Shanghai local government implemented a variety of market tightening policies. In particular: (i) a business tax of 5% of the increased value on residential properties that are bought and resold in less than a year; and (ii) a ban on all mortgage transfers, as a result of which homeowners will have to pay off the balance of their existing mortgage before they can sell to the next buyer if the transfer takes place within one year from the original purchase. Other policies are aimed at expanding the supply of subsidized housing and housing aimed at low- or middle-income households.

On March 5, 2005, the local government in Shanghai issued Certain Opinions on Strengthening the Present Adjustment and Control of Real Property Market and Promoting a Sustainable and Healthy Development of the Real Property Market, or the Opinions, which made clear that future development of the real property market is aimed at stabilizing the rapid increase in real property prices and preventing speculation by focusing on the supply of ordinary residential units to local residents. Fiscal, financial, legal, administrative and other means will be used comprehensively to achieve such ends. On March 7, 2005, in response to the Opinions, the Shanghai Local Tax Bureau issued a notice to remove the business tax exemption which had been in effect since August 1, 1999 and began imposing a 5% business tax, together with other miscellaneous levies, on gains from transfers of real properties which take place within one year from the original purchase. To support the central government's macroeconomic control measures over the local real property market, the Shanghai Banking Association issued the Guidelines for Banks in Shanghai on Granting Mortgage Loans to Individuals, or the Guidelines, on March 28, 2005. Pursuant to these Guidelines, commercial banks in Shanghai are required to increase the percentage of down payment if a borrower applies for a mortgage loan for a second property. If the same borrower applies for a mortgage loan for additional properties, the loan applications will be subject to strict scrutiny. The banks will substantially increase the percentage of down payment and interest rates for such mortgage loans. In addition, the banks are banned from providing bridge loans to enable sellers to transfer their properties prior to paying off the entire amount of their outstanding loan if the transfer takes place within one year from the original purchase. Further, on May 31, 2005, the Shanghai Finance Bureau, the Shanghai Tax Bureau, the Shanghai Urban Planning Bureau and the Shanghai Land and Resources Bureau jointly supplemented the Notice Concerning the Strengthening of Administration of Real Property Taxes pursuant to which non-luxury homes are defined under this notice as homes with a GFA of less than 140 sq.m., the actual

executed price is below 1.44 times of the average selling price of the residential property in the same level land and costing less than RMB17,500 per sq.m. if located within the Inner Ring Viaduct, RMB10,000 per sq.m. if located between the Inner and the Outer Ring Viaduct or RMB7,000 per sq.m. if located outside the Outer Ring Viaduct, with buyers of luxury homes after June 1, 2005 subject to a 3% deed tax.

In September, 2010, Shanghai Municipal Housing Support and Building Administration Bureau issued the Certain Opinions relating to Enhancing our City's Real Estate Market Restriction and Accelerating the Promotion of Housing Protection. It requires that real estate projects with a GFA less than 30,000 sq.m. shall apply for a presale permit at a single time; real estate projects with a GFA more than 30,000 sq.m. where it is necessary to conduct presales separately, shall apply for such permit with a GFA no less than 30,000 sq.m. at each single time.

On October 7, 2010, the Shanghai Municipal Government approved Certain Opinions on Further Strengthening the Adjustment and Control of Real Property Market and Accelerating the Process of Housing Security Work which specially provides that:

- For a family that buys its first property with a GFA larger than 90 sq.m. and applies for house accumulation fund loan, a minimum 30% down payment is required, and the maximum house accumulation fund loan shall be RMB600,000; for a family that buys its second property for the improvement of living conditions, a minimum 50% down payment is required and the maximum house accumulation fund loan shall be RMB400,000; all the Housing Fund Management Centers shall suspend making loans to families that apply for second properties which cannot be defined as an improvement of living-condition property; families who buy three or more properties are prohibited from receiving house accumulation fund loans.

- Since the issuance of the several opinions, no family (including both the husband and wife, and their minor children) can buy more than one property in Shanghai in a certain term.

- Land value appreciation tax shall be levied according to the ratio of the average price of properties to be sold to the average price of all newly built properties in the same area of the previous year: if this ratio is less than 1.0, land value appreciation tax shall be levied at the rate of 2%; if this ratio is between 1.0 and 2.0, land value appreciation tax shall be levied at the rate of 3.5%; if this ratio is higher than 2.0, land value appreciation tax shall be levied at the rate of 5%.

- As to any real estate project which obtained its construction license after July 1, 2010, the requirements for it to apply for presale permits shall be adjusted. Those residential housing projects should have completed the main structural works and passed for examination before they can be for pre-sale, and thus has raised the standard for pre-sale.

- Separate grants of planning permits, construction permits and presale permits are restricted. The scale of construction and presale of a real estate project shall be no less than 30,000 sq.m. GFA. Real estate projects with less than 30,000 sq.m. GFA are required to obtain a construction planning permit, construction license and presale permit at the same time.

Other local governments in the PRC, including those in Hangzhou, Wuhan and Chongqing, have issued similar notices to specify their respective standards of "ordinary residential property" and supplement the requirements set out in the Opinion.

Local legislation

While the Urban Land Regulations set out a general framework for transactions relating to land use rights, local legislation regulates specific transactions within specified areas relating to the grant and transfer of land use rights. These local regulations are numerous. Some of them are inconsistent with national legislation. The central authorities have taken the position that if there are inconsistencies, the national legislation will prevail.

Regulation of Foreign Currency Exchange and Dividend Distribution

Foreign currency exchange

The principal regulations governing foreign currency exchange in the PRC are the Regulations for the Control of Foreign Exchange, or the Foreign Exchange Regulations, promulgated by the State Council in January 1996, as amended in July 2008. Under the Foreign Exchange Regulations, a domestic institution or individual makes direct investment or issues or trades negotiable securities or derivative products overseas shall handle the registration formalities at SAFE. If the relevant state provisions require it to get the approval of the competent department or archive the issue with the competent department, it shall do so before handling the registration formalities.

The State shall implement the scale management of foreign debts. Any institution or individual borrowing foreign debts shall abide by the relevant State provisions and handle the foreign debt registration formalities at a foreign exchange administrative organ. SAFE shall take charge of collecting statistical data about and monitoring the foreign debts of the whole nation, and publish the foreign debt situations on a regular basis.

An institution shall apply to the SAFE or its local branches before providing foreign guarantee. SAFE or its local branches shall make a decision of approval or disapproval according to the asset-liability situation of the institution. If the relevant State provisions provide that its scope of business shall be subject to the approval of the competent department, it shall get the approval before applying to SAFE or its local branches. The institution shall, after concluding a foreign guarantee contract, handle the foreign guarantee registration formalities at SAFE or its local branches. The provisions of the preceding paragraph shall not apply where an institution, upon the approval of the State Council, provides foreign guarantee for a loan with the money borrowed from a foreign government or an international financial organization.

Dividend distribution and remittance

The principal PRC regulations governing the distribution of dividends by our WFOEs are (i) The Wholly Foreign-Owned Enterprise Law (1986), as amended in 2000; and (ii) Implementation Regulations under the Wholly Foreign-Owned Enterprise Law (2001).

Under these regulations, WFOEs in China may only pay dividends out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a WFOE in China is required to set aside at least 10.0% of its after-tax income each year, if any, to fund a reserve fund until the accumulated reserve amounts to 50.0% of its registered capital. It is also required to set aside funds for the employee bonus and welfare fund from its after-tax income each year at percentages determined at its sole discretion. These reserves are not distributable as cash dividends.

For overseas remittance of the current year's dividends, a WFOE is required, under the Circular on Relevant Questions Concerning the Remittance of Profits, Dividends and Bonuses Out of China Through Designated Foreign Exchange Banks (關於外滙指定銀行辦理利潤、股息、紅利寄出有關問題的通知) which was issued on September 22, 1998 and amended on September 14, 1999, to submit the following documents to a designated foreign exchange bank:

- Proof of tax payment and tax returns (WFOEs enjoying tax reductions or exemptions shall provide certification of tax reduction and exemption issued by the local tax authorities);
- An auditor's report on the profit and dividend situation for the current year issued by an accounting firm;
- The resolution of the board of directors relating to the dividends distribution;
- The foreign investment enterprise's foreign exchange registration certificate;
- The capital verification report issued by an accounting firm; and
- Other documents SAFE may require.

In addition, for overseas remittance of the preceding years' dividends, such WFOE shall appoint an accounting firm to conduct an audit for the year(s) in which the dividend-related profits were generated and shall present the auditor's report to the bank as a required supplemental document.

In the case of foreign investment companies, the registered capital of which has not been fully paid up in accordance with the joint venture contract and/or articles of association, the dividends in foreign currency may not be remitted out of the PRC. If there are special circumstances under which the registered capital cannot be contributed within the time limit as specified in the joint venture contract and/or articles of association, the foreign investment company shall apply for approval with the original approving authority. With the approval of the original approving authority and the above-mentioned required documents, the dividends in foreign currency shall be remitted out of the PRC in proportion to the registered capital that has actually been contributed.

Shareholder loan

A shareholder loan made by foreign investors as shareholders to foreign investment enterprises such as cooperative joint ventures, equity joint ventures and WFOEs is regarded as foreign debt in China, which is subject to a number of PRC laws and regulations, including the Foreign Exchange Control Regulations (中華人民共和國外滙管理條例) of 2008, the Interim Measures on Foreign Debts (外債管理暫行辦法) of 2003 or, the Interim Measures, the Statistical Monitoring of Foreign Debts Tentative Provisions of 1987 (外債統計監測暫行規定) and its Implementing Rules of 1998, the Administration of the Settlement, Sale and Payment of Foreign Exchange Provisions of 1996 (外債統計監測暫行規定實施細則) and the Notice of SAFE with respect to Perfection of Issues Relating to Foreign Debts, dated October 21, 2005 (國家外滙管理局關於完善外債管理有關問題的通知).

Under these regulations, a shareholder loan of a foreign debt nature made to cooperative joint ventures, equity joint ventures and WFOEs does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branch in accordance with relevant PRC laws and regulations.

Our PRC subsidiaries can legally borrow foreign exchange loans up to their borrowing limits, which is the difference between their respective amounts of "total investment" and "registered capital" as approved by MOFCOM or its local counterparts. "Total investment" is the projected amount of funds necessary for a foreign-invested enterprise to attain the production or operational capacity set out in its joint venture contract and/or articles of association, whereas, "registered capital" refers to the equity or capital contributions to be paid in full by the foreign investors. Interest payment, if any, on the loans is subject to a 10% withholding tax.

Pursuant to Article 18 of the Interim Measures, the summation of the accumulated medium-term and long-term debts borrowed by enterprises with foreign investment and the balance of short-term debts shall not exceed the surplus between the total investment in projects approved by the verifying departments and the registered capital. Within the range of the surplus enterprises with foreign investment may borrow foreign loans at their own will. If the loans exceed the surplus, the total investment in projects shall be reexamined by the original examination and approval departments.

The procedures for registration of the foreign debt and remittance of foreign currency for related interest, principal and other payments are as follows:

- Within 15 days after formal execution of a shareholder loan agreement, borrowers shall present relevant documents to SAFE or its local branch and complete registration procedures and collect a seriatim Foreign Debt Registration Certificate (外債登記證). The submission includes (i) a signed application, (ii) an original and copy of the shareholder loan agreement, (iii) a completed Form with Information on Execution of Foreign Debt Agreement, (iv) Foreign Exchange Registration Certificate for Foreign Investment; the joint venture contract and/or articles of association relating to establishment of the foreign investment enterprise and a capital verification report, and (v) other documents that SAFE or its local branch may require.

  Moreover, in connection with foreign debt registration, it is also required that the registered capital of the related foreign investment enterprise is fully paid up in accordance with the joint venture contract and/or articles of association. The amount of the medium and long-term foreign debts that the foreign investment enterprise has borrowed may not exceed the difference between the total investment, as stipulated in the joint venture contract or its articles of association and its registered capital. In principle, the interest rate on foreign loans may not be higher than the interest rate on similar loans in the international financial market; otherwise, the registration could be denied by the relevant administration of foreign exchange.

- When borrowers transfer foreign currency into China pursuant to foreign loan agreements, upon presentation of their Foreign Debt Registration Certificate, they shall open a Foreign Debt Spot Exchange Special Account with a bank in the PRC designated or approved by the State Administration for Foreign Exchange.

- When borrowers repay principal and interest, they should make an application to the State Administration for Foreign Exchange or its local branch based on the specified valid vouchers for the issuance of a Verification Certificate. The submission includes (i) a signed application form, (ii) Foreign Debt Registration Certificate, (iii) shareholder loan agreement, (iv) notices of repayment of principal and interest issued by lender, which shall include the total amount of the principal and interest for repayment, amount of the principal to be repaid, interest rate and the method and period for calculating interest, (v) notification of the transfer into account of the related portion of the loan and the current foreign currency account statement, (vi) proof of tax payment and tax returns for the payment of interest and fees and (vii) other documents that the State Administration for Foreign Exchange or its local branch may require.

- The bank which has opened the account for such borrowers shall rely on the Verification Certificate and Foreign Debt Registration Certificate as provided by borrowers and effect payment through the Foreign Debt Spot Exchange Special Account.

- In accordance with the bank payment documentation, borrowers shall record the amount of the payment in a Foreign Debt Variation and Repayment Form and file a copy with the State Administration for Foreign Exchange or its local branch that issued the Foreign Debt Registration Certificate.

In accordance with the Notice of the State Administration for Foreign Exchange on Improving the Examination of the Settlement of Foreign Exchange on the Capital Account by Foreign-Invested Enterprises and Administration of the Registration of Their Foreign Debts issued by the State Administration for Foreign Exchange on May 17, 2004, local branches of the State Administration for Foreign Exchange and authorized designated foreign exchange banks shall, when handling the approval of settlement of foreign debts and the formalities for the verification of foreign exchange settlement of the foreign debt capital of foreign investment enterprises, and in the case of a single transaction for an amount of more than US$200,000 which is used for such settlement of foreign exchange, request from the relevant foreign investment enterprise such written instructions of payment regarding the use of the capital for such settlement and make payment directly to the designated recipient.

With regard to payment of small amounts, including payment of salaries, setting aside of reserves or for amounts of foreign exchange settlement capital of US$200,000 or less, the local branches of the State Administration for Foreign Exchange and authorized designated foreign exchange banks may choose not to request the relevant foreign investment enterprise to provide written payment instructions, but to transfer the foreign exchange settlement capital into the RMB bank account of such foreign investment enterprise. However, the foreign investment enterprise shall provide a detailed list of the uses of the previous foreign exchange settlement capital in connection with the subsequent foreign exchange settlement.

Restrictions on offshore funding of PRC property developers

On July 10, 2007, the General Affairs Department of 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 MOFCOM (國家外滙管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知)." notice stipulates, among other things, (i) that SAFE will no longer process foreign debt registrations or applications for purchase of foreign exchange submitted by real estate enterprises with foreign investment who obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007 and (ii) that SAFE will no longer process foreign exchange registrations (or change of such registrations) or applications for sale and purchase of foreign exchange submitted by real estate enterprises with foreign investment who obtained approval certificates from local government commerce departments on or after June 1, 2007 but who did not register with MOFCOM. This new regulation restricts the ability of foreign-invested real estate companies to raise funds offshore for the purpose of injecting such funds into the companies either through capital increases or by way of shareholder loans.

Major Taxes Applicable to Property Developers

Income tax

According to the "PRC Enterprise Income Tax Law" promulgated by NPC on March 16, 2007, which came into effect on January 1, 2008, a uniform income tax rate of 25% is applied equally to domestic enterprises, as well as foreign investment enterprises and foreign enterprises which have set up production and operation facilities in the PRC, as well as PRC enterprises. Pursuant to this new PRC Enterprise Income Tax Law, dividends and interest payable to a foreign investor are subject to a 20% withholding tax unless the jurisdiction of incorporation for the foreign investor has a tax treaty with China that provides for a different withholding arrangement.

According to the "Implementation Rules of the People's Republic of China on the Enterprise Income Tax Law" promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a reduced income tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises.

The EIT Law also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. The income tax rate of such enterprises will gradually be transiting to the uniform tax rate within the transition period in accordance with implementing rules issued by the State Council. On December 26, 2007, the State Council issued the Circular to Implement the Transition Preferential Policies for the Enterprise Income Tax (《關於實施企業所得税過渡優惠政策的通知》), under which, for those enterprises then entitled to a preferential income tax rate of 15% and established before March 16, 2007, the transition income tax rate should be 18%, 20%, 22%, 24% and 25%, respectively in 2008, 2009, 2010, 2011 and 2012.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (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), or the Avoidance of Double Taxation Agreement, dividend payments to shareholders in Hong Kong would be withheld at a rate of 5% if their investment ratio in invested entities in China is above 25%, or 10% if their investment ratio in invested entities in China is below 25%.

On December 10, 2009, the State Administration of Taxation issued the Circular on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises' Share Transfer (《關於加強非居民企業股權轉讓所得企業所得税管理的通知》), effective as of January 1, 2008, under which, where a foreign investor indirectly transfers equity interests in a Chinese resident enterprise by selling the shares in an offshore holding company, and the latter is located in a country (jurisdiction) where the effective tax burden is less than 12.5%, or where the offshore income of the residents is not taxable, the foreign investor shall provide the tax authority in charge of that Chinese resident enterprise with the relevant information within 30 days of the transfers, and where a foreign investor indirectly transfers equity interests in a Chinese resident enterprise through the abuse of form of organization and there are no reasonable commercial purposes such that the corporate income tax liability is avoided, the tax authority shall have the power to re-assess the nature of the equity transfer in accordance with the "substance-over-form" principle and deny the existence of the offshore holding company that is used for tax planning purposes. "Income derived from equity transfers," as mentioned in this circular refers to income derived by non-resident enterprises from direct or indirect transfers of equity interest in China resident enterprises, excluding shares in Chinese resident enterprises that are bought and sold openly on the stock exchange.

Business tax

Business tax is payable in respect of certain business activities in China as set out in the Provisional Regulations Concerning Business Tax (《中華人民共和國營業税暫行條例》) promulgated by the State Council on December 13, 1993 and implemented on January 1, 1994, amended on November 10, 2008 and implemented on January 1, 2009 and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax (《中華人民共和國營業税暫行條例實施細則》) issued by the Ministry of Finance on December 25, 1993, amend on December 15, 2008 and implemented on January 1, 2009. The activities to which the business tax applies include supply of service as specified in the regulations aforesaid in PRC, transfer of intangible assets, leases, and sales of real estate properties in China. The tax is a turnover tax charged on gross revenue. No deduction of the tax incurred on purchased services or materials is allowed. However, deductions from gross revenue are allowed for subcontracting fees paid among the transportation, tourism and construction industries. The rate of business tax payable for property sale and leasing transactions is 5% of the proceeds from the sale or leasing of real estate/immovable properties in China.

On May 27, 2005, the State Administration of Taxation (國家税務總局), MOFCOM and Ministry of Construction (建設部) jointly issued a Notice on Strengthening the Administration of Taxes in Connection with Real Estate (關於加強房地產税收管理的通知). According to the notice, from June 1, 2005, business tax shall be imposed on the full amount of the sales income of a real estate company, upon the transfer of the ownership of a residential house by an individual within two years from the purchase date. However, transfer of an ordinary residential property may be exempted from business tax upon tax authorities' approval of application for such exemption. According to the Circular on Forwarding Opinions of the Ministry of Construction and other Departments on Stabilizing Housing Prices issued by the General Office of the State Council (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知) on May 5, 2005, in the case of a house other than an ordinary residential house, business tax shall be imposed on the difference between the sales income and the purchase price, provided that the transfer occurs after two years from the purchase date. Ordinary residential house refers to a residential unit, of which (i) the plot ratio is more than 1.0; (ii) the GFA is less than 120 sq.m.; and (iii) the price is lower than 1.2 times of the average selling price of residential properties on the land of the same category. The provincial-level government may set its own GFA and price requirements with a deviation no more than 20% of the above-mentioned standards.

On May 30, 2006, the State Administration of Taxation issued a Notice on Strengthening the Administration of Business Tax Collection in Connection with Housing (關於加強住房營業税徵收管理有關規定). According to the notice, from June 1, 2006, business tax shall be imposed on the full amount of the sales income, upon the transfer of a residential house by an individual within five years from the purchase date. In the case of a house other than an ordinary residential house, business tax shall be imposed on the difference between the sale income and the purchase price, provided that the transfer occurs after five years from the purchase date. However, transfer of an ordinary residential property may be exempted from business tax upon tax authorities' approval of application for such exemption.

On December 20, 2008, according to the Certain Opinion on Promoting the Healthy Development of Real Estate Market, the period of the business tax levied on the full amount of the sale proceeds on conveyance of residential properties from five years from the date of purchase to two years from the date of purchase. This policy is executed temporarily till to December 31, 2009. Since January 1, 2010, the period afordsaid is renewed to five years.

On October 22, 2008, the State Council, the Ministry of Finance, and the State Administration of Taxation jointly announced the decision to reduce the tax expenses of housing transactions. The Ministry of Finance and the State Administration of Taxation provided that, effective November 1, 2008, the deed tax were temporarily reduced to 1% for individuals who purchase the ordinary residence with less than 90 sq.m. floor areas for the first time, and temporarily exempt stamp duty and LAT for purchase or sales of housing by individuals, as applicable.

On September 29, 2010, the Ministry of Finance, State Administration of Taxation and the Ministry of Construction issued the Notice of Deed Tax on the Adjustment of Real Estate Transactions and Personal Income Tax Preferential Policies, which provides that: (1) half of deed tax is only needed to pay for first time buyer individuals who purchase an ordinary residence which is the family's sole property, and deed tax is reduced to 1% for first time buyer individuals who purchase an ordinary residence with less than 90 sq.m. floor area which is the family's sole property, and ; (2) for tax payer who had sold his self-owned residential property within a year and within that period buy a residential property again, his personal income tax will not be reduced or exempted.

For individual purchasing average housing property, and the captioned property constitutes the sole property of the family (the scope of members include the purchaser himself, spouse or minors, definition same as below), deed tax will be reduced by 50%. For individual purchasing average housing property of areas below 90 sq.m., and the captioned property is the sole property of the family, the deed tax collected will be reduced by 1%.

LAT

According to the requirements of the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (the "**Provisional Regulations**") promulgated on December 13, 1993 and effective on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (the "**Detailed Implementation Rules**") promulgated and effective on January 27, 1995, any appreciation amount gained from taxpayer's transfer of property shall be subject to LAT. LAT is levied according to four progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the land use right;
- costs and expenses for land development;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property; and
- other deductible items as specified by the Ministry of Finance.

According to the requirements of the Provisional Regulations, the Detailed Implementation Rules and the "Notice Issued by the Ministry of Finance with respect to the Levy and Exemption of Land Appreciation Tax for Development and Transfer Contracts signed before January 1, 1994" announced by the Ministry of Finance and the State Administration of Taxation on January 27, 1995, LAT shall be exempted under any one of the following circumstances:

- Taxpayers constructing ordinary standard residences for sale (*i.e.*, the residences built in accordance with the local standard for general use residential properties; deluxe apartments, villas, resorts, for example, are not categorized as ordinary standard residences) in which the appreciation amount does not exceed 20% of the sum of deductible items;

- Property taken over and repossessed according to laws due to the construction requirements of the government.

A notice issued on exempting the LAT by the Ministry of Finance states that:

- For property assignments which were signed before January 1, 1994, whenever the properties are transferred, the LAT shall be exempted;

- Either when the property assignments were signed before January 1, 1994 or when the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the LAT shall be exempted if the properties are transferred within five years after January 1, 1994 for the first time. The date of signing the assignment shall be the date of signing the Sale and Purchase Agreement. Particular property projects which are approved by the government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by the Ministry of Finance and State Administration of Taxation, the tax-free period would then be appropriately prolonged.

On December 24, 1999, the Ministry of Finance and the State Administration of Taxation issued the "Notice With Respect to the Extension of the Period for the Land Appreciation Tax Exemption Policy" that extended the period for the LAT exemption policy as mentioned in paragraph (5) hereinabove to the end of 2000.

After the enactment of the Provisional Regulations and the Detailed Implementation Rules, due to the longer period for the property development and transfer, many local tax authorities in the course of implementing the regulations and rules did not force the property developers to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the requirement that after the assignment contracts are signed, the taxpayers should declare the tax to the local tax authorities with jurisdiction over the underlying property, and pay LAT in accordance with the amount calculated by the tax authority and the time as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change and shall not issue the property ownership certificate.

The State Administration of Taxation also issued the notice in relation to "Collections Administration on Land Appreciation Tax" on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up a sound taxpaying declaration system for LAT, to modify the methods of pre-levying for property. Such notice also pointed out that either for

the property assignment contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within 5 years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

On August 2, 2004, the State Administration of Taxation issued the "Notice of the State Administration of Taxation with respect to Enhancing the Administration of Land Appreciation Tax" in order to further clarify the taxpayers' duties in relation to filing of periodic tax returns. On August 5, 2004, the State Administration of Taxation issued the "Notice of the State Administration of Taxation with respect to Further Enhancing the Administration on Collection of Urban Land Use Tax and Land Appreciation Tax" to further enhance the administrative efforts relating to the collection of LAT. It is stipulated in this notice that the waiver of LAT on any land grant contracts executed prior to January 1, 1994 has expired, and that appreciation in land value shall be subject to LAT irrespective of the time of assignment.

On March 2, 2006, the State Administration of Taxation and the Ministry of Finance issued the "Circular of the Ministry of Finance and the State Administration of Taxation on Land Appreciation Tax." The Circular stipulated the following:

- Taxpayers constructing both ordinary residential properties and other commodity houses should calculate the LAT separately, and declare the tax to the local tax authorities where the properties are located.

- Local authorities shall determine, and adjust as appropriate, the provisional LAT rates considering the relevant real property market, the type of building constructed and any other applicable factors.

- A taxpayer who fails to prepay the LAT within the stipulated time frame may be liable to a penalty under the "Administrative Law of the People's Republic of China on the Levying and Collection of Taxes."

- In relation to completed property projects, if 85% or more of the saleable GFA has been assigned or transferred, then the local tax authority may require the taxpayer to pay tax on the income from the assigned or transferred property.

- For taxpayers whose shareholders or joint-cooperation partners contributed real properties as capital to such taxpayers, the temporary tax exemption in relation to ordinary residential properties does not apply.

On December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises which came into effect on February 1, 2007.

Pursuant to the Notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT tax rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (1) the property development project has been completed and fully sold; (2) the property developer transfers the whole incomplete development project; or (3) the land-use rights with respect to the project is transferred. In addition, the relevant tax authorities may require the developer to settle the LAT if any of the following criteria is met: (1) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the

remaining saleable GFA has been leased out or used by the developer; (2) the project has not been sold out for more than three years after obtaining the sale or pre-sale permit; (3) the developer applies for cancellation of the tax registration without having settled the relevant LAT; or (4) other conditions stipulated by the tax authorities.

The Notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

On May 19, 2010, the State Administration of Taxation issued the Notice on Relevant Issues of the Settlement of Land Appreciation Tax, which details the relevant issues concerning of the income verification about the settlement of land appreciation tax, the calculation about exemption issues under certain circumstances.

Deed tax

Pursuant to the "Interim Regulations of the People's Republic of China On Deed Tax" promulgated by the State Council in July 1997, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be responsible for the payment of deed tax. The rate of deed tax is 3%-5% of the purchase price. The governments of provinces, autonomous regions and municipalities may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record.

Urban land use tax

Pursuant to the "Interim Regulations of the People's Republic of China On Land Use Tax with respect to Urban Land" promulgated by the State Council in September 1988 as amended in December 2006, the land use tax with respect to urban land is levied according to the area of relevant land. The annual tax on every sq.m. of urban land shall be between RMB0.6 and RMB30. Any foreign investment enterprise using urban land is required to pay the tax on urban land use accordingly from January 1, 2007. According to the "Notice On Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China" promulgated by the Ministry of Finance on November 2, 1988 and the "Approval On Land Use Tax Exemption Of Foreign-Invested Enterprises" issued by State Administration of Taxation on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise. However, the Interim Regulations of the People's Republic of China On Land Use Tax with respect to Urban Land were revised by the State Council on December 31, 2006. As of January 1, 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every sq.m. of urban land shall be between RMB0.6 and RMB30.0.

Agricultural land occupation tax

The State Council issued the Tentative Rules on Tax of Occupation of Agricultural Land of the People's Republic of China on December 1, 2007. The rules took effect on January 1, 2008 and as a result, the former tentative rules with the same regulation issued by the State Council on April 1, 1987 will be abolished simultaneously. The Rules mainly regulate the taxation procedures and tax amount based on the tax objects and the use of agricultural land.

Buildings tax

Under the "Interim Regulations of the People's Republic of China on Buildings Tax" promulgated by the State Council in September 1986, a buildings tax shall be 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.

Stamp duty

Under the "Interim Regulations of the People's Republic of China on Stamp Duty" promulgated by the State Council in August 1988, for building property transfer instruments, including those with respect to property ownership transfer, the duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

Municipal maintenance tax

Under the "Interim Regulations of the People's Republic of China on Municipal Maintenance Tax" promulgated by the State Council in 1985, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Enterprises with Foreign Investment and Foreign Enterprises issued by the State Administration of Taxation on February 25, 1994, the municipal maintenance tax shall not be applicable to enterprises with foreign investment for the time being, until the State Council issues further stipulations.

However, according to the Notice on Unifying the Municipal Maintenance Tax and Education Surcharge System of Domestic Enterprises, Foreign-Invested Enterprises and Individuals (關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知) as issued by the State Council on October 18, 2010, the municipal maintenance tax will become applicable to foreign-invested enterprises as of December 1, 2010.

Education surcharge

Under the "Interim Provisions on Imposition of Education Surcharge" promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the "Notice of the State Council on Raising Funds for Schools in Rural Areas." Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Enterprises with Foreign Investment and Foreign Enterprises issued by the State Administration of Taxation on February 25, 1994 and the Supplementary Circular Concerning Imposition of Education Surcharge issued by the State Council on October 12, 1994, the education surcharge shall not be applicable to enterprises with foreign investment for the time being, until the State Council issues further stipulations.

However, according to the Notice on Unifying the Municipal Maintenance Tax and Education Surcharge System of Domestic Enterprises, Foreign-Invested Enterprises and Individuals (關於統一內外資企業和個人城市維護建設税和教育費附加制度的通知) as issued by the State Council on October 18, 2010, the education surcharge will become applicable to foreign-invested enterprises as of December 1, 2010.

Legal supervision relating to the property management sector in the PRC

According to the Regulation on Property Management (《物業管理條例》) enacted by the State Council on June 8, 2003, enforced on September 1, 2003, and as amended on August 26,2007, the state implements a qualification scheme system in monitoring the property management enterprises. According to the Measures on Administration of Qualification Certificates of Property Service Enterprises (《物業服務企業資質管理辦法》) enacted by MOHURD on March 17, 2004, as amended on October 30, 2007, a newly established property service enterprise shall, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the Central Government for a provisional qualification. The departments of qualification, examination and approval will check and issue a "property service qualification certificate" corresponding to their grading assessment results.

According to the Measures on the Administration on Qualifications Certificates of Property Service Enterprises, the qualifications of a property service enterprise shall be classified as class one, class two and class three. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of the class one property service enterprise. The competent construction departments of the people's governments of provinces and autonomous regions shall be responsible for the issuance and administration of the qualification certificate of the class two property service enterprises, and the competent realty departments of the people's governments of municipalities directly under the Central Government shall be responsible for issuance and administration of the qualification certificate of the classes two and three property service enterprises. The competent realty departments of the people's governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three property service enterprises.

The property service enterprises with the class one qualification may undertake various real estate management projects. The property service enterprises with the class two qualification may undertake the property management business of residential management projects of less than 300,000 sq.m. and the non-residential management projects of less than 80,000 sq.m. The property service enterprises with the class three qualification may undertake the property management business of residence projects of less than 200,000 sq.m. and non-residence projects under 50,000 sq.m.

In accordance with the Regulation on Property Management and the Properties Rights Law, owners may engage or dismiss a property service company with the consent of more than half of the owners who in the aggregate hold more than 50% of the total non-communal area of the building.

SUBSTANTIAL SHAREHOLDERS

At December 31, 2010, the persons or corporations (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholders	Capacity/ Nature of interests	Total number of ordinary shares	Approximate percentage of shareholding to the issued share capital of the Company
Ms. Loletta CHU ("**Mrs. Lo**")	Family and Personal	2,651,725,415 (L)[(1)]	50.88%
HSBC International Trustee Limited ("**HSBC Trustee**")	Trustee	2,650,391,985 (L)[(2)]	50.85%
Bosrich Holdings (PTC) Inc. ("**Bosrich**")	Trustee	2,650,391,985 (L)[(2)]	50.85%
Shui On Company Limited ("**SOCL**")	Interests of controlled corporation	2,650,391,985 (L)[(2)]	50.85%
Standard Chartered PLC	Interests of controlled corporation	306,332,010 (L)[(3)(4)] 300,506,165 (S)[(3)(4)]	5.88% 5.77%

Notes:

(1) These shares were comprised of 1,333,430 shares beneficially held by Mrs. Lo and 2,650,391,985 shares in which Mr. Lo, the spouse of Mrs. Lo, had a deemed interest under the SFO mentioned in note (2) below. Accordingly, Mrs. Lo was also deemed to be interested in 2,650,391,985 shares under the SFO.

(2) These shares were beneficially owned by SOCL through its controlled corporations, comprising 1,411,712,352 shares, 1,101,209,977 shares and 137,469,656 shares held by Shui On Properties Limited, SOI and New Rainbow Investments Limited, respectively. SOCL is owned by the Bosrich Unit Trust, the trustee of which is Bosrich. The units of the Bosrich Unit Trust are the property of a discretionary trust, of which Mr. Lo is a discretionary beneficiary and HSBC Trustee is the trustee. Accordingly, Mr. Lo, Mrs. Lo, HSBC Trustee and Bosrich were deemed to be interested in such shares under the SFO.

(3) (L) represents long positions and (S) represents short positions.

(4) The interests are held by Standard Chartered Bank, which is wholly owned by Standard Chartered Holdings Limited, which is in turn ultimately owned by Standard Chartered PLC. Standard Chartered Bank was in a long position of 306,332,010 shares and a short position of 300,506,165 shares (within which the short position consisting of 300,506,165 shares and long position of 190,364,234 shares are derived from the interest in equity derivatives).

Save as disclosed above, at December 31, 2010, the Directors are not aware of any other person or corporation (other than a Director or chief executive of the Company) having an interest or 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.

RELATED PARTY TRANSACTIONS

*The following discussion describes certain material related party transactions between our consolidated subsidiaries and our Directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. It also includes the transactions with connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) which were required to be disclosed in accordance with Chapter 14A of the Listing Rules, certain of which are ongoing.*

Provision of project management services by Shanghai Yangpu Knowledge Innovation Zone Investment and Development Co., Ltd. ("SYKIZ") to KIC Development

Pursuant to an agreement between the Group and SYKIZ which commenced on August 26, 2003, SYKIZ provides KIC Development, a subsidiary of the Company, with advisory services including assisting with obtaining the relevant regulatory and government approvals and permits as well as the marketing and administrative aspects for the Shanghai KIC project.

SYKIZ owned 30% of KIC Development upon its incorporation. Pursuant to an agreement signed with SYKIZ, KIC Development has increased its registered capital by US$77 million from approximately US$61 million to approximately US$138 million, whereby SYKIZ did not participate in injecting the additional capital of US$77 million into KIC Development. As a result of the completion of this agreement, SYKIZ's interest was diluted from 30% to 13.2% by 16.8%. As SYKIZ is a substantial shareholder of KIC Development, SYKIZ is a connected person of the Company under the Listing Rules.

The total services fee payable by KIC Development to SYKIZ for the advisory services is fixed at 0.9% of the construction costs for the Shanghai KIC project incurred by KIC Development. Our Directors believe that the advisory services agreement is on normal commercial terms. The services fee rate of 0.9% was determined based on the rate of 3% generally charged to independent third parties for similar services, adjusted to be proportionate with SYKIZ's shareholding.

Acquisition of land with SYKIZ

On March 5, 2010, Top Victory Development Limited ("**Top Victory**"), a wholly-owned subsidiary of the Company, together with SYKIZ made a successful bid for the land located in Wujiaochang, Yangpu District, Shanghai, the PRC (the "**Land**"). Top Victory paid RMB1,263 million for the Land. Top Victory and SYKIZ established a joint venture company which was owned as to 99% by Top Victory and as to 1% by SYKIZ for the purpose of, inter alia, holding and developing the Land.

SYKIZ is a connected person of the Company by virtue of its more than 10% shareholding interest in KIC Development. Therefore, the acquisition of Land and the establishment of the joint venture company with SYKIZ constituted connected transactions of the Company.

Lease of property by the Group from the subsidiaries of SOCL

In the ordinary course of the Group's business, the Company or its subsidiaries, as tenant, have entered into a number of property leasing agreements with the subsidiaries of SOCL (the "**Shui On Group**"). As SOCL is a substantial shareholder of the Company, SOCL and each of the subsidiaries of SOCL are connected persons of the Company.

In Shanghai, the Group has entered into property leasing agreements with Shanghai Jiu Hai Rimmer Properties Co. Ltd., which is an indirect 80% owned subsidiary of SOCL, for various units in Shui On Plaza for offices at market rent. In Hong Kong, a subsidiary of the Company has entered into property leasing and licensing agreements with Shui On Centre Company Limited and SOI, both of which are wholly-owned by SOCL, for various units in Shui On Centre at prevailing market rent. These properties are used for offices and a showroom.

The Company entered into a framework lease agreement with SOCL on May 30, 2006, the terms of which was extended to December 31, 2009 by a supplemental agreement dated September 4, 2007 and further extended to December 31, 2012 by a second supplemental agreement dated January 15, 2010.

The amounts of RMB33 million for the properties in Shanghai and HK$3 million for the properties in Hong Kong, respectively, were paid and/or are payable by the Group to the Shui On Group for leasing of the premises under the property leasing agreements and the framework lease agreement for the year ended December 31, 2009.

Provision of construction services by SOCAM to the Group

In the ordinary course of the Group's business, the Group entered into a number of construction contracts with Shui On Construction Co., Ltd. ("**SOC**") and Pat Davie (China) Limited (the "**SOCAM Contractors**") as the contractors for construction works in relation to our projects in the PRC. The construction contracts include renovation works, building decoration works, mechanical and electrical system materials procurement and building materials procurement. Mr. Lo, as the controlling shareholder of the Company, also holds more than 30% shareholding in SOCAM. Thus, SOCAM is a connected person of the Company. The SOCAM Contractors are subsidiaries of SOCAM and are therefore connected persons of the Company.

For contracts over RMB1 million, construction contracts were generally put out to tender and contractors selected through a bidding process under which each potential contractor was assessed on its qualifications, reputation for reliability, quality and price. The construction contracts with SOCAM Contractors of over RMB1 million were entered into pursuant to and on the basis of bids tendered. For contracts of RMB1 million or less, the price was agreed with SOCAM Contractors with reference to the prevailing market rates.

On June 4, 2006, the Company entered into a construction services framework agreement with SOC which expired on December 31, 2008. On December 15, 2008, SOC and the Group entered into a supplemental agreement to extend the term for three financial years to December 31, 2011.

An amount of RMB196 million was paid and/or is payable to SOC for construction services for the year ended December 31, 2009.

Provision of management services by Shanghai SOD to Richcoast and its subsidiaries (collectively as the "Dalian Group")

On April 28, 2008, Shanghai SOD, a wholly-owned subsidiary of the Company, Max Clear Holdings Limited ("**Max Clear**"), a wholly-owned subsidiary of SOCAM, Yida and certain onshore companies of the Dalian Group entered into a management services agreement pursuant to which each of Shanghai SOD, Max Clear and Yida agreed to provide management services to the Dalian Group for a term of three years commencing from January 1, 2008 to December 31, 2010. On December 28, 2010, Shanghai SOD, Max Clear, Yida and the then onshore companies of the Dalian Group entered into a renewed management services agreement to extend the term for three years to December 31, 2013.

The Dalian Group is effectively held as to 48% by the Group, 22% by SOCAM (a connected person of the Company) and 30% by Yida and thus, a connected person of the Company. In addition, the companies constituting the Dalian Group are subsidiaries of the Group for the purposes of the Listing Rules, and Max Clear and Yida are connected persons of the Company by virtue of being the substantial shareholders of Richcoast.

In accordance with the management services agreement, each of Shanghai SOD, Max Clear and Yida is entitled to receive an annual management service fee from the Dalian Group to be calculated at 1%, 1.5% and 1% respectively of the annual total budgeted construction cost for the Dalian project with respect to the provision of management services.

The amounts of RMB8 million, RMB12 million and RMB8 million were paid and/or are payable to Shanghai SOD, Max Clear and Yida respectively for the management services fees for the year ended December 31, 2009.

Provision of construction services by the Yida Group for Dalian Tiandi

On August 7, 2008, Richcoast and Yida entered into a framework construction agreement, pursuant to which the Yida Group may enter into contracts with the Dalian Group to perform site formation and construction works, which include excavation and/or filling, clearance of the construction site, removal of the construction garbage, setting up a drainage system and construction of the main structures on the land area constituting Dalian Tiandi, for a term expiring no later than December 31, 2010. The term of the agreement was subsequently extended to December 31, 2011 by a supplemental agreement dated July 17, 2009 and further extended to December 31, 2012 by a second supplemental agreement dated August 26, 2010.

Yida, through its wholly-owned subsidiary, is a substantial shareholder of Richcoast, a subsidiary of the Group for the purpose of the Listing Rules. Therefore, Yida and its subsidiaries are connected persons of the Company.

An amount of RMB78 million was paid and/or is payable to the Yida Group for the construction services fees for the year ended December 31, 2009.

Use of aircraft owned by a subsidiary of SOCL

On September 4, 2009, the Company entered into an agreement with Top Dynasty Investment Limited ("**Top Dynasty**"), pursuant to which the Group may use an aircraft owned by Top Dynasty for the purpose of transporting passengers for business of the Group. As Top Dynasty is a subsidiary of SOCL, the transactions contemplated under the agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The term of the agreement is extended to December 31, 2013 by a supplemental agreement dated November 2, 2010. The fees are calculated based on the actual travelling schedules of the passengers.

An amount of HK$5 million was paid and/or is payable to Top Dynasty and its subsidiaries for the use of aircraft for the year ended December 31, 2009.

Continuing connected transactions with respect to certain projects of Chongqing Shui On Tiandi Property Development Company Limited ("Chongqing Tiandi Development")

On September 25, 2009, the Issuer, Winnington Land Limited ("**WLL**") and Chongqing Tiandi Development entered into a project services framework agreement pursuant to which Chongqing Tiandi Development may enter into separate service contracts with the Group and/or WLL and its associates (the "**WLL Group**") to perform services with respect to the property development projects (excluding the Super High Rise project) of Chongqing Tiandi Development, from time to time in accordance with the terms of the framework agreement for the three years ending December 31, 2011.

The ultimate controlling shareholder of WLL is an associate of Mr. Lo pursuant to Rule 14A.11(4)(c) of the Listing Rules, and is therefore an associate of a connected person of the Company. Accordingly, WLL, together with the WLL Group, are connected persons of the Company and the services fees payable by Chongqing Tiandi Development to the WLL Group under the project services framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

An amount of RMB1.4 million was paid and/or is payable by Chongqing Tiandi Development to WLL Group for the services fees for the year ended December 31, 2009.

Continuing connected transactions with respect to the projects of Shanghai Rui Hong Xin Cheng Co., Ltd. ("RHXC")

On October 27, 2009, the Issuer, WLL and RHXC entered into a project services framework agreement pursuant to which RHXC may enter into separate service contracts with the Group and/or WLL Group to perform services with respect to the property development projects of RHXC, from time to time in accordance with the terms of the framework agreement for the three years ending December 31, 2011.

The ultimate controlling shareholder of WLL is an associate of Mr. Lo pursuant to Rule 14A.11(4)(c) of the Listing Rules, and is therefore an associate of a connected person of the Company. Accordingly, WLL, together with the WLL Group, are connected persons of the Company and the services fees payable by RHXC to WLL Group under the project services framework agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Connected transactions with Winnington with respect to Rightchina Limited ("Rightchina")

(i) Receipt of Guarantee Fees from Winnington or its Affiliates

In accordance with the shareholders agreement dated September 23, 2008, the Group may provide guarantees for the purpose of financing the development costs (the "**Development Costs**") which include, without limitation, the construction costs, interest expenses, sales and marketing costs and the relocation and land costs. The requirement of the Development Costs may be realized in the form of bank loans. In the event where the Group agrees to provide Winnington's or its affiliate's proportionate share of a guarantee, Winnington or its affiliate shall give loan guarantee fees to the Group for its input.

Given that Winnington is a connected person of the Company, the receipt of any loan guarantee fees from Winnington or its affiliate would constitute continuing connected transactions of the Company.

The Group has not received any loan guarantee fee from Winnington or its affiliate for the year ended December 31, 2009.

(ii) Provision of Shareholders' Loan

In accordance with the shareholders agreement dated September 23, 2008, additional shareholders' loans may be required to be provided by Score High Limited and/or Winnington or its affiliate for the Super High Rise project to finance the Development Costs. Where the external banking facilities are unavailable to fund the Development Costs due to any reason, Score High Limited and Winnington, the shareholders of Rightchina shall provide shareholders' loans to fund the shortfall amount in accordance with their shareholding proportion to facilitate the development of the Super High Rise project.

Given that Winnington is a connected person of the Company, the provision of shareholders' loans by Winnington or its affiliate would constitute continuing connected transactions of the Company. No additional shareholders' loan was provided for the year ended December 31, 2009.

Acquisition of the remaining 30% interest in Globe State in relation to Lot 117, Taipingqiao

On July 29, 2009, the Group entered into a sale and purchase agreement with Equity Millennium Limited and Shun Hing China Investment Limited, the then non-controlling shareholders of Globe State, an indirect 70% owned subsidiary of the Company), to acquire their entire interests in Globe State, being 20% and 10% equity interests in the issued share capital of Globe State, respectively, together with an amount due by Globe State to the non-controlling shareholders of RMB56 million, for a total cash consideration of RMB100 million.

Each of Equity Millennium Limited and Shun Hing China Investment Limited was a connected person of the Company by virtue of its being a substantial shareholder of Globe State, a subsidiary of the Company for the purpose of the Listing Rules. Accordingly, the acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Receipt of guarantee fee from Elegant Partners Limited ("EPL")

On January 15, 2010, a consortium of banks (the "**Lenders**") agreed to renew and increase the amount of the loan facilities to RHXC and Hollyfield Holdings Limited (collectively, the "**Borrowers**", the subsidiaries of the Company) from approximately RMB1,180 million to the equivalent of approximately RMB1,651 million (the "**Renewed Loan Facilities**"), and the Company agreed to renew and amend the terms of the guarantee executed on June 20, 2006 to become the sole guarantor for securing the Borrowers' payment obligations due under the Renewed Loan Facilities.

In consideration of the Company agreeing to provide the renewed guarantee to the Lenders, on June 1, 2010, EPL agreed to pay a guarantee fee (the "**Guarantee Fee**") to the Company in accordance with the terms as stipulated in an agreement dated June 1, 2010 between EPL, the Issuer and the Company. The Guarantee Fee is assessed with reference to (a) the fair value rate determined by an independent valuer by reference to the difference in interest rates of the Renewed Loan Facilities that would have been applicable if the Company did not give the renewed guarantee; (b) the Renewed Loan Facilities; and (c) EPL's current 25% shareholding in Foresight Profits Limited, a non-wholly subsidiary of the Company.

Provision of services by Shanghai SOD to Shanghai Li Xing Hotel Company Limited ("Li Xing")

On January 1, 2007, Shanghai SOD and Li Xing entered into the services agreement in relation to the provision of the services by Shanghai SOD to Li Xing, including but not limited to, construction management and construction site office administration for the property development projects at Lots 107 and 108 owned by Li Xing.

On December 24, 2009, SOI acquired 100% equity interest of Li Xing. SOI is an associate of Mr. Lo, a director of the Company, and therefore, SOI and its subsidiary, Li Xing, became connected persons of the Company. Accordingly, the provision of services by Shanghai SOD to Li Xing constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. On January 18, 2010, Shanghai SOD and Li Xing entered into the supplemental agreement to restrict the term of the original agreement dated January 1, 2007 to not more than 3 years.

ISSUER

General

The Issuer was incorporated in the Cayman Islands on July 27, 2005 as an exempted company with limited liability, with a registration number of WK-152519. Its principal place of business in the PRC is at 26/F, Shui On Plaza, 333 Huai Hai Zhong Road, Shanghai, 200021, PRC. Its principal place of business in Hong Kong is at 34/F, Shui On Centre 6-8 Harbour Road, Wan Chai, Hong Kong. Its registered office is located at Walker House, 87 Mary Street, George Town, Grand Cayman KY 1-9005, Cayman Islands.

Management

The Issuer is managed by its board of directors. The current directors of the Issuer are as follows:

Name	Business Address
Mr. Vincent H. S. LO	34/F, Shui On Centre, 6-8 Harbour Road, Hong Kong
Mr. Louis H. W. WONG	26/F, Shui On Plaza, 333 Huai Hai Zhong Road, Shanghai, the PRC
Mr. Daniel Y. K. WAN	26/F, Shui On Plaza, 333 Huai Hai Zhong Road, Shanghai, the PRC
Mr. Freddy C. K. LEE	26/F, Shui On Plaza, 333 Huai Hai Zhong Road, Shanghai, the PRC
Mr. K. W. TANG	26/F, Shui On Plaza, 333 Huai Hai Zhong Road, Shanghai, the PRC

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

Indebtedness

We undertake our project developments through project subsidiary companies. The operations of our project companies are financed through a combination of capital contributions, project construction loans and mortgage loans. We finance our property developments, most of which are large-scale projects, with property-specific construction loans because of the time associated with the development of these projects. These project construction loans are generally secured by mortgages over the land use rights and construction of the project companies, our equity interests in the project companies, insurance over their assets and properties, the proceeds of the rental and sale of our completed properties and bank accounts. Upon completion of investment property projects, we generally seek to refinance such project construction loans with mortgage loans having a normal term of five to ten years.

We issue guarantees to banks with respect to some project construction loans during the project development and mortgage loans after project completion of our subsidiary project companies.

As of June 30, 2010, our total bank indebtedness was RMB12,723 million (US$1,876 million) comprising bank borrowings of RMB12,473 million and derivative financial instruments designed as hedging instruments amounts of RMB250 million. As of June 30, 2010, there were RMB2,183 million (US$322 million) of loans from and amounts due to minority investors.

Indebtedness of the Issuer's Subsidiaries

The following table sets out a summary of the outstanding bank borrowings of the Issuer and its subsidiaries as of June 30, 2010:

Borrower	Property	Principal amount outstanding	Principal amount unutilized and available	Maturity date	Guarantor	Location
		(RMB in millions)	*(RMB in millions)*			
Shanghai Xin-Tian-Di Plaza Co., Ltd Shanghai Xing-Qi Properties Co., Ltd. Shanghai Ji-Xing Properties Co., Ltd. Shanghai Bai-Xing Properties Co., Ltd.	Shanghai Xintiandi	411	—	March 26, 2013	The Issuer	Onshore
Marble Way Limited	Shanghai Xintiandi	1,771	—	March 26, 2013	The Issuer	Offshore
Shanghai Xing Bang Properties Co., Ltd.	Phase 1 of Corporate Avenue	386	—	December 20, 2012	The Issuer	Onshore
Brixworth International Limited	Phase 1 of Corporate Avenue	1,389	—	December 20, 2012	The Issuer	Offshore
Shanghai Fu-Xiang Properties Co., Ltd	FuXiang Lot 113 — Shanghai Taipingqiao	315	185	May 6, 2012	The Issuer	Onshore
East Trend Limited	FuXiang Lot 113 — Shanghai Taipingqiao	262	—	February 12, 2012	The Parent Guarantor	Offshore
Shanghai Xing-Qiao Properties Co., Ltd	Lot 126 — Shanghai Taipingqiao	—	1,130	May 25, 2015		Onshore
Shanghai Rui Hong Xin Cheng Co., Ltd.	Shanghai Rui Hong Xin Cheng	537	—	June 20, 2012	The Parent Guarantor	Onshore
Shanghai Rui Hong Xin Cheng Co., Ltd.	Shanghai Rui Hong Xin Cheng	287	275	January 15, 2013	The Parent Guarantor	Onshore

Borrower	Property	Principal amount outstanding	Principal amount unutilized and available	Maturity date	Guarantor	Location
		(RMB in millions)	*(RMB in millions)*			
Hollyfield Holdings Limited	Shanghai Rui Hong Xin Cheng	543	—	January 15, 2014	The Parent Guarantor	Offshore
Shanghai Rui Cheng Properties Co., Ltd	Shanghai Rui Hong Xin Cheng	13	—	March 31, 2011		Onshore
Shanghai Yangpu Centre Development Co., Ltd.	Shanghai KIC	435	325	December 26, 2017		Onshore
Shanghai Yangpu Centre Development Co., Ltd.	Shanghai KIC	92	428	June 16, 2015		Onshore
Shanghai Yangpu Centre Development Co., Ltd.	Shanghai KIC	500	—	March 26, 2014		Onshore
Wuhan Shui On Tiandi Property Development Co., Ltd	Wuhan Tiandi	—	350	June 8, 2020		Onshore
Wuhan Shui On Tiandi Property Development Co., Ltd	Wuhan Tiandi	300	—	June 4 & 11, 2019		Onshore
Wuhan Shui On Tiandi Property Development Co., Ltd	Wuhan Tiandi	130	50	February 10, 2012		Onshore
Wuhan Shui On Tiandi Property Development Co., Ltd	Wuhan Tiandi	320	80	June 16, 2012		Onshore
Chongqing Shui On Tiandi Property Development Co., Ltd.	Chongqing Tiandi	255	45	December 24, 2010 & May 27, 2011	The Issuer & the Parent Guarantor	Onshore
Chongqing Shui On Tiandi Property Development Co., Ltd.	Chongqing Tiandi	185	—	March 12, 2011		Onshore
Chongqing Shui On Tiandi Property Development Co., Ltd.	Chongqing Tiandi	200	—	March 25, 2012		Onshore
Chongqing Shui On Tiandi Property Development Co., Ltd.	Chongqing Tiandi	238	14	January 2, 2011		Onshore
Chongqing Shui On Tiandi Property Development Co., Ltd.	Chongqing Tiandi	81	4	June 17, 2011		Onshore
Chongqing Shui On Tiandi Property Development Co., Ltd.	Chongqing Tiandi	440	—	June 23, 2012		Onshore
Chongqing Shui On Tiandi Property Development Co., Ltd.	Chongqing Tiandi	275	275	March 5, 2013		Onshore
Foshan An Ying Property Development Co., Ltd	Foshan Lingnan Tiandi	235	131	August 27, 2014		Onshore
Foshan Shui On Property Development Co., Ltd	Foshan Lingnan Tiandi	—	260	August 27, 2019		Onshore
Foshan Yi Kang Property Development Co., Ltd	Foshan Lingnan Tiandi	210	440	January 3, 2018		Onshore
King Concord Ltd	Shanghai Hongqiao	49	422	June 9, 2011	The Parent Guarantor	Offshore
	Total Bank Borrowings of the Issuer's Subsidiaries	**9,859**	**4,414**			

INDEBTEDNESS OF THE ISSUER AND THE PARENT GUARANTOR

Bank Borrowings

The following table sets out a summary of the outstanding bank borrowings of the Issuer and the Parent Guarantor as of June 30, 2010:

Borrower	Principal amount outstanding	Principal amount unutilized and available	Maturity date	Guarantor	Location
	(RMB in millions)	*(RMB in millions)*			
Shui On Development (Holding) Limited	433	—	March 31, 2012	The Parent Guarantor	Offshore
	260	—	February 4, 2011	The Parent Guarantor	Offshore
	70	104	September 30, 2010	The Parent Guarantor	Offshore
	854	—	December 16, 2012	The Parent Guarantor	Offshore
	349	—	March 24, 2013	The Parent Guarantor	Offshore
	432	—	March 25, 2013	The Parent Guarantor	Offshore
	216	—	May 17, 2013	The Parent Guarantor	Offshore
Total Bank Borrowings of the Issuer and the Parent Guarantor	**2,614**	**104**			

Convertible Bonds due 2015

On September 29, 2010, the Company had successfully completed issuance of unsecured RMB denominated US$ settled 4.5% Convertible Bonds due 2015 in an aggregate principal amount of RMB2,720 million (equivalent to approximately US$400 million).

So long as any such Convertible Bond remains outstanding, the Company will not, and will ensure that none of its Subsidiaries will, create or having outstanding, any encumbrance, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any indebtedness.

The Company will at the option of the holder of any such Convertible Bond redeem all or some only of such holder's Convertible Bonds on September 29, 2013 (the "**Put Option Date**") together with interest accrued to the date fixed for redemption.

The Convertible Bonds can be converted at the adjusted conversion price of HK$4.78 (Initially at HK$4.87) on and after November 9, 2010 if such Convertible Bonds shall have been called for redemption by the Company before the maturity date.

6.875% Senior Notes due 2013

On December 23, 2010, the Company successfully completed issuance of unsecured RMB denominated US$ settled 6.875% Senior Notes due 2013 in an aggregate principal amount of RMB3,000 million (equivalent to approximately US$451 million).

At any time prior to the maturity date of the Senior Notes, such Senior Notes may be redeemed at 100% of the principal amount of such Senior Notes plus an applicable premium.

The Senior Notes may be redeemed upon the occurrence of a change in control and changes in tax laws under substantially the same conditions as those for the Notes proposed to be offered. See "*Description of the Notes.*"

The 6.875% Senior Notes are governed by substantially the same set of covenants as those for the Notes proposed to be offered, including the restriction on guarantees on restricted subsidiaries of other indebtedness.

Off-Balance Sheet Arrangements

As of June 30, 2010, we have issued a guarantee amounting to RMB265 million (US$39 million) to banks with respect to banking facilities granted to an associate, one of the Dalian Entities, in which the associate has drawn down bank loans amounting to RMB250 million (US$37 million).

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," (1) the term "Issuer" refers only to Shui On Development (Holding) Limited, and any successor obligor on the Notes, and not to any of its subsidiaries and (2) the term "Parent Guarantor" refers only to Shui On Land Limited, which guarantees the Notes (such guarantee is referred to as the "Parent Guarantee") and any successor obligor on such guarantee, and not to any of its subsidiaries.

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of January 26, 2011, among the Issuer, the Parent Guarantor, as guarantor, and DB Trustees (Hong Kong) Limited, as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes and the Parent Guarantee. 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 Parent Guarantee. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date at the corporate trust office of the Trustee at DB Trustees (Hong Kong) Limited, Level 52 International Commerce Center, 1 Austin Road West, Kowloon, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Issuer;
- senior in right of payment to any existing and future obligations of the Issuer 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 Issuer (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Parent Guarantor on a senior basis, subject to the limitations described below under the caption "— The Parent Guarantee" and in "Risk Factors — Risks Relating to the Notes";
- effectively subordinated to the secured obligations (if any) of the Issuer and the Parent Guarantor, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Subsidiaries (as defined below) of the Issuer.

The Notes will mature on January 26, 2015, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 7.625% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears in its US Dollar Settlement Amount on January 26 and July 26 of each year (each, an "Interest Payment Date"), commencing July 26, 2011. Interest on the Notes will be paid to Holders of record at the close of business on January 11 or July 11 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of RMB1,000,000 of principal amount and integral multiples of RMB100,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer 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 Issuer at the office or agency of the Issuer maintained for that purpose (which initially will be the corporate trust administration office of the principal paying agent of the Notes, currently located at Level 52 International Commerce Center, 1 Austin Road West, Kowloon, Hong Kong) and the Notes may be surrendered for registration of transfer or exchange at such office or agency; *provided, however,* that, at the option of the Issuer, payment of interest may instead be made by check mailed to the address of the Holders as such address appears in the Note register maintained by the Note Registrar. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Parent Guarantee

The Parent Guarantor is a holding company that does not have significant operations other than its ownership of Capital Stock of the Issuer.

As of June 30, 2010, the Parent Guarantor and its consolidated subsidiaries had total consolidated bank borrowings of approximately RMB12,473 million (US$1,839 million), of which approximately RMB9,549 million (US$1,408 million) was secured, capital commitments of approximately RMB14,485 million (US$2,136 million) and contingent liabilities of approximately RMB250 million (US$37 million).

As of June 30, 2010, the Subsidiaries of the Issuer had total bank borrowings of approximately RMB9,859 million (US$1,454 million), capital commitments of approximately RMB14,485 million (US$2,136 million) and contingent liabilities of approximately RMB250 million (US$37 million).

The Parent Guarantee:

- is a general obligation of the Parent Guarantor;
- is effectively subordinated to secured obligations of the Parent 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 the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee; and

- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of the Parent Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, the Parent Guarantor (and, if required by the terms of the Notes and the Indenture, any Restricted Subsidiary (if any) Guaranteeing the Notes after the Original Issue Date) 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 in the applicable US Dollar Settlement Amount. The Parent Guarantor (and, if required by the terms of the Notes and the Indenture, any Restricted Subsidiary (if any) Guaranteeing the Notes after the Original Issue Date) will (1) agree that its obligations under such Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under such Guarantee. 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 Parent Guarantee (or any Guarantee of the Notes by a Restricted Subsidiary (if any)) will be reinstated with respect to such payment as though such payment had not been made. All payments under the Parent Guarantee (or any Guarantee of the Notes by a Restricted Subsidiary (if any)) are required to be made in U.S. dollars, as determined under "—Payments".

See "Risk Factors — Risks Relating to the Notes."

Release of the Parent Guarantee

The Parent Guarantee may be released in certain circumstances, including:

- upon repayment in full of the Notes; and

- upon a defeasance as described under "— Defeasance — Defeasance and Discharge."

No release of the Parent Guarantor from its Parent Guarantee shall be effective against the Trustee or the Holders until the Issuer has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

Payments

All payments due under, and all claims arising out of or pursuant to, the Notes, the Parent Guarantee and/or the Indenture from or against the Issuer and the Parent Guarantor shall be payable and settled in U.S. dollars only, in the applicable US Dollar Settlement Amount.

"US Dollar Settlement Amount" means, in respect of a Renminbi-denominated amount that, but for this section "—Payments", would be due under the Notes (including the Parent Guarantee) or the Indenture in Renminbi, the Renminbi amount converted into U.S. dollars using the Spot Rate for the applicable Rate Calculation Date.

For the above purposes:

"Forex Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Beijing, in Hong Kong and in New York City.

"Independent Investment Bank" means an independent investment bank of international repute (acting as an expert) selected by the Issuer before the occurrence of an Event of Default that is continuing or by the Trustee after the occurrence of an Event of Default that is continuing.

"Rate Calculation Date" means the day which is two Forex Business Days before the due date of the relevant amount pursuant to the provisions of the Notes, the Parent Guarantee or the Indenture.

"Reference Dealers" means four leading dealers engaged in the foreign exchange market of Renminbi selected by the Issuer.

"Spot Rate", for each Rate Calculation Date in respect of the US Dollar Settlement Amount of a Renminbi-denominated amount, means a rate determined by the Issuer in good faith as follows (a) the RMB/US dollar official fixing rate, expressed as the amount of Renminbi per one U.S. dollar, reported by the People's Bank of China which appears on the Reuters Screen "SAEC" Page opposite the symbol "USDCNY" page at or about 9:15 a.m. (Beijing time) on the Rate Calculation Date, (b) if no such rate is available under sub-paragraph (a), the spot rate determined by the Issuer in good faith on the basis of quotations provided by the Reference Dealers of the specified exchange rate for the Rate Calculation Date as obtained in accordance with the provisions in the immediately following paragraph, and (c) if fewer than two quotations are provided under sub-paragraph (b), the exchange rate for the Rate Calculation Date as shall be determined by an Independent Investment Bank in good faith.

In determining the spot rate under sub-paragraph (b), the Issuer will request the Beijing office of each of the Reference Dealers to provide a quotation of what the specified screen rate would have been had it been published, reported or available for the Rate Calculation Date, based upon each Reference Dealer's experience in the foreign exchange market for Renminbi and general activity in such market on the Rate Calculation Date. The quotations used to determine the Spot Rate for a Rate Calculation Date will be determined in each case for such Rate Calculation Date, and will be requested at 9:15 a.m. (Beijing time) on such Rate Calculation Date or as soon as practicable after it is determined that the specified screen rate was not available.

If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates, without regard to the rates having the highest and lowest value. For this purpose, if more than one quotation has the same highest value or lowest value, then the rate of only one of such quotations shall be disregarded. If two or three quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates provided.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this section "—Payment", whether by the Reference Dealers (or any of them), the Issuer or the Independent Investment Bank, will (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Agents and all Holders.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer 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 Parent Guarantee) in all respects (or in all respects except for the issue date, issue price and the date and/or amount of 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 first paragraph of the "Limitation on Indebtedness and Preferred Stock" covenant described below.

Optional Redemption

At any time prior to the maturity date of the Notes, the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to the US Dollar Settlement Amount of 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

Selection and Notice

The Issuer will give not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or

(2) if the Notes are not listed on any national securities exchange, on a *pro rata* basis or by such method as the Trustee deems fair and appropriate.

A Note of RMB1,000,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control

Not later than 30 days following a Change of Control, the Issuer will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to the US Dollar Settlement Amount of 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Issuer 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 Issuer, it is important to note that if the Issuer 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 Issuer's failure 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 may also constitute a default or event of default under certain current and future debt instruments of the Parent Guarantor, the Issuer and the Issuer's Subsidiaries. Such debt instruments may also (1) prohibit the Issuer from purchasing Notes in the event of a Change of Control; (2) provide that a Change of Control is a default; or (3) require repurchase of the relevant debt upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under other

Indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer. The Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer'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 the Notes upon a Change of Control."

The phrase "all or substantially all", as used with respect to the assets of the Issuer in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Issuer has occurred.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The Trustee shall not be required to take any steps to ascertain whether a Change of Control has occurred or may occur, and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for repurchase and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee and the Paying Agent shall not be under any duty to determine, calculate or verify the repurchase amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes. However, under certain circumstances (including as described under "Repurchase of Notes Upon a Change of Control") the Issuer may be required to repurchase Notes. The Issuer may also at any time and from time to time purchase Notes in the open market or otherwise.

Additional Amounts

All payments of principal of, premium (if any) and interest on the Notes and all payments under the Parent Guarantee 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 Issuer, the Parent Guarantor or a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "Relevant Taxing Jurisdiction"), or the jurisdiction through which payments are made (each, as applicable and with each Relevant Taxing Jurisdiction, 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 Issuer, the Parent Guarantor or a Surviving Person, 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 as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

    (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note, and the Relevant Jurisdiction, other than merely holding such Note or the receipt of payments thereunder or under the Parent Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, the Parent Guarantor or a Surviving Person addressed to the Holder 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 is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any withholding or deduction that is imposed or levied on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directives; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under the Parent Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Issuer or a Surviving Person with respect to the Issuer, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice

to the Holders (plus notice, reasonably in advance of such notice to the Holders, to the Trustee and the Paying Agent), which notice shall be irrevocable, at a redemption price equal to the US Dollar Settlement Amount of 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Issuer 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 Taxing 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 (i) except as provided in (ii) below, on or after the Original Issue Date, or (ii) with respect to any Surviving Person (other than a Surviving Person tax resident in the jurisdiction of tax residence of the Issuer or the Parent Guarantor), on or after the date such Surviving Person becomes a Surviving Person, with respect to any payment due or to become due under the Notes (including the Parent Guarantee) or the Indenture, the Issuer, the Parent Guarantor or a 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 Issuer, the Parent Guarantor or a 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 Issuer, the Parent Guarantor or a 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.

Notwithstanding anything to the contrary herein, the Issuer or a Surviving Person may not redeem the Notes in the case that Additional Amounts are payable in respect of PRC withholding tax at a rate of 10% or less solely as a result of the Issuer, the Parent Guarantor or a Surviving Person being considered a PRC tax resident under the EIT Law if payments of dividends or interest from the Issuer's, or Surviving Persons's (with respect to the Issuer), PRC subsidiaries to the Issuer, or Surviving Person, with respect to the Issuer, are then exempt from PRC withholding tax.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, the Parent 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 a redemption date:

(1) an Officers' Certificate stating that a 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 Issuer, the Parent Guarantor or such Surviving Person, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from a 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

(1) Each of the Parent Guarantor and the Issuer will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), *provided that* each of the Parent Guarantor and the Issuer 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 or Permitted Subsidiary 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.

(2) Notwithstanding the foregoing, each of the Parent Guarantor and the Issuer and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes) and the Parent Guarantee;

(b) Indebtedness of the Parent Guarantor, the Issuer or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (c); *provided* that such Indebtedness of Restricted Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;

(c) Indebtedness of the Parent Guarantor, the Issuer or any Restricted Subsidiary owed to the Parent Guarantor, the Issuer or any Restricted Subsidiary; *provided* that (i) 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 Parent Guarantor, the Issuer or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (c) and (ii) with respect to any Indebtedness incurred after the Original Issue Date, if the Parent Guarantor or the Issuer is the obligor on such Indebtedness (and the Issuer or Parent Guarantor is not the obligee), such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes;

(d) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness repaid substantially concurrently with but in any case before the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (f), (m) or (n) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or the Parent Guarantee shall only be permitted under this clause (d) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or the Parent Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or the Parent Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or the

Parent 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 the Parent Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or the Parent Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded, and (iii) in no event may Indebtedness of the Issuer or the Parent Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary;

(e) Indebtedness Incurred by the Parent Guarantor, the Issuer or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Parent Guarantor, the Issuer or any Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(f) Indebtedness Incurred by the Parent Guarantor, the Issuer or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Issuer or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Issuer or a Restricted Subsidiary in the Permitted Business, or (z) the Wuhan Tiandi Project; *provided* that (i) in the case of each of clauses (x) and (y) of this clause (f), (A) the net proceeds of such Indebtedness shall not exceed such purchase price or cost and (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 (ii) in the case of each of clauses (x), (y) and (z) of this clause (f), on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (aa) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (f) (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (f) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) plus (bb) the sum of the aggregate amount outstanding of all Indebtedness permitted under clause (n) below (together with refinancings thereof, but excluding any Guarantee Incurred under such clause (n) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 30% of Total Assets;

(g) Indebtedness Incurred by the Parent Guarantor, the Issuer 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);

(h) Indebtedness Incurred by the Parent Guarantor, the Issuer 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 Issuer or such Restricted Subsidiary of a demand for reimbursement;

(i) 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 Parent Guarantor, the Issuer or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;

(j) 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;

(k) Guarantees by the Parent Guarantor, the Issuer or any Restricted Subsidiary of Indebtedness of the Parent Guarantor, the Issuer or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant; *provided* that, in the case of a Guarantee by a Restricted Subsidiary of Indebtedness of the Parent Guarantor or the Issuer, such Guarantee shall comply with the "— Limitations on Issuances of Guarantees by Restricted Subsidiaries" covenant;

(l) Indebtedness of the Parent Guarantor, the Issuer or any Restricted Subsidiary with a maturity of one year or less used by the Parent Guarantor, the Issuer or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (l) at any time outstanding does not exceed US$25.0 million (or the Dollar Equivalent thereof);

(m) Indebtedness of the Parent Guarantor, the Issuer or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$75.0 million (or the Dollar Equivalent thereof);

(n) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties or by the assets or the Capital Stock of a Restricted Subsidiary directly or indirectly owning such Investment Properties; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, (i) the aggregate principal amount outstanding of all such Indebtedness permitted under this clause (n) (together with refinancings thereof, but excluding any Guarantee thereof to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal amount) does not exceed 75% of the total Fair Market Value of such Investment Properties and (ii) the sum of (x) the aggregate amount outstanding of all Indebtedness permitted under this clause (n) (together with refinancings thereof, but excluding any Guarantee Incurred under this clause (n) to the extent the amount of such Guarantee is otherwise reflected in such aggregate principal

amount) plus (y) the aggregate amount outstanding of all Indebtedness permitted under clause (f) above (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under such clause (f) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 30% of Total Assets;

(o) Pre-Registration Mortgage Guarantees by the Parent Guarantor, the Issuer or any Restricted Subsidiary; and

(p) Guarantees by the Parent Guarantor or the Issuer of Indebtedness or other obligations related to the Dalian Tiandi Project in an aggregate amount not to exceed RMB1.0 billion.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of part (1), the Issuer, in its sole discretion, shall classify or reclassify, or later divide, classify or reclassify, such item of Indebtedness (or any portion thereof) in any manner that complies with this covenant.

(4) For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

Each of the Parent Guarantor and the Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Parent Guarantor's, the Issuer's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable or paid in shares of the Parent Guarantor, the Issuer's or 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 Parent Guarantor, the Issuer or any of the Issuer's Wholly Owned Restricted Subsidiaries;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Parent Guarantor, the Issuer or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Issuer held by any Persons other than the Parent Guarantor, the Issuer or any of the Issuer's Wholly Owned Restricted Subsidiaries;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or the Parent Guarantee (excluding any intercompany Indebtedness between or among the Parent Guarantor, the Issuer and any of the Issuer's Wholly Owned Restricted Subsidiaries); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Issuer could not Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock;" or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Parent Guarantor, the Issuer and any Restricted Subsidiary after the Measurement Date, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Parent Guarantor (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 period during which the 2013 Notes were originally issued and ending on the last day of the Parent Guarantor's most recently ended semi-annual period for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Parent Guarantor 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 Parent Guarantor, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Parent Guarantor or the Issuer into Capital Stock (other than Disqualified Stock) of the Parent Guarantor, or (B) the exercise by a Person who is not a Subsidiary of the Parent Guarantor of any options, warrants or other rights to acquire Capital Stock of the Parent Guarantor (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Parent Guarantor or the Issuer; plus

(iii) the amount by which Indebtedness of the Parent Guarantor, the Issuer or any Restricted Subsidiary is reduced on the Parent Guarantor's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Parent Guarantor)

subsequent to the Measurement Date of any Indebtedness of the Parent Guarantor, the Issuer or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Parent Guarantor (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Parent Guarantor 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 (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Parent Guarantor, the Issuer 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), (B) the unconditional release of a Guarantee provided by the Parent Guarantor, the Issuer or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date 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) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Parent Guarantor, the Issuer 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 Parent Guarantor or the Issuer 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 Parent Guarantor or the Issuer (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 a sale (other than to a Subsidiary of the Parent Guarantor) of, shares of the Capital Stock (other than Disqualified Stock) of the Parent Guarantor or the Issuer (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, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor or the Issuer 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 Parent Guarantor) of, shares of Capital Stock (other than Disqualified Stock) of the Parent Guarantor or the Issuer (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, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) the payment of any dividends or distributions declared, paid or made by the Issuer or a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Parent Guarantor, to all holders of any class of Capital Stock of the Issuer or such Restricted Subsidiary, as the case may be, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Parent Guarantor; or

(6) the purchase by the Parent Guarantor, the Issuer or a Restricted Subsidiary of Capital Stock in any other Restricted Subsidiary pursuant to an agreement entered into by the Parent Guarantor, the Issuer or such Restricted Subsidiary with a third party that is not a Person described in clause (x) or (y) of the first paragraph of the covenant under the caption "—Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such Person being an officer, director or shareholder of a Restricted Subsidiary); *provided* that the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock (determined by multiplying the Fair Market Value of such Restricted Subsidiary by the percentage that such Capital Stock represents in the total Capital Stock of such Restricted Subsidiary).

provided that, in the case of clause (2), (3), (4) or (6) of the preceding paragraph, 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 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.

Clause (4)(b) of the first paragraph of this "— Limitation on Restricted Payments" covenant does not have to be satisfied with respect to any Restricted Payment consisting solely of (i) the declaration or payment of dividends on the Common Stock of the Parent Guarantor or (ii) the redemption, repurchase or other acquisition of shares of Common Stock of the Parent Guarantor as permitted under any general mandate approved by shareholders of the Parent Guarantor at the relevant annual general meeting, in an aggregate amount not to exceed, with respect to any Two Semi-Annual Period, together with any other such dividend declared or paid or redemption, repurchase or other acquisition of shares of Common Stock with respect to the same Two Semi-Annual Period, 20.0% of Consolidated Net Income of the Parent Guarantor for such Two Semi-Annual Period.

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 Parent Guarantor, the Issuer 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$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof), the Parent Guarantor 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

(1) Except as provided below, each of the Parent Guarantor and the Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Parent Guarantor, the Issuer or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Parent Guarantor, the Issuer or any other Restricted Subsidiary;

(c) make loans or advances to the Parent Guarantor, the Issuer or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Parent Guarantor, the Issuer or any other Restricted Subsidiary.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Parent Guarantee, the Indenture, any extensions, refinancings, renewals or replacements of any of the foregoing agreements and any subsequent refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) existing under or by reason of applicable law, rule, regulation or order;

(c) existing with respect to any Person or the property or assets of such Person acquired by the Parent Guarantor, the Issuer or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Parent Guarantor, the Issuer or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Parent Guarantor, the Issuer or any Restricted Subsidiary in any manner material to the Parent Guarantor, the Issuer or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Limitation on Indebtedness and Preferred Stock" and "— Limitation on Asset Sales" covenants; or

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clause (2)(f) or (n) or permitted under clause (2)(l) or 2(m) of the "Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer to make required payment on the Notes and, with respect to Indebtedness of the type described in clause 2(f) or (n) or permitted under clause 2(m), any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

Each of the Parent Guarantor and the Issuer 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 Parent Guarantor, the Issuer or any of the Issuer's Wholly Owned Restricted Subsidiaries;

(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 Parent Guarantor, the Issuer or any of the Issuer's Wholly Owned Restricted Subsidiaries;

(3) for the sale of shares of all the Capital Stock of a Restricted Subsidiary if permitted under, and made in accordance with, the "— Limitation on Asset Sales" covenant;

(4) for the issuance or sale of shares of Capital Stock of Restricted Subsidiaries primarily engaged in the Wuhan Tiandi Project; *provided* that the Parent Guarantor, the Issuer or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant; or

(5) for 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 Parent Guarantor, the Issuer or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

Each of the Parent Guarantor and the Issuer will not permit any Restricted Subsidiary, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Parent Guarantor or the Issuer, unless (1) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated 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 Parent Guarantor, the Issuer or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Guarantee of the Notes until the Notes have been paid in full.

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or the Parent Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Notes or the Parent Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes or the Parent Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to Guarantee of the Notes, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Parent Guarantee.

Limitation on Transactions with Shareholders and Affiliates

Each of the Parent Guarantor and the Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Parent Guarantor or (y) any Affiliate of the Parent Guarantor or the Issuer (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Parent Guarantor or the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Parent Guarantor, the Issuer or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Parent Guarantor or the Issuer; and

(2) the Parent Guarantor delivers to the Trustee:

    (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

    (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$15.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Parent Guarantor, the Issuer or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees to directors of the Parent Guarantor or the Issuer who are not employees of the Parent Guarantor or the Issuer;

(2) transactions between or among the Parent Guarantor, the Issuer and any of the Issuer's Wholly Owned Restricted Subsidiaries or between or among such Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clause (1) or (2) of the first paragraph of the covenant described above under the caption "— Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Parent Guarantor;

(5) the payment of compensation to employees, officers, directors and other designated persons 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; and

(6) the payment of compensation (including cash bonuses) to executive directors of the Parent Guarantor or the Issuer in their capacity as employees of the Parent Guarantor or the Issuer.

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 Parent Guarantor, the Issuer and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among any of the Parent Guarantor, the Issuer or any of the Issuer's Wholly Owned Restricted Subsidiaries and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary of the Issuer or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries of the Issuer; *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 is a Person described in clauses (x) or (y) of the first paragraph of this covenant.

Limitation on Liens

Each of the Parent Guarantor and the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are equally and ratably secured by such Lien.

Limitation on Sale and Leaseback Transactions

Each of the Parent Guarantor and the Issuer will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that each of the Parent Guarantor and the Issuer may enter into a Sale and Leaseback Transaction if:

(1) the Parent Guarantor or the Issuer, as the case may be, could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the first paragraph of the covenant described above under "— Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "— Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) 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

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Parent Guarantor or the Issuer, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described below under the caption "— Limitation on Asset Sales."

Limitation on Asset Sales

Each of the Parent Guarantor and the Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Parent Guarantor, the Issuer 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; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Parent Guarantor, the Issuer or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$20.0 million (or the Dollar Equivalent thereof), the Parent Guarantor shall deliver to the Trustee an opinion as to the fairness to the Parent Guarantor, the Issuer or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of international standing. For purposes of this provision, each of the following will be deemed to be cash:

   (a) any liabilities, as shown on the Parent Guarantor's most recent consolidated balance sheet, of the Parent Guarantor, the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, or the Parent Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Parent Guarantor, the Issuer or such Restricted Subsidiary from further liability; and

   (b) any securities, notes or other obligations received by the Parent Guarantor, the Issuer or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Parent Guarantor, the Issuer 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 Parent Guarantor, the Issuer or the applicable Restricted Subsidiary, as the case may be, may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Parent Guarantor or the Issuer or any Indebtedness of a Restricted Subsidiary (and, if such Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Parent Guarantor, the Issuer or a Restricted Subsidiary;

(2) pay land, relocation, construction and other development costs relating to the construction of projects of any Restricted Subsidiary;

(3) acquire Replacement Assets (which acquisition may be effected through the Parent Guarantor, the Issuer or any Restricted Subsidiary); or

(4) in the case of any Net Cash Proceeds from a sale of shares of Capital Stock of a Person that is not a direct or indirect Subsidiary of the Parent Guarantor, make Investments constituting Permitted Investments under clause (16) of the definition thereof.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) through (4) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$20.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US$20.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Issuer must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the Dollar Equivalent of the outstanding principal amount of the Notes and (y) the denominator of which is equal to the Dollar Equivalent of 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 RMB100,000.

The offer price in any Offer to Purchase will be equal to the US Dollar Settlement Amount of 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 Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Parent Guarantor's and the Issuer's Business Activities

Each of the Parent Guarantor and the Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided*, *however*, that the Issuer 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 Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on Restricted Payments."

The Parent Guarantor will at all times own the entire issued and outstanding Capital Stock of the Issuer.

Use of Proceeds

Each of the Parent Guarantor and the Issuer will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption "Use of Proceeds" in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) none of the Parent Guarantor, the Issuer and any Restricted Subsidiary

provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Parent Guarantor, the Issuer or any Restricted Subsidiary; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Parent Guarantor or the Issuer or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Parent Guarantor, the Issuer or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under the caption "— Limitation on Liens;" (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "— Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation 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;" (3) 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;" and (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary). All designations must be evidenced by resolutions of the Board of Directors of the Issuer, delivered to the Trustee certifying compliance with the preceding provisions.

Government Approvals and Licenses; Compliance with Law

Each of the Parent Guarantor and the Issuer will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Parent Guarantor, the Issuer and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Parent Guarantor or the Issuer to perform its obligations under the Notes, the Parent Guarantee or the Indenture.

Anti-Layering

Each of the Parent Guarantor and the Issuer will not Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Parent Guarantor or the Issuer, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the Parent Guarantee, as the case may be, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Parent Guarantor will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Parent Guarantor's Common Stock are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that if at any time the Common Stock of the Parent Guarantor ceases to be listed for trading on a recognized stock exchange, the Parent Guarantor will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Parent Guarantor, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Parent Guarantor, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Parent Guarantor, 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 Parent Guarantor together with a certificate signed by the person then authorized to sign financial statements on behalf of the Parent Guarantor to the effect that such financial statements are true in all material respects and present fairly the financial position of the Parent Guarantor as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Parent Guarantor will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semiannual 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, with a certificate from the Parent Guarantor's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; and (b) as soon as possible and in any event within 30 days after the Parent Guarantor becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Parent Guarantor proposes to take with respect thereto. The Trustee shall not be responsible for the determination of the Fixed Charge Coverage Ratio or the verification thereof in the Officers' Certificate.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," or the failure by the Issuer to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control" or "— Limitation on Asset Sales;"

(4) The Parent Guarantor, the Issuer or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any Indebtedness of the Parent Guarantor, the Issuer or any Restricted Subsidiary having an outstanding principal amount of US$10.0 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, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Parent Guarantor, the Issuer 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$10.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Issuer's or Parent Guarantors' insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Parent Guarantor, the Issuer 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 Parent Guarantor, the Issuer or any Restricted Subsidiary or for any substantial part of the property and assets of the Parent Guarantor, the Issuer 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 Parent Guarantor, the Issuer or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Parent Guarantor, the Issuer or any Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor, the Issuer or any Restricted Subsidiary or for all or substantially all of the property and assets of the Parent Guarantor, the Issuer or any Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors; or

(9) the Parent Guarantor denies or disaffirms its obligations under the Parent Guarantee or, except as permitted by the Indenture, the Parent Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee may, and shall upon the request of Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Parent Guarantor, the Issuer 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 or any other Person.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and to the Trustee may on behalf of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may 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. Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the Holders, unless such Holders have offered to the Trustee indemnity or security satisfactory to the Trustee. 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.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity or security, or a combination of both, 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.

Officers of the Parent Guarantor must certify, 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 Parent Guarantor, the Issuer and the Restricted Subsidiaries and the Parent Guarantor, the Issuer's and the Restricted Subsidiaries performance under the Indenture and that the Parent Guarantor and the Issuer 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. Each of the Parent Guarantor and the Issuer will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports." The Trustee and the Paying Agent need not do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Paying Agent may assume that no such event has occurred and that the Issuer is performing all its obligations under the Indenture and the Notes unless an officer of the Trustee has actual knowledge or the Trustee has received written notice of the occurrence of such event or facts establishing that the Issuer is not performing all of its obligations under the Indenture and the Notes or an Event of Default has occurred. Neither the Trustee nor the Paying Agent shall be required to verify any information in such notice.

Consolidation, Merger and Sale of Assets

Each of the Parent Guarantor and the Issuer will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(1) the Parent Guarantor or the Issuer, as the case may be, shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture (in form and substance reasonably satisfactory to the Trustee), executed and delivered to the Trustee, all the obligations of the Parent Guarantor or the Issuer, as the case may be, under the Indenture, the Notes and the Parent Guarantee, 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 through which it makes payments, and the Indenture, the Notes and the Parent Guarantee, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Issuer 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 Issuer immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis the Issuer or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the first paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock;"

(5) the Parent Guarantor delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) 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

(6) in the case of the Issuer entering into such transaction, the Parent Guarantor shall execute and deliver a supplemental indenture to the Indenture confirming that its Parent Guarantee shall apply to the obligations of the Issuer or the Surviving Person in accordance with the Notes and the Indenture.

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 requirements shall not apply to a consolidation or merger of the Parent Guarantor with and into the Issuer, so long as the Issuer survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Issuer that may adversely affect Holders.

No Payments for Consents

Each of the Parent Guarantor and the Issuer 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 Issuer 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:

(1) the Issuer (a) has deposited with the Trustee (or its agent), in trust, money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;

(2) the Issuer 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

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Issuer or any of its Restricted Subsidiaries is a party or by which the Issuer or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Parent Guarantee will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4) and (5)(x) under the first paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants," other than as described under "— Certain Covenants-Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants-Anti-Layering," clause (3) under "Events of Default" with respect to clauses (3), (4) and (5)(x) under the first paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (4) under "Events of Default" with respect to such other covenants and clauses (5) and (6) under "Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture may be amended by the Issuer, the Parent Guarantor and the Trustee, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;

(2) comply with the provisions described under "— Consolidation, Merger and Sale of Assets;"

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) add any Guarantee of the Notes;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) add any collateral to secure the Notes or the Parent Guarantee;

(7) 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;

(8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;

(9) to conform the text of the Indenture, the Notes or the Parent Guarantee to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Parent Guarantee, which intent may be evidenced by an Officers' Certificate to that effect; or

(10) make any other change that does not materially and adversely affect the rights of any Holder.

Amendments With Consent of Holders

The Indenture may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes and the Agents may amend or waive future compliance by the Parent Guarantor or the Issuer with any provision thereof; *provided*, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, or US Dollar Settlement Amount payable on, any Note or change the method of calculation of the US Dollar Settlement Amount;

(3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note or the Parent Guarantee;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release the Parent Guarantor from the Parent Guarantee, except as provided in the Indenture;

(8) 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;

(9) amend, change or modify the Parent Guarantee in a manner that adversely affects the Holders;

(10) 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;

(11) change the redemption date or the redemption price of the Notes from that stated under the captions "— Optional Redemption" or "— Redemption for Taxation Reasons;"

(12) amend, change or modify the obligation of the Issuer or the Parent Guarantor to pay Additional Amounts; or

(13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or the Parent Guarantee in a manner that adversely affects the Holders.

Unclaimed Money

Claims against the Parent Guarantor or the Issuer for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Parent Guarantor or the Issuer in the Indenture, or in any of the Notes or the Parent Guarantee, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Parent Guarantor or the Issuer, 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 Parent Guarantee. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee and the Agents

DB Trustees (Hong Kong) Limited, has been appointed as Trustee under the Indenture and Deutsche Bank Luxembourg S.A. has been appointed as note registrar (the "Note Registrar") and Deutsche Bank AG, Hong Kong Branch has been appointed as the paying agent (the "Paying Agent" and together with the Trustee and the Note Registrar, the "Agents") 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. Subject to such provisions, the Trustee shall be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee indemnity and/or security satisfactory to it against any loss, cost, expense or liability. 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 Notes and has not relied on and will not rely on the Trustee or the Agents in respect of such risks.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Issuer or the Parent Guarantor, 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, including normal banking and trustee relationships, with the Parent Guarantor, the Issuer and any of their respective Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

If the Issuer 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.

So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if the Notes are issued in definitive form, the Issuer will appoint and maintain a paying agent in Singapore unless the Issuer obtains an exemption from the SGX-ST. In addition, so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if the Notes are issued in definitive form, announcement of such issue shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the Notes in definitive form, including details of the paying agent in Singapore, unless the Issuer obtains an exemption from SGX-ST.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the "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.

None of the Parent Guarantor, the Issuer, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and additional amounts) will be made to the principal paying agent in U.S. dollars. The principal 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. Each of the Parent Guarantor and the Issuer 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 Parent Guarantor, the Issuer 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 Parent Guarantor, the Issuer, 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 U.S. dollar 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 U.S. dollar 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 Issuer 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 RMB1,000,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Parent Guarantor, the Issuer, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to bookentry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Issuer 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 Issuer has received a written request from a Holder, the Issuer and the Parent Guarantor 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 Issuer and the Parent Guarantor will use their best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Parent Guarantor or the Issuer or the Trustee) addressed to the Parent Guarantor, the Issuer 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, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

Each of the Parent Guarantor and the Issuer will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Parent Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Corporation Service Company for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Parent Guarantee and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"2013 Notes" means the Issuer's RMB3,000,000,000 US$ Settled 6.875% Senior Notes due 2013 guaranteed by Shui On Land Limited.

"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.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Premium" means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of the Notes, plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to 2.50%, over (B) the principal amount of such Note on such redemption date.

"Asset Acquisition" means (1) an investment by the Parent Guarantor, the Issuer 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 Parent Guarantor, the Issuer or any Restricted Subsidiary; or (2) an acquisition by the Parent Guarantor, the Issuer or any Restricted Subsidiary of the property and assets of any Person other than the Parent Guarantor, the Issuer 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 Parent Guarantor, the Issuer or any Restricted Subsidiary (other than to the Parent Guarantor, the Issuer or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Parent Guarantor, the Issuer or any Restricted Subsidiary.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by the Issuer or a Restricted Subsidiary) in one transaction or a series of related transactions by the Parent Guarantor, the Issuer or any Restricted Subsidiary to any Person; *provided* that "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the "— Limitation on Restricted Payments" covenant;

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Parent Guarantor, the Issuer or any Restricted Subsidiary;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the covenant under the caption "— Consolidation, Merger and Sale of Assets;" and

(7) any sale, transfer or other disposition by the Parent Guarantor, the Issuer or any Restricted Subsidiary, including the sale or issuance by the Parent Guarantor, the Issuer or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Parent Guarantor, the Issuer or any Restricted Subsidiary.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Parent Guarantor to manage the business of the Parent Guarantor 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, and delivered to the Trustee.

"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 or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"Change of Control" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Parent Guarantor or the Issuer with or into another Person or the merger or amalgamation of another Person with or into the Parent Guarantor or the Issuer, or the sale of all or substantially all the assets of the Parent Guarantor or the Issuer to another Person;

(2) the Permitted Holders are the beneficial owners of less than 35.0% of the total voting power of the Voting Stock of the Parent Guarantor or the Issuer;

(3) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Issuer greater than such total voting power held beneficially by the Permitted Holders;

(4) individuals who on the Original Issue Date constituted the board of directors of the Parent Guarantor or the Issuer, as the case may be, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Parent Guarantor or the Issuer, as the case may be, then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor or the Issuer.

"Clearstream" means Clearstream Banking, société anonyme, Luxembourg.

"Commodity Hedging Agreement" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

"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 Parent Guarantor, the Issuer and the Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Parent Guarantor, the Issuer or any Restricted Subsidiary and (2) in the case of any future 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 (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Parent Guarantor, the Issuer or any Restricted Subsidiary held by Persons other than the Parent Guarantor, the Issuer or any of the Issuer's Wholly Owned Restricted Subsidiaries, except for dividends payable in the Parent Guarantor's Capital Stock (other than Disqualified Stock) or paid to the Parent Guarantor, the Issuer or to a Wholly Owned Restricted Subsidiary of the Issuer.

"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 Parent Guarantor, the Issuer 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 Parent Guarantor, the Issuer and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is (x) Guaranteed by, or (y) secured by a Lien on any asset of, the Parent Guarantor, the Issuer or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), *provided* that with respect to clause (y), for purposes of this calculation, the amount of interest taken into account shall be equal to (i) the interest accruing on the secured Indebtedness multiplied by (ii) the ratio of the Fair Market Value of the assets subject to such Lien to the aggregate principal amount of such Indebtedness, and (7) 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 shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

(a) subject to the exclusion contained in clause (5) below, the Parent Guarantor's and the Issuer's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent Guarantor, the Issuer or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Parent Guarantor's and the Issuer's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Parent Guarantor, the Issuer or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Parent Guarantor, the Issuer or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Parent Guarantor, the Issuer 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 Parent Guarantor, the Issuer or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Parent Guarantor or the Issuer realized on sales of Capital Stock of the Parent Guarantor, the Issuer or other Restricted Subsidiaries);

(6) any translation gains and 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 Parent Guarantor, the Issuer and any Restricted Subsidiary, plus, to the extent not included, any Preferred Stock of the Parent Guarantor, 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 Parent Guarantor, the Issuer or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any Guarantee by the Parent Guarantor, the Issuer or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Parent Guarantor, the Issuer 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 Parent Guarantor, the Issuer or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"Dalian Tiandi Project" means the development project of the Issuer located in Dalian, the PRC conducted through a joint venture arrangement among the Issuer and other investors.

"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 date that is 183 days after 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 date that is 183 days after 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 the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control" 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 Issuer's repurchase of such Notes as are required to be repurchased pursuant to the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control" 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.

"EIT Law" means the Enterprise Income Tax Law promulgated and adopted on March 16, 2007 by the National People's Congress of the PRC, which came into effect on January 1, 2008.

"Entrusted Loans" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, provided that such borrowings are not reflected on the consolidated balance sheet of the Issuer.

"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 periods prior to such Transaction Date for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor

shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (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, Disqualified Stock 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, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Parent Guarantor, the Issuer or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Parent Guarantor, the Issuer or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full fiscal semi-annual 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 International Financial Reporting Standards promulgated by the International Accounting Standards Board (or any successor board or agency) 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 Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Incur" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and

(10) any Preferred Stock issued (a) by such Person, if such Person is a Restricted Subsidiary, or (b) any Restricted Subsidiary of such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

For the avoidance of doubt, a mandatory put option granted to a Person that obligates the Parent Guarantor, the Issuer or any Restricted Subsidiary to repurchase the Capital Stock of any Restricted Subsidiary or any other Person shall be deemed to be "Indebtedness".

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation, Entrusted Loans, pre-sale receipts in advance from customers, performance obligation or similar obligations (and any Guarantee thereof) 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 as borrowings on the consolidated balance sheet of the Parent Guarantor (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

(1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest, and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to paragraph (2)(e) under the "Limitation on Indebtedness and Preferred Stock" covenant, and (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Parent Guarantor or the Issuer.

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Parent Guarantor or the Issuer, as the case may be, will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Parent Guarantor's or the Issuer's proportional interest in the Fair Market Value of the assets (net of the Parent Guarantor's or the Issuer's proportionate interest in the liabilities owed to any Person other than the Parent Guarantor, the Issuer or a Restricted Subsidiary and that are not Guaranteed by the Parent Guarantor, the Issuer or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Property" means any property that is owned and held by the Parent Guarantor, the Issuer or any Restricted Subsidiary for long-term rental yields or for capital appreciation or both, or any hotel owned by the Parent Guarantor, the Issuer or any Restricted Subsidiary from which the Parent Guarantor, the Issuer or any Restricted Subsidiary derives or expects to derive operating income.

"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 December 23, 2010.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

    (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

    (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Parent Guarantor, the Issuer and the Restricted Subsidiaries, taken as a whole;

    (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

    (d) appropriate amounts to be provided by the Parent Guarantor, the Issuer or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Offer to Purchase" means an offer to purchase Notes by the Issuer from the Holders commenced by the Issuer mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

(1) the covenant 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 expressed as a percentage of the principal amount of such Note, 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") and the applicable Rate Calculation Date;

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Issuer 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 RMB1,000,000 or integral multiples of RMB100,000 in excess thereof.

On the Offer to Purchase Payment Date, the Issuer shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Issuer. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in the US Dollar Settlement Amount of an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new

Note issued shall be in a principal amount of RMB1,000,000 or integral multiples of RMB100,000 in excess thereof. The Issuer will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Parent Guarantor, the Issuer and the Issuer's Subsidiaries which the Issuer 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 Issuer 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 Parent Guarantor or, in the case of the Issuer, one of the directors or officers of the Issuer, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means a written opinion from legal counsel who is reasonably acceptable to the Trustee, in a form reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or the Parent Guarantor.

"Original Issue Date" means the date on which the Notes are originally issued under the Indenture.

"Permitted Businesses" means any business which is the same as or related, ancillary or complementary to any of the businesses of the Parent Guarantor, the Issuer and the Restricted Subsidiaries on the Original Issue Date.

"Permitted Holders" means any or all of the following:

(1) Mr. Vincent H. S. Lo;

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1); and

(3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% by Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Parent Guarantor, the Issuer or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment or immediately thereafter, 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 Parent Guarantor, the Issuer or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) Temporary Cash Investments;

(3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed solely to protect the Parent Guarantor, the Issuer or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Parent Guarantor, the Issuer or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments made by the Parent Guarantor, the Issuer or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption "— Limitation on Asset Sales."

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "— Limitation on Liens";

(10) any Investment pursuant to Contractor Guarantees by the Parent Guarantor, the Issuer or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Parent Guarantor's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) deposits made in order to secure the performance of the Parent Guarantor, the Issuer or any Restricted Subsidiary and prepayments made in connection with the direct or indirect acquisition of real property or land use rights by the Parent Guarantor, the Issuer or any Restricted Subsidiary, in each case in the ordinary course of business; and

(16) any Investment by the Parent Guarantor, the Issuer or any Restricted Subsidiary in any Person (other than a Restricted Subsidiary) primarily engaged in a Permitted Business, of which 15% or more of the Capital Stock and the Voting Stock is, or immediately following such Investment will be, owned, directly or indirectly, by the Parent Guarantor, the Issuer or any Restricted Subsidiary (such Person, an "Associate"), provided that:

(i) the aggregate of all Investments made under this clause (16) since the Original Issue Date shall not exceed in aggregate an amount equal to the sum of (x) 20% of Total Assets and (y) the aggregate amount of consideration received as a result of any disposal of assets or other interests in the Dalian Tiandi Project. Such aggregate amount of Investments shall be

calculated after deducting an amount equal to the net reduction in all Investments made under this clause (16) since the Original Issue Date resulting from:

(A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Issuer or any Restricted Subsidiary or repayments of loans or advances, dividends or other distributions (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

(B) the unconditional release of a Guarantee provided by the Parent Guarantor, the Issuer or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person, or

(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 Issuer 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 made by the Parent Guarantor, the Issuer or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (16); and

(ii) no Default has occurred and is continuing or would occur as a result of such Investment.

"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, sales and dispositions of assets, 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 Parent Guarantor, the Issuer and the 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 Parent Guarantor, the Issuer or any Restricted Subsidiary relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Parent Guarantor, the Issuer or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Parent Guarantor, the Issuer or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Parent Guarantor, the Issuer or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (e) of the second paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (d) of the second paragraph of the covenant described under the caption entitled "— Limitation on Indebtedness and Preferred Stock"; *provided* that such Liens do not extend to or cover any property or assets of the Issuer or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) any interest or title of a lessor in the property subject to any operating lease;

(14) 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 Parent Guarantor, the Issuer or any Restricted Subsidiary;

(15) Liens (including extensions and renewals thereof) upon assets (including Capital Stock), real or personal property (including land use rights) or equipment owned by a Restricted Subsidiary created after the Original Issue Date; *provided* that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(f) of the covenant under the caption entitled "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such assets, property or equipment and (b) the aggregate book value of assets, property and equipment (as reflected in the most recent available consolidated financial statements of the Parent Guarantor (which may be internal consolidated statements) or, if any such assets, property or equipment have been acquired since the date of such financial statements, the purchase price or cost of such assets, property or equipment) subject to Liens incurred pursuant to this clause (15) does not exceed 200% of the aggregate principal amount of Indebtedness secured by such Liens;

(16) 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 Parent Guarantor, the Issuer or any Restricted Subsidiary;

(17) 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 Parent Guarantor, the Issuer or any Restricted Subsidiary;

(18) Liens on deposits made in order to secure the performance of the Parent Guarantor, the Issuer or any Restricted Subsidiary in connection with the acquisition of real property or land use rights by the Parent Guarantor, the Issuer or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Parent Guarantor, the Issuer or any Restricted Subsidiary;

(19) Liens incurred or deposits made to secure Entrusted Loans;

(20) Liens securing Indebtedness under any Pre-Registration Mortgage Guarantee by the Parent Guarantor, the Issuer or any Restricted Subsidiary;

(21) Liens on Investment Properties or the assets or the Capital Stock of a Restricted Subsidiary directly or indirectly owning such Investment Properties securing Indebtedness of the Parent Guarantor, the Issuer or any Restricted Subsidiary permitted to be Incurred under clause (2)(n) of the covenant described under the caption entitled "— Limitation on Indebtedness and Preferred Stock"; and

(22) Any renewal or extension of the Liens described in the foregoing clauses which is limited to the original property or assets covered thereby.

"Permitted Subsidiary Indebtedness" means Indebtedness (other than Public Indebtedness, but including Acquired Indebtedness) of, and all Preferred Stock issued by, the Restricted Subsidiaries, taken as a whole; *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 (excluding any Indebtedness of any Restricted Subsidiary permitted under clauses 2(a), (c), and (e) of the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 15% of the 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.

"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 shares of Capital Stock of any other class of such Person.

"PRC" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

"PRC CJV" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on

Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Issuer or any Restricted Subsidiary.

"PRC Restricted Subsidiary" means a Restricted Subsidiary organized under the laws of the PRC.

"Pre-Registration Mortgage Guarantee" means any Indebtedness of the Parent Guarantor, the Issuer 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 Parent Guarantor, the Issuer 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.

"Renminbi" or "RMB" means yuan, the lawful currency of the PRC.

"Replacement Assets" means, with respect to Asset Sales, (1) properties or assets that replace the properties and assets that were the subject of such Asset Sale or (2) property or assets (other than current assets) of a nature or type that are used in a Permitted Business and shall include (i) Capital Stock of any Person holding such property or assets, which is primarily engaged in a Permitted Business and will upon the acquisition by the Issuer or any of its Restricted Subsidiaries of such Capital Stock, remain or become a Restricted Subsidiary and (ii), solely with respect to an Asset Sale consisting of a sale of shares of Capital Stock of a Person other than a direct or indirect Subsidiary of the Parent Guarantor, shares of Capital Stock constituting a Permitted Investments under clause (16) of the definition thereof.

"Restricted Subsidiary" means any Subsidiary of the Parent Guarantor or the Issuer other than (x) an Unrestricted Subsidiary and (y) the Issuer.

"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 Parent Guarantor, the Issuer or any Restricted Subsidiary transfers such property to another Person and the Parent Guarantor, the Issuer or any Restricted Subsidiary leases it from such Person.

"Senior Indebtedness" of the Parent Guarantor or the Issuer, as the case may be, means all Indebtedness of the Parent Guarantor or the Issuer, 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 Issuer, the Notes, or (b) in respect of the Parent Guarantor, the Parent Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Parent Guarantor, the Issuer or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

"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 Parent Guarantor or the Issuer which is contractually subordinated or junior in right of payment to the Notes or the Parent Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subsidiary" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person; *provided* that any corporation, association or other business entity that is not consolidated with such Person in accordance with GAAP will not be Subsidiary.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People's Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;

(2) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) 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 not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Parent Guarantor or the Issuer) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with Agricultural Bank of China, Bank of China, Bank of Communications, China Construction Bank, China Merchants Bank, Shanghai Pudong Development Bank, Industrial Commercial Bank of China, Hongkong and Shanghai Banking Corporation and Bank of Shanghai, (ii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong whose long-term debt is rated as high or higher than any of those banks described in clause (i) of this paragraph or (iii) any other bank, trust company or other financial institution 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, at any date of determination thereafter.

"Total Assets" means, as of any date, the total consolidated assets of the Parent Guarantor, the Issuer and the Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to clause (2)(f) 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 Parent Guarantor, the Issuer 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 Issuer 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 Issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries.

"Wuhan Tiandi Project" means the development project of the Issuer (conducted through its Subsidiaries and associates) located in Wuhan, the PRC.

TAXATION

This summary is based on the laws of the Cayman Islands, Hong Kong and PRC in effect on the date of this offering memorandum, which are subject to change (or changes in interpretation), possibly with retroactive effect. The summary does not address any aspects of Cayman Islands taxation other than income taxation, capital taxation, stamp duty and estate taxation. Prospective investors are urged to consult their tax advisers regarding the tax consequences of owning and disposing of our Notes.

Cayman Islands Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

- That no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and

- That no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by us:

  (i) On or with respect to the shares, debentures or our other obligations; or

  (ii) By way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking is for a period of 20 years from the date of the undertaking, which is March 23, 2004.

- Under existing Cayman Islands Laws:

  (a) payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax;

  (b) no stamp duty is payable with respect to the issue or transfer of the Notes although duty may be payable if Notes are executed in or brought into the Cayman Islands; and

  (c) the Global Note representing the Notes, in registered form, to which title is not transferable by delivery, should not attract Cayman Islands stamp duty. However, an instrument transferring title to a Note if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

Hong Kong

Withholding tax

No withholding tax in Hong Kong is payable on payments of principal or interest with respect to the Notes.

Profits tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong with respect to 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) 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

(b) a corporation carrying on a trade, profession or business in Hong Kong and where the interest is derived from Hong Kong; or

(c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is with respect to the funds of the trade, profession or business and where the interest is derived from Hong Kong.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue, transfer (for so long as the register of holders of the Notes is maintained outside Hong Kong).

PRC

Under the EIT Law and the Implementation Rules both of which took effect on January 1, 2008, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered as "PRC tax resident enterprises". The Implementation Rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The Company holds its shareholders' meeting and board meetings outside China and keeps its shareholders' list outside China. However, most of the Company's directors and senior management are currently based inside China and the Company keeps its books of account inside China. The above elements may be relevant for the tax authorities to determine whether it is a PRC resident enterprise for tax purposes. Although it is unclear under PRC tax law whether the Company has a "de facto management body" located in China for PRC tax purposes, it intends to take the position that it is not PRC resident enterprise for tax purpose. The Company cannot assure you that tax authorities will respect its position. The Company's PRC counsel, Jin Mao PRC lawyers, has advised the Company that if it is deemed to be a PRC resident enterprise for enterprise income purpose, among other things, the Company would be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. Furthermore, the Company would be obligated to withhold PRC income tax of 7% on payments of interest on the Notes to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest on the Notes to investors that are non-resident enterprises located outside Hong Kong, because the interest would be regarded as being derived from sources within the PRC. If the Company fails to do so, it may be subject to fines and other penalties. In addition, any gain realized by such non-resident enterprise investors from the transfer of the Notes would be regarded as being derived from sources within the PRC and accordingly would be subject to PRC income tax at a rate of 10%. However, if the Company is not considered as a PRC resident enterprise for enterprise income purposes, non-resident enterprise investors would not be subject to PRC income tax on any interest received on the Notes or any gains realized from the transfer of the Notes.

EU Directive on the Taxation of Savings Income

The Council of the European Union has adopted a directive regarding the taxation of savings income. Member States are required from January 1, 2005 to provide to the tax authorities of other Member States details of payments of interest (or other similar income) paid by a person within its jurisdiction to or for the benefit of an individual resident in that other Member State, except that Belgium, Luxembourg and Austria may instead operate a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period as they elect otherwise.

PLAN OF DISTRIBUTION

Subject to the terms and conditions in the purchase agreement to be dated January 19, 2011 (the "**Purchase Agreement**"), the Initial Purchasers have agreed, severally and not jointly, to purchase from the Issuer, our subsidiary, and the Issuer agrees to sell to the Initial Purchasers, RMB3,500,000,000 aggregate principal amount of the Notes, with the related parent guarantee endorsed thereon (the "**Securities**"), as set forth opposite their names in the following table:

Initial Purchaser	Principal Amount of Securities
Deutsche Bank AG, Singapore Branch	RMB1,149,200,000
Standard Chartered Bank	RMB1,149,200,000
UBS AG, Hong Kong Branch	RMB1,149,200,000
Barclays Bank PLC	RMB26,200,000
BNP Paribas, Hong Kong Branch	RMB26,200,000
Total	RMB3,500,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to purchase the Securities is subject to approval of certain legal matters by counsel and to certain other conditions. The Initial Purchasers must purchase all of the Securities if they purchase any of the Securities.

The Initial Purchasers initially propose to offer the Securities for resale at the issue price of such series that appears on the cover of this offering memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms. The Initial Purchasers may offer and sell the Securities through certain of their affiliates.

The Issuer and the Parent Guarantor will pay the Initial Purchasers' customary fees and commissions in connection with the offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with the Offering.

In the Purchase Agreement, we and the Issuer have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the Initial Purchaser may be required to make in respect of those liabilities.

The Securities are a new issue of securities, and there is currently no established trading market for such series. In addition, the Securities are subject to certain restrictions on resale and transfer as described under "*Transfer Restrictions*." We have made application for the listing of the Notes on the SGX-ST. However, we cannot assure you that we will obtain or be able to maintain such listing. The Initial Purchasers have advised us that they intend to make a market in the Securities, but they are not obligated to do so. The Initial Purchasers may discontinue any market making in the Securities at any time in their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the Securities, that you will be able to sell your Securities at a particular time or that the prices that you receive when you sell will be favorable.

In connection with the offering of the Securities, Deutsche Bank AG, Singapore Branch as stabilizing manager or any person acting may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Securities in the open market for the purpose of pegging, fixing or maintaining the price of the Securities. Syndicate covering transactions involve purchases of the Securities in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the Securities to be higher than it would otherwise be in the absence of those transactions. If the stabilizing manager or its agent engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

The Initial Purchasers and their affiliates perform various financial advisory, investment banking and commercial banking services, from time to time, for us and our affiliates and may be paid fees in connection with such services from time to time. We may enter into 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 Securities. Our obligations under these transactions may be secured by cash or other collateral.

No action is being taken or is contemplated by us that would permit a public offering of any series of the Securities, or possession or distribution of any preliminary offering memorandum or offering memorandum or any amendment thereof, any supplement thereto or any other offering material relating to any series of the Securities in any jurisdiction where, or in any other circumstance in which, action for those purposes is required.

None of the Securities has been and will be registered under the Securities Act and the Securities may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

An offer or sale of any series of the Securities within the United States may violate the registration requirements of the Securities Act unless the offer or sale is in compliance with an exemption from registration under the Securities Act.

We expect that delivery of the Securities will be made against payment therefor on or about the closing date specified on the cover page of this offering memorandum, which will be on or about the sixth business day following the pricing date of the Securities (this settlement cycle being referred to as "**T +5**"). Accordingly, purchasers who wish to trade Securities on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Securities initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Securities who wish to trade the Securities on the date of pricing or succeeding business days should consult their own legal advisor.

United States

The Notes have not been and will not be registered under the Securities Act, and may only be offered or sold outside the United States in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

No invitation or inducement to engage in investment activity (within the meanings of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by the Initial Purchasers in connection with the issue or sale of the Securities may be communicated or caused to be communicated except in circumstances in which section 21(1) of the FSMA does not apply to the Initial Purchasers. All applicable provisions of the FSMA must be complied with in respect to anything done or to be done by the Initial Purchasers in relation to any Securities in, from or otherwise involving the United Kingdom.

Hong Kong

This offering memorandum has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this offering memorandum may not be issued,

circulated or distributed in Hong Kong. A copy of this offering memorandum may, however, be issued to a limited number of prospective applicants for the Securities in Hong Kong in a manner which does not constitute an offer of the Securities to the public in Hong Kong or an issue, circulation or distribution in Hong Kong of a prospectus for the purposes of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong).

No advertisement, invitation or document relating to the Securities may be issued or may be in the possession of any person other than with respect to the Securities 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. 57l. Laws of Hong Kong) and any rules made thereunder.

Japan

The Securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the "**FIEL**") and may not be offered or sold directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEL and any other applicable laws, regulations and ministerial guidelines 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 Notes to be issued from time to time by the Company 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.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

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 (6) months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, to any person arising from an offer referered to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law; or

(4) as specified in Section 276(7) of the SFA.

PRC

No securities shall be offered or sold in the PRC (excluding Hong Kong, Macau and Taiwan) directly or indirectly, except in compliance with applicable laws and regulations. This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC to any person to whom it is unlawful to make the offer or solicitation in the PRC.

The Issuer or the Parent Guarantor do not represent that this offering memorandum may be lawfully distributed, or that any securities may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Parent Guarantor which would permit a public offering of any securities or distribution of this offering memorandum in the PRC. Accordingly, no securities may be offered or sold, directly or indirectly, and neither the offering memorandum nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

Cayman Islands

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Notes unless the Issuer is listed on the Cayman Islands Stock Exchange.

TRANSFER RESTRICTIONS

By purchasing the Securities, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:

   - the Securities have not been registered under the Securities Act or any other applicable securities laws;

   - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and

   - the Securities are being offered and sold only outside of the United States, in offshore transactions in reliance on Regulation S under the Securities Act.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours and that you are not acting on our behalf and you are purchasing Securities in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase Securities including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.

5. You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Securities is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

Each purchaser of the Securities acknowledges that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each purchaser of the Securities has represented, warranted and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of 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.

GENERAL INFORMATION

Consents

The Issuer and the Company have obtained all necessary consents, approvals and authorizations in the Cayman Islands, Hong Kong and Singapore in connection with the issue and performance of the Notes and the Parent Guarantee. The entering into of the indenture governing the Notes and the issue of the Notes have been authorized by a resolution of the Issuer's board of directors dated January 18, 2011. The giving of the Parent Guarantee by the Company was duly approved by our board of directors on January 18, 2011.

Litigation

Save 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 Parent Guarantee.

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 June 30, 2010 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes are outstanding, copies of the indenture governing the Notes may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

For so long as any of the Notes are outstanding, copies of our audited financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code
Notes	XS0584176290	058417629

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Listing of the Notes

Application has been made for the listing of the Notes 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. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of us, the Parent Guarantor or the Notes. 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.

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 shall 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.

Auditors

The consolidated financial statements as of and for each of the years ended December 31, 2008 and 2009 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, as stated in their reports appearing elsewhere in this offering memorandum. The interim financial information as of and for the six months ended June 30, 2009 and 2010 was reviewed by Deloitte Touche Tohmatsu, 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 HKICPA.

Issuer's accounts

Under Cayman Islands law, the Issuer is not required to publish interim or annual accounts. The Issuer has not published and does not propose to publish, any of its accounts. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

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Note:

(1) Independent Review Report and Independent Auditor's Report on the consolidated financial statements of the Company set out herein are reproduced from the Company's Interim Report for the six months ended June 30, 2010 and Annual Report for the year ended December 31, 2009, respectively, and page references included in the Independent Review Report and Independent Auditor's Report refer to pages set out in such interim report and annual report.

Deloitte.
德勤

TO THE SHAREHOLDERS OF SHUI ON LAND LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 114 to 186, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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. 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 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 judgment, 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 and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the 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 Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
15 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	Year ended 31 December 2009 RMB'million	2008 RMB'million (Restated)
Turnover	5	**6,758**	2,066
Cost of sales		**(3,229)**	(1,028)
Gross profit		**3,529**	1,038
Other income	6	**170**	342
Selling and marketing expenses		**(151)**	(134)
General and administrative expenses		**(543)**	(697)
Operating profit	7	**3,005**	549
Increase in fair value of investment properties	13	**536**	382
Gain on acquisition of additional equity interests in subsidiaries	33	**6**	–
Gains on partial disposals of equity interests in subsidiaries	35	**–**	1,883
Share of results of associates		**436**	44
Finance costs, net of exchange gain	8	**(89)**	(133)
Profit before taxation		**3,894**	2,725
Taxation	9	**(1,301)**	(657)
Profit for the year		**2,593**	2,068
Attributable to:			
Shareholders of the Company		**2,673**	1,798
Non–controlling interests		**(80)**	270
		2,593	2,068
Earnings per share	12		
– Basic		**RMB0.55**	RMB0.39
– Diluted		**RMB0.55**	RMB0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	Year ended 31 December 2009 RMB'million	2008 RMB'million (Restated)
Profit for the year		**2,593**	2,068
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		**(19)**	(2)
Fair value adjustments on interest rate swaps designated in cash flow hedges	27(a)	**45**	(136)
Fair value adjustments on cross currency interest rate swaps designated in cash flow hedges	27(b)	**–**	(158)
Reclassification of fair value adjustments on cross currency interest rate swaps designated in cash flow hedges	27(b)	**–**	104
Residual balance of hedge reserve in relation to cross currency interest rate swaps recognised in consolidated income statement upon the maturity of the notes	27(b)	**–**	138
Other comprehensive income (expense) for the year		**26**	(54)
Total comprehensive income for the year		**2,619**	2,014
Total comprehensive income attributable to:			
Shareholders of the Company		**2,699**	1,744
Non–controlling interests		**(80)**	270
		2,619	2,014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2009

	Notes	31 December 2009 RMB'million	31 December 2008 RMB'million (Restated)	1 January 2008 RMB'million (Restated)
Non-current assets				
Investment properties	13	**21,206**	8,466	7,994
Property, plant and equipment	14	**356**	343	260
Prepaid lease payments	15	**43**	6,290	4,325
Properties under development	16	**–**	2,411	1,734
Interests in associates	17	**862**	296	85
Loans to associates	17	**1,273**	1,331	981
Accounts receivable	19	**59**	329	312
Pledged bank deposits	20	**1,222**	694	237
Deferred tax assets	32	**139**	146	124
Defined benefit assets	37	**–**	4	6
		25,160	20,310	16,058
Current assets				
Properties under development for sale	16	**11,532**	7,786	6,281
Properties held for sale	21	**627**	3,090	906
Accounts receivable, deposits and prepayments	19	**933**	941	3,215
Loans receivable	22	**378**	414	240
Amounts due from associates	17	**147**	450	12
Amounts due from related parties	23	**73**	62	44
Amounts due from non-controlling shareholders of subsidiaries	24	**17**	176	6
Early redemption rights on notes	38	**–**	–	11
Pledged bank deposits	20	**797**	1,015	617
Bank balances and cash	20	**2,928**	1,671	2,843
		17,432	15,605	14,175
Current liabilities				
Accounts payable, deposits received and accrued charges	25	**4,305**	4,418	2,581
Amounts due to related parties	23	**69**	33	39
Amounts due to associates	17	**45**	–	–
Amounts due to non-controlling shareholders of subsidiaries	24	**475**	758	876
Loan from a non-controlling shareholder of a subsidiary	30	**442**	199	100
Tax liabilities		**1,404**	739	1,514
Bank borrowings – due within one year	26	**2,098**	1,953	1,514
Notes – due within one year	38	**–**	–	2,667
Derivative financial instruments designated as hedging instruments	27	**–**	–	323
		8,838	8,100	9,614
Net current assets		**8,594**	7,505	4,561
Total assets less current liabilities		**33,754**	27,815	20,619

	Notes	**31 December 2009** **RMB'million**	31 December 2008 RMB'million (Restated)	1 January 2008 RMB'million (Restated)
Capital and reserves				
Share capital	28	**99**	84	84
Reserves		**21,480**	16,779	15,544
Equity attributable to shareholders of the Company		**21,579**	16,863	15,628
Non-controlling interests		**995**	1,312	776
Total equity		**22,574**	18,175	16,404
Non-current liabilities				
Bank borrowings – due after one year	26	**8,105**	6,245	2,891
Derivative financial instruments designated as hedging instruments	27	**211**	256	–
Loans from non-controlling shareholders of subsidiaries	30	**670**	670	93
Loan from a director	31	**–**	567	–
Deferred tax liabilities	32	**2,192**	1,902	1,231
Defined benefit liabilities	37	**2**	–	–
		11,180	9,640	4,215
Total equity and non-current liabilities		**33,754**	27,815	20,619

The consolidated financial statements on pages 114 to 186 were approved and authorised for issue by the Board of Directors on 15 April 2010 and are signed on its behalf by:

Vincent H. S. LO
DIRECTOR

Daniel Y. K. WAN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to shareholders of the Company											
	Share capital	Share premium	Merger reserve	Special reserve	Share option reserve	Exchange reserve	Hedge reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total
	RMB′ million	RMB′ million	RMB′ million (note 29(a))	RMB′ million (note 29(b))	RMB′ million	RMB′ million	RMB′ million	RMB′ million (note 29(c))	RMB′ million	RMB′ million	RMB′ million	RMB′ million
At 1 January 2008, as previously stated	84	10,689	122	(411)	35	40	(84)	603	4,800	15,878	828	16,706
Effect of retrospective adoption of IFRIC 15 (Note 2)	–	–	–	(49)	–	–	–	–	(201)	(250)	(52)	(302)
As restated	84	10,689	122	(460)	35	40	(84)	603	4,599	15,628	776	16,404
Profit for the year	–	–	–	–	–	–	–	–	1,798	1,798	270	2,068
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(2)	–	–	–	(2)	–	(2)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 27(a))	–	–	–	–	–	–	(136)	–	–	(136)	–	(136)
Fair value adjustments on cross currency interest rate swaps designated as cash flow hedges (note 27(b))	–	–	–	–	–	–	(158)	–	–	(158)	–	(158)
Reclassification of fair value adjustments on cross currency interest rate swaps in cash flow hedges (note 27(b))	–	–	–	–	–	–	104	–	–	104	–	104
Residual balance of hedge reserve in relation to cross currency interest rate swaps recognised in consolidated income statement upon the maturity of the notes (note 27(b))	–	–	–	–	–	–	138	–	–	138	–	138
Total comprehensive (expense) income for the year	–	–	–	–	–	(2)	(52)	–	1,798	1,744	270	2,014
Recognition of equity-settled share-based payment expenses	–	–	–	–	54	–	–	–	–	54	–	54
Release upon partial disposal of equity interests in subsidiaries	–	–	–	17	–	–	–	–	–	17	246	263
Capital injection	–	–	–	–	–	–	–	–	–	–	20	20
Release of special reserve upon disposal of the related assets	–	–	–	50	–	–	–	–	–	50	–	50
Total dividends of HK$0.17 paid, comprising 2007 final dividend of HK$0.10 per share and 2008 interim dividend of HK$0.07 per share (note 11)	–	–	–	–	–	–	–	–	(630)	(630)	–	(630)
At 31 December 2008 (as restated)	84	10,689	122	(393)	89	38	(136)	603	5,767	16,863	1,312	18,175
Profit for the year	–	–	–	–	–	–	–	–	**2,673**	**2,673**	**(80)**	**2,593**
Exchange difference arising on translation of foreign operations	–	–	–	–	–	**(19)**	–	–	–	**(19)**	–	**(19)**
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 27(a))	–	–	–	–	–	–	**45**	–	–	**45**	–	**45**
Total comprehensive (expense) income for the year	–	–	–	–	–	**(19)**	**45**	–	**2,673**	**2,699**	**(80)**	**2,619**
Recognition of equity-settled share-based payment expenses	–	–	–	–	**47**	–	–	–	–	**47**	–	**47**
Bonus issue of shares	**8**	**(8)**	–	–	–	–	–	–	–	–	–	–
Issue of new shares at a premium	**7**	**1,790**	–	–	–	–	–	–	–	**1,797**	–	**1,797**
Transaction costs attributable to issue of new shares	–	**(38)**	–	–	–	–	–	–	–	**(38)**	–	**(38)**
Capital injection	–	–	–	–	–	–	–	–	–	–	**13**	**13**
Acquisition of additional interests in subsidiaries	–	–	–	**(4)**	–	–	–	–	–	**(4)**	**(46)**	**(50)**
Release of special reserve upon disposal of the related assets	–	–	–	**205**	–	–	–	–	–	**205**	–	**205**
Release of special reserve upon recognition of fair value changes of the related assets	–	–	–	**91**	–	–	–	–	–	**91**	–	**91**
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	**(204)**	**(204)**
Total dividends of HK$0.02 paid, comprising 2008 final dividend of HK$0.01 per share and 2009 interim dividend of HK$0.01 per share (note 11)	–	–	–	–	–	–	–	–	**(81)**	**(81)**	–	**(81)**
At 31 December 2009	**99**	**12,433**	**122**	**(101)**	**136**	**19**	**(91)**	**603**	**8,359**	**21,579**	**995**	**22,574**

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2009

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million (Restated)
Operating activities		
Profit before taxation	**3,894**	2,725
Adjustments for:		
Depreciation of property, plant and equipment charged to consolidated income statement	**53**	51
Release of prepaid lease payments charged to consolidated income statement	**1**	1
Net foreign exchange loss (gain)	**22**	(9)
Share of results of associates	**(436)**	(44)
Gain on acquisition of additional equity interests in subsidiaries	**(6)**	–
Gains on partial disposals of equity interests in subsidiaries	**–**	(1,883)
Finance costs, net of exchange gain	**89**	133
Loss on disposal of property, plant and equipment	**–**	14
Interest income	**(149)**	(227)
Increase in fair value of investment properties	**(536)**	(382)
Decrease in defined benefit assets	**6**	2
Equity-settled share-based payment expenses	**47**	54
Release of special reserve	**296**	50
Operating cash flows before movements in working capital	**3,281**	485
(Increase) decrease in accounts receivable, deposits and prepayments	**(44)**	1,516
Increase in properties under development for sale	**(4,148)**	(4,489)
Decrease in properties held for sale	**2,906**	812
(Increase) decrease in amounts due from related parties	**(11)**	5
Increase (decrease) in amounts due to related parties	**36**	(28)
Increase in amounts due to associates	**45**	–
(Decrease) increase in accounts payable, deposits received and accrued charges	**(113)**	1,833
Cash generated from operations	**1,952**	134
Tax paid	**(339)**	(780)
Net cash from (used in) operating activities	**1,613**	(646)

	Notes	Year ended 31 December 2009 RMB'million	2008 RMB'million (Restated)
Investing activities			
Interest received		**77**	123
Purchase of property, plant and equipment		**(47)**	(56)
Proceeds from disposal of property, plant and equipment		**–**	3
Additions to investment properties		**(2,973)**	(8)
Additions to prepaid lease payments		**–**	(2,105)
Increase in loans to associates		**(20)**	(428)
Decrease (increase) in amounts due from associates		**303**	(438)
Acquisition of additional equity interests in subsidiaries	33	**(100)**	–
Acquisition of subsidiaries	34	**–**	(100)
Proceeds from partial disposals of equity interests in subsidiaries	35	**339**	2,905
Increase in pledged bank deposits		**(310)**	(855)
Decrease (increase) in loans receivable		**36**	(174)
Net cash used in investing activities		**(2,695)**	(1,133)
Financing activities			
Net proceeds on issuance of shares		**1,759**	–
Advance from non-controlling shareholders of subsidiaries		**174**	382
Capital injected by non-controlling shareholders of subsidiaries		**13**	20
New bank loans raised		**4,182**	7,283
Repayment of bank loans		**(2,168)**	(3,209)
(Decrease) increase in loan from a director		**(567)**	567
Redemption of notes		**–**	(2,562)
Settlement of derivative financial instruments		**–**	(347)
Interest and bank charges paid		**(766)**	(833)
Payment of dividends		**(81)**	(630)
Dividend payment to non-controlling shareholders		**(204)**	–
Net cash from financing activities		**2,342**	671
Net increase (decrease) in cash and cash equivalents		**1,260**	(1,108)
Cash and cash equivalents at the beginning of the year		**1,671**	2,843
Effect of foreign exchange rate changes		**(3)**	(64)
Cash and cash equivalents at the end of the year		**2,928**	1,671
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**2,928**	1,671

1. GENERAL

Shui On Land Limited (the "Company") was incorporated on 12 February 2004 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 4 October 2006.

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. The principal activities of the Company's subsidiaries are set out in note 48. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new and revised International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations ("IFRIC") (hereinafter collectively referred to as "new and revised IFRSs") issued by the International Accounting Standards Board ("IASB"), which are effective for the Group's financial year beginning 1 January 2009.

IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning on or after 1 July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to amendment to paragraph 80 of IAS 39
IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 18	Transfer of Assets from Customers

New and revised IFRSs affecting presentation and disclosure only

IAS 1 (Revised) Presentation of Financial Statements
IAS 1 (Revised) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

In addition, the adoption of IAS 1 (Revised) has resulted in the change of presentation of the consolidated statement of financial position as at 1 January 2008 as the Group has applied accounting policies retrospectively during the current year (see below).

IFRS 8 Operating Segments
IFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The application of IFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14, and has had no impact on the reported results or financial position of the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New and revised IFRSs affecting the reported results and/or financial position

IFRIC 15 Agreements for the Construction of Real Estate

In previous years, when properties were sold under pre-sale arrangements prior to the completion of the development, revenue and profit were recognised on the execution of sales agreements or when the relevant completion certificates were issued by the respective government authorities, whichever was the later. With the issuance of IFRIC 15, which contains more detailed guidance on the accounting treatment for such real estate transactions, property sales are now required to be recognised upon delivery of properties to the purchasers pursuant to the sales agreements.

The change in accounting policy on revenue recognition for sales of properties has been adopted retrospectively and hence the comparative figures of the consolidated income statement for the year ended 31 December 2009 have been restated to adjust for the revenue together with the related cost of sales and taxation which arose from the sales of properties.

The effects of change in the accounting policy described above on the financial results for the current and prior periods by line items presented in the consolidated income statement are as follows:

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Increase (decrease) in turnover	**2,034**	(1,490)
(Increase) decrease in cost of sales	**(802)**	496
(Increase) decrease in taxation	**(413)**	320
Increase (decrease) in profit for the year	**819**	(674)
Attributable to:		
Shareholders of the Company	**789**	(682)
Non-controlling interests	**30**	8
	819	(674)

The cumulative effects of the change in accounting policy described above on the financial positions of the Group at 31 December 2008 and 1 January 2008 are summarised below:

	At 31 December 2008	At 1 January 2008
	RMB'million	RMB'million
Increase in properties held for sale	1,061	581
Decrease in accounts receivable, deposits and prepayments	(229)	(262)
Increase in accounts payable, deposit received and accrued charges	(2,336)	(813)
Decrease in tax liabilities	133	27
Decrease in deferred tax liabilities	382	165
	(989)	(302)
Decrease in reserves	(945)	(250)
Decrease in non-controlling interests	(44)	(52)
	(989)	(302)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New and revised IFRSs affecting the reported results and/or financial position (Continued)

IFRIC 15 Agreements for the Construction of Real Estate (Continued)

The effects of the change in accounting policy on the Group's basic and diluted earnings per share are as follows:

	Year ended 31 December	
	2009	2008
Impact on basic and diluted earnings per share	**RMB**	RMB
Reported figure before adjustments	**0.39**	0.59
Adjustments arising from issuance of bonus shares (note 11)	**–**	(0.05)
Adjustments arising from change in accounting policy	**0.16**	(0.15)
As restated	**0.55**	0.39

IFRSs (Amendments) Improvements to IFRSs issued in 2008

The application of the amendment to IAS 40 Investment Property as part of the Improvements to IFRSs issued in 2008 has affected the accounting for properties under construction or development for future use as investment properties of the Group. The amendment to IAS 40 brings such properties within the scope of IAS 40 which, therefore, shall be accounted for under the fair value model (where the fair value is reliably determinable) in accordance with the Group's accounting policy.

In the past, the leasehold land and building elements of properties under construction or development were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses. The Group has applied the amendment to IAS 40 prospectively from 1 January 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group's properties under construction or development for future use as investment properties that include the leasehold land and building elements with carrying amount of RMB6,246 million and RMB2,411 million, respectively have been classified as investment properties as of 1 January 2009. Investment properties under construction or development of which the fair value can be determined reliably have been measured at their fair values as of 31 December 2009. The fair value of those properties as of 31 December 2009 amounted to RMB6,129 million, with the increase in fair value of RMB277 million being recognised in consolidated income statement for the year ended 31 December 2009. Other investment properties under construction or development of which the fair value cannot be determined reliably have been measured at cost less impairment. The carrying amount of those properties as of 31 December 2009 amounted to RMB5,693 million.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New and revised IFRSs affecting the reported results and/or financial position (Continued)

IFRSs (Amendments) Improvements to IFRSs issued in 2008 (Continued)
In addition, certain associates of the Group are principally engaged in property development. The associates have investment properties under construction or development. The application of the amendment to IAS 40 has resulted in an increase in the Group's share of results of those associates by RMB496 million. The increase is attributable to an increase in fair value of the associates' investment properties under construction or development (net of related tax), of which the Group's share amounting to RMB496 million that has been recognised in the Group's consolidated income statement for the year ended 31 December 2009.

The effects of the changes in accounting policy described above on the financial results for the current year by line items presented in the consolidated income statement are as follows:

	Year ended 31 December 2009 RMB' million
Increase in fair value of investment properties	**277**
Increase in share of results of associates	**496**
Profit before taxation	**773**
Increase in taxation	**(69)**
Increase in profit for the year	**704**
Attributable to:	
Shareholders of the Company	**797**
Non-controlling interests	**(93)**
	704

Other than the above, the adoption of these new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Standards and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued by the IASB but yet to be effective.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008[1]
IFRSs (Amendments)	Improvements to IFRSs 2009[2]
IAS 24 (Revised)	Related Party Disclosures[6]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. IAS 27 (Revised) will affect the accounting treatment on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of the other new and revised IFRSs, IASs and IFRICs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The significant accounting policies adopted are set out as follows:

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policy of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, incomes and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the shareholders of the Company. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Merger accounting for common control combinations
The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of previous reporting period or when they first came under common control, whichever is shorter.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acquisition of additional interest in a subsidiary

When the Group increases its interest in an entity that is already an entity controlled by the Company, goodwill arising on such acquisition represents the difference between the cost of additional interest acquired and the increase in the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities. No revaluation surplus or deficit on revaluation of the identifiable assets, liabilities and contingent liabilities of the subsidiary to current fair value is recognised in the consolidated statement of financial position. The difference between the fair value, representing the amount of consideration less the amount of goodwill, and the carrying amount of the net assets attributable to the additional interest acquired is recognised as a reserve movement. This difference represents the portion of the revaluation difference that arose since the original acquisition date that is attributable to the Group's increased interest in the subsidiary and is released to the consolidated income statement upon the disposal of the assets, disposal of the subsidiary of the assets, which the assets relate, or when the related assets affect profit or loss.

At the date of acquisition, the Group reassesses the identification and measurement of the entity's identifiable assets, liabilities and contingent liabilities. If the Group's additional interest in the net fair value of those items exceeds the cost of the acquisition, any excess remaining after that reassessment, which represents the gain from acquisition, is recognised by the Group immediately in the consolidated income statement.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in consolidated income statement for the period in which they arise.

From 1 January 2009, investment properties under construction or development have been accounted for in the same way as completed investment properties. Specifically, construction costs incurred for investment properties under construction or development are capitalised as part of the carrying amount of the investment properties under construction or development. Investment properties under construction or development are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction or development and their carrying amounts is recognised in consolidated income statement in the period in which they arise. Prior to 1 January 2009, the leasehold land and building elements of investment properties under construction or development were accounted separately; the leasehold land element was accounted for as an operating lease and the building element was measured at cost less impairment losses, if any.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of buildings over their estimated useful lives or where shorter, the terms of leasehold land where the buildings are located, using the straight-line method.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than buildings, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid lease payments
Prepaid lease payments for leasehold land are charged to the consolidated income statement on a straight-line basis over the period of the land use rights.

Properties under development
Prior to 1 January 2009, property that was being constructed or developed for future use as an investment property was included in construction in progress until construction or development was completed, at which time it was reclassified to and subsequently accounted for as an investment property. Any difference between the fair value of the property at that date and its previous carrying amount was recognised in consolidated income statement. Upon the adoption of amendment to IAS 40, that property has been reclassified as an investment property at 1 January 2009 (see note 2).

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets.

Interests in associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which excludes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in jointly controlled entities
Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. Where the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated income statement.

Where a group entity transacts with a jointly controlled entity of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Net realised value is determined based on prevailing market conditions.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from related parties, amounts due from non-controlling shareholders of subsidiaries and bank balances and pledged bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of loans and receivables have been impacted.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becomes probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss of loans and receivables is recognised in consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of the amount due from a jointly controlled entity and trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement. When the amount due from a jointly controlled entity and trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

Financial liabilities and equity

Financial liabilities 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. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes and warrants

At the date of issue, the net proceeds received were assigned to the notes and the warrants according to their fair values. Issue costs are apportioned between the notes and the warrants based on their relative fair value at the date of issue. Notes are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Other financial liabilities

The Group's other financial liabilities (including accounts payable, amounts due to related parties, amounts due to associates, amount due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries, loan from a director and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in consolidated income statement depends on the nature of the hedge relationship. The Group designates certain derivatives as cash flow hedges.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in the consolidated income statement.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges. At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement as part of other income or other expenses. Amounts deferred in equity are recycled in the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the consolidated income statement.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 "Revenue".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

Leasing
Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Taxation
Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in the consolidated income statement, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in the consolidated income statement in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to the consolidated income statement on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of each reporting period, and their incomes and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the exchange reserve.

Equity-settled share-based payment transactions

Share options granted to employees and directors

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in consolidated income statement, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled share-based payment transactions (Continued)

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses immediately, unless the services qualify for recognition as assets. Corresponding adjustment has been made to equity (share option reserve).

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The amount recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Government grants

Government grants are recognised in the consolidated income statement over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable for expenses or losses already incurred are recognised in the consolidated income statement in the period when they become receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from properties developed for sale in the ordinary business is recognised upon delivery of properties to the purchasers pursuant to the sales agreements.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on straight-line basis over the lease term.

Revenue from serviced apartment operation is recognised in the consolidated income statement upon the provision of the services.

Property management, project management and service fees are recognised as revenue in the consolidated income statement on an appropriate basis over the relevant period in which the services are rendered.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts throughout the expected life of the financial asset to that asset's net carrying amount.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the directors of the Company have made the following judgment and key sources of estimation uncertainty at the end of each reporting period. The key assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

Land appreciation tax

The Group is subject to land appreciation tax in the People's Republic of China ("PRC"). However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and the Group has not finalised its land appreciation tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation tax and its related income tax provisions. The Group recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax provisions in the periods in which such tax is finalised with local tax authorities.

5. TURNOVER AND SEGMENTAL INFORMATION

An analysis of the Group's turnover for the year is as follows:

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million (Restated)
Property development:		
Property sales	**6,078**	1,449
Property investment:		
Rental income received from investment properties	**542**	497
Income from serviced apartments	**18**	25
Property management fees	**28**	32
Rental related income	**55**	39
	643	593
Others	**37**	24
	6,758	2,066

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers that are the Directors of the Company, in order to allocate resources to segments and to assess their performance. The application of IFRS 8 has not resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14, and has had no impact on the reported results or financial position of the Group.

For management purposes, the Group's business activities are broadly categorised under two major reportable segments – property development and property investment.

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

Principal activities of the two major reportable segments are as follows:

Property development – development and sale of properties

Property investment – property letting, management and operations of serviced apartments

For the year ended 31 December 2009

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment revenue	6,078	643	37	6,758
Results				
Segment results	2,757	962	8	3,727
Interest income				149
Gain on acquisition of additional equity interests in subsidiaries				6
Share of results of associates				436
Finance costs, net of exchange gain				(89)
Net unallocated expenses				(335)
Profit before taxation				3,894
Taxation				(1,301)
Profit for the year				2,593
Other Information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital additions of completed investment proportites and property, plant and equipment	10	8	32	50
Development costs for properties under construction or development	–	3,548	–	3,548
Development costs for properties under development held for sale	4,205	–	–	4,205
Depreciation of property, plant and equipment	10	27	16	53
Release of prepaid lease payments charged to consolidated income statement	–	1	–	1
Increase in fair value of investment properties	–	536	–	536
Financial Position				
Assets				
Segment assets	13,430	21,639	59	35,128
Interests in associates				862
Loans to associates				1,273
Amounts due from associates				147
Unallocated corporate assets				5,182
Consolidated total assets				42,592
Liabilities				
Segment liabilities	(3,618)	(643)	(1)	(4,262)
Amounts due to associates				(45)
Unallocated corporate liabilities				(15,711)
Consolidated total liabilities				(20,018)

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

For the year ended 31 December 2008 (Restated)

	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment revenue	1,449	593	24	2,066
Results				
Segment results	337	824	14	1,175
Interest income				227
Gains on partial disposals of equity Interests in subsidiaries				1,883
Share of results of associates				44
Finance costs, net of exchange gain				(133)
Net unallocated expenses				(471)
Profit before taxation				2,725
Taxation				(657)
Profit for the year				2,068
Other information				
Amount included in the measure of segment profit or loss or segment assets:				
Capital additions of completed investment proportites and property, plant and equipment	13	148	11	172
Development costs for properties under development and prepaid lease payments	–	2,677	–	2,677
Development costs for properties under development held for sale	4,535	–	–	4,535
Depreciation of property, plant and equipment	25	10	16	51
Release of prepaid lease payments charged to consolidated income statement	–	1	–	1
Loss on disposal of property, plant and equipment	14	–	–	14
Increase in fair value of investment properties	–	382	–	382
Financial position				
Assets				
Segment assets	21,222	9,298	67	30,587
Interests in associates				296
Loans to associates				1,331
Amounts due from associates				450
Unallocated corporate assets				3,251
Consolidated total assets				35,915
Liabilities				
Segment liabilities	(4,431)	(263)	(1)	(4,695)
Unallocated corporate liabilities				(13,045)
Consolidated total liabilities				(17,740)

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates and finance costs. This is the measure reported to the chief operating decision makers for the purpose of resource allocation and performance assessment.

5. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

For the purpose of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than interests in associates, loans to associates, amounts due from associates, amounts due from non-controlling shareholders of subsidiaries, deferred tax assets, amounts due from related parties, pledged bank deposits, bank balances and cash and other unallocated corporate assets; and

– all liabilities are allocated to reportable segments other than amounts due to associates, amounts due to related parties, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries, bank borrowings, tax liabilities, deferred tax liabilities, derivative financial instruments designated as hedging instrument and other unallocated corporate liabilities.

Over 90% of the Group's turnover and contribution to operating profit is attributable to customers in the PRC. Accordingly, no analysis of geographical segment is presented.

No geographical segment information of the Group's assets and liabilities is shown as the Group's assets and liabilities are substantially located in the PRC.

6. OTHER INCOME

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Interest income	**56**	81
Interest income on non-current accounts receivable from sales of properties	**7**	–
Imputed interest income on non-current accounts receivable from sales of properties	**17**	15
Interest income on consideration receivable on partial disposals of equity interests in subsidiaries	**2**	30
Interest income from amounts due from associates	**11**	11
Imputed interest income from loans to associates	**55**	89
Interest income from a fellow subsidiary	**1**	1
Sundry income	**1**	6
Tax refunds from reinvestment of dividends and grants received from local government	**20**	109
	170	342

7. OPERATING PROFIT

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million (Restated)
Operating profit has been arrived at after charging (crediting):		
Auditor's remuneration	**5**	6
Depreciation of property, plant and equipment	**54**	51
Less: Amount capitalised to properties under development	**(1)**	–
	53	51
Release of prepaid lease payments	**1**	130
Less: Amount capitalised to properties under development	**–**	(129)
	1	1
Loss on disposal of property, plant and equipment	**–**	14
Employee benefits expenses		
Directors' emoluments		
Fees	**2**	2
Salaries, bonuses and allowances	**14**	37
Retirement benefit costs	**1**	–
Share-based payment expenses	**(2)**	5
	15	44
Other staff costs		
Salaries, bonuses and allowances	**261**	291
Retirement benefit costs	**34**	25
Share-based payment expenses	**49**	49
	344	365
Total employee benefits expenses	**359**	409
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(78)**	(107)
	281	302
Cost of properties sold recognised as an expense	**3,080**	881
Rental charges under operating leases	**45**	40

8. FINANCE COSTS, NET OF EXCHANGE GAIN

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Interest on bank loans and overdrafts wholly repayable within five years	**507**	468
Interest on amounts due to non-controlling shareholders of subsidiaries wholly repayable within five years (notes 24 and 43(b))	**46**	4
Interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (notes 30 and 43(b))	**56**	88
Interest on loan from a director wholly repayable within five years (notes 31 and 43(b))	**35**	9
Imputed interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (notes 30 and 43(b))	**1**	6
Interest on notes (note 38)	**–**	246
Add: Net interest expenses from interest rate swaps designated as cash flow hedge (note 27(a))	**116**	28
Less: Net interest income from cross currency interest rate swaps designated as cash flow hedge	**–**	(25)
Total interest costs	**761**	824
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(634)**	(618)
	127	206
Loss on change in fair value of early redemption right on notes (note 38)	**–**	13
Fair value change on cross currency interest rate swaps (note 27(b))	**–**	242
Net exchange gain on bank borrowings and other financing activities	**(44)**	(343)
Other finance costs	**6**	15
	89	133

Borrowing costs capitalised during the year ended 31 December 2009 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 8.4% (2008: 9.6%) per annum to expenditure on the qualifying assets.

9. TAXATION

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million (Restated)
PRC Enterprise Income Tax		
Current taxation	**537**	135
Deferred taxation (note 32)		
– Provision for the year	**297**	173
– Overprovision in prior year	**–**	(87)
	297	86
PRC Land Appreciation Tax		
– Provision for the year	**467**	90
– Underprovision in prior year	**–**	346
	467	436
	1,301	657

9. TAXATION (CONTINUED)

No provision for Hong Kong Profits Tax has been made as the income of the Group neither arises in, nor is derived from, Hong Kong.

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 25% (2008: 25%) on the assessable profits of the companies in the Group during the year.

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowings costs and the relevant property development expenditures.

During the year ended 31 December 2008, the Group revised cost allocation for certain public facilities among various property development companies incorporated in the PRC that undertake the development of the various phases of the Shanghai Taipingqiao project. The revised cost allocation, which has been accepted by the relevant local tax bureau in the recent income tax filing, resulted in a change in accounting estimates for the provision in Land Appreciation Tax and, accordingly, an additional provision of RMB346 million (restated) has been made and charged to the consolidated income statement for the year ended 31 December 2008. Consequently, a corresponding reduction in deferred tax liabilities of RMB87 million has been made and credited to the consolidated income statement for the same year.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million (Restated)
Profit before taxation	**3,894**	2,725
PRC Enterprise Income Tax at 25% (2008: 25%)	**974**	681
PRC Land Appreciation Tax	**467**	90
Tax effect of PRC Land Appreciation Tax	**(117)**	(23)
Deferred tax provided for withholding tax on income derived in the PRC	**33**	19
Tax effect of share of results of associates	**(109)**	(11)
Tax effect of expenses not deductible for tax purposes	**74**	230
Tax effect of income not taxable for tax purposes	**(29)**	(662)
Tax effect of tax losses not recognised	**10**	74
Tax effect of of utilisation of tax losses previously not recognised	**(2)**	–
Underprovision of PRC Land Appreciation Tax in prior year	**–**	346
Overprovision of deferred tax in prior year	**–**	(87)
Tax charge for the year	**1,301**	657

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

The emoluments paid or payable to the directors of the Company were as follows:

Name of director	Notes	Fees RMB'000	Salaries and other benefits RMB'000	Performance related incentive payments RMB'000	Retirement benefit costs RMB'000	Share-based payment expenses RMB'000	2009 Total RMB'000	2008 Total RMB'000
Mr. Vincent H.S. Lo		–	–	–	–	–	–	–
Mr. Louis H.W. Wong		–	3,198	911	896	1,564	6,569	16,381
Mr. Daniel Y.K. Wan	(a)	–	2,516	3,312	–	–	5,828	–
Mr. Aloysius T.S. Lee	(b)	–	3,060	822	–	(3,306)	576	13,815
Mr. William T. Addison	(c)	–	–	–	–	–	–	10,782
Sir John R.H. Bond	(d)	308	–	–	–	–	308	271
The Honourable Leung Chun Ying	(e)	264	–	–	–	–	264	271
Dr. Edgar W.K. Cheng	(d)	353	–	–	–	–	353	361
Dr. William K.L. Fung	(d)	374	–	–	–	–	374	361
Professor Gary C. Biddle	(d)	485	–	–	–	–	485	451
Dr. Roger L. McCarthy	(d)	353	–	–	–	–	353	361
Mr. David J. Shaw	(d)	264	–	–	–	–	264	271
Total for 2009		2,401	8,774	5,045	896	(1,742)	15,374	43,325
Total for 2008		2,347	9,504	26,656	285	4,533	43,325	

Notes:
(a) Executive directors appointed during the year
(b) Executive director resigned during the year
(c) Executive director resigned in year 2008
(d) Independent non-executive directors
(e) Non-executive director

Of the five highest paid individuals in the Group, two (2008: three) are executive directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2008: two) individuals are as follows:

	Year ended 31 December	
	2009 RMB'million	2008 RMB'million
Salaries and other benefits	7	7
Performance related incentive payments	4	3
Retirement benefit costs	2	1
Share-based payment expenses	3	5
	16	16

The emoluments of the remaining highest paid employees were within the following bands:

	Year ended 31 December	
	2009 Number of employees	2008 Number of employees
Emolument bands		
HK$5,500,001 – HK$6,000,000	1	–
HK$6,000,001 – HK$6,500,000	1	–
HK$7,000,001 – HK$7,500,000	1	–
HK$8,500,001 – HK$9,000,000	–	2
	3	2

No directors waived any emoluments in the years ended 31 December 2009 and 31 December 2008.

11. DIVIDENDS

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Interim dividend paid in respect of 2009 of HK$0.01 per share (2008: HK$0.07 per share)	**44**	257
Final dividend proposed in respect of 2009 of HK$0.12 per share (2008: HK$0.01 per share)	**530**	37
	574	294

A final dividend for the year ended 31 December 2009 of HK$0.12 (equivalent to RMB0.11) per share, amounting to HK$603 million (equivalent to RMB530 million) in aggregate, was proposed by the Directors and is subject to the approval of the shareholders in the forthcoming annual general meeting. Subject to the approval of the shareholders and the Stock Exchange of Hong Kong Limited, the proposed final dividend will be payable in cash and shareholders will be given the option to elect to receive their final dividend in new, fully paid shares in lieu of all or part of cash.

In October 2009, an interim dividend in respect of 2009 of HK$0.01 (equivalent to RMB0.0088) per share was paid to the shareholders.

In June 2009, a final dividend in respect of 2008 of HK$0.01 (equivalent to RMB0.0088) per share was paid to the shareholders of the Company. In addition, a bonus issue of shares, which represented a total of 418,559,717 ordinary shares, were issued to the shareholders of the Company on the basis of one new share for every ten shares then held. The bonus shares ranked pari passu to the existing ordinary shares.

In October 2008, an interim dividend in respect of 2008 of HK$0.07 (equivalent to RMB0.061) per share was paid to the shareholders.

In June 2008, a final dividend in respect of 2007 of HK$0.10 (equivalent to RMB0.089) per share was paid to the shareholders.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to shareholders of the Company is based on the following data:

Earnings

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million (Restated)
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**2,673**	1,798

12. EARNINGS PER SHARE (CONTINUED)

Number of shares

	Year ended 31 December	
	2009	2008
	'million	'million (Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,823**	4,605
Effect of dilutive potential shares:		
Share options issued by the Company (note a)	**–**	18
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,823**	4,623

	Year ended 31 December	
	2009	2008
		(Restated)
Basic earnings per share (note b)	**RMB0.55**	RMB0.39
	HK$0.63	HK$0.43
Diluted earnings per share (note b)	**RMB0.55**	RMB0.39
	HK$0.63	HK$0.43

Notes:

(a) There are no dilution effects for share options granted as the exercise price of these share options granted were higher than the average market price for 2009 (2008: Other than the share options granted on 3 November 2008, there were no dilution effects for other share options granted as the exercise price of these share options granted were higher than the average market price for 2008).

(b) The Hong Kong dollar figures presented above are shown for reference only and have been arrived at based on the exchange rate of RMB1.000 to HK$1.135 for 2009 and RMB1.000 to HK$1.108 for 2008, being the average exchange rates that prevailed during the respective years.

13. INVESTMENT PROPERTIES

	2009			2008
	Completed investment properties	**Investment properties under construction or development**	**Total**	Completed investment properties
	RMB'million	**RMB'million**	**RMB'million**	RMB'million
At beginning of the year	**8,466**	**–**	**8,466**	7,994
Reclassified from prepaid lease payments and properties under development (notes 15 and 16)	**–**	**8,657**	**8,657**	–
Acquisition of subsidiaries (note 34)	**–**	**–**	**–**	48
Additions	**3**	**3,548**	**3,551**	8
Transfer upon completion	**660**	**(660)**	**–**	–
Transfer from prepaid lease payments and properties under development upon completion (notes 15 and 16)	**–**	**–**	**–**	34
Transfer from property, plant and equipment	**13**	**–**	**13**	–
Transfer to property, plant and equipment	**(17)**	**–**	**(17)**	–
Increase in fair value recognised in the consolidated income statement	**259**	**277**	**536**	382
At end of the year	**9,384**	**11,822**	**21,206**	8,466
Stated at fair value	**9,384**	**6,129**	**15,513**	8,466
Stated at cost	**–**	**5,693**	**5,693**	–

13. INVESTMENT PROPERTIES (CONTINUED)

The investment properties are all situated in the PRC under long/medium-term leases. All the completed investment properties are rented out under operating leases.

In circumstances where the fair value of an investment property under construction or development is not reliably determinable but the fair value of the property is expected to be reliably determinable when construction is completed, such investment properties under construction or development are measured at cost using the cost model in IAS 16 until either its fair value becomes reliably determinable or construction is completed, whichever is the earlier.

The fair values of the Group's investment properties at 31 December 2009 and 31 December 2008 have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected to the Group.

For completed investment properties, the valuations have been arrived at using the capitalisation of net income method of valuation, based on the present value of the income to be derived from the properties. For the properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term.

For investment properties under construction or development, the valuations have been arrived at adopting direct comparison approach with reference to comparable transactions in the locality and assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The valuations have also taken into account the relevant future cost of development, including construction costs, finance costs, professional fees and developer's profit, which duly reflect the risks associated with the development of the properties.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'million	Furniture, fixtures, equipment and motor vehicles RMB'million	Total RMB'million
At cost			
At 1 January 2008	199	136	335
Acquisition of subsidiaries (note 34)	59	1	60
Transfer from properties under development	35	–	35
Additions	–	56	56
Disposals	(9)	(16)	(25)
At 31 December 2008	284	177	461
Transfer from properties under development	**16**	**–**	**16**
Transfer from investment properties	**17**	**–**	**17**
Transfer to investment properties	**(13)**	**–**	**(13)**
Additions	**–**	**47**	**47**
Disposals	**–**	**(3)**	**(3)**
At 31 December 2009	**304**	**221**	**525**
Accumulated depreciation			
At 1 January 2008	30	45	75
Charge for the year	10	41	51
Eliminated on disposals	(6)	(2)	(8)
At 31 December 2008	34	84	118
Charge for the year	**7**	**47**	**54**
Eliminated on disposals	**–**	**(3)**	**(3)**
At 31 December 2009	**41**	**128**	**169**
Carrying values			
At 31 December 2009	**263**	**93**	**356**
At 31 December 2008	250	93	343
At 1 January 2008	169	91	260

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The owner-occupied leasehold land and buildings amounted to RMB55 million (2008: RMB57 million) at the end of reporting period are included in property, plant and equipment, as in the opinion of the Directors, allocations between the land and buildings elements could not be made reliably.

The land and buildings are all situated in the PRC and are depreciated using the straight-line method over their estimated useful lives of 50 years or, where shorter, the terms of leasehold land where the buildings are located.

Furniture, fixtures, equipment and motor vehicles are depreciated using the straight-line method after taking into account of their estimated residual values over their estimated useful lives of 3 to 5 years.

15. PREPAID LEASE PAYMENTS

	31 December 2009	31 December 2008
	RMB'million	RMB'million
At beginning of the year	**6,290**	4,325
Reclassified to investment properties (note 13)	**(6,246)**	–
Additions	**–**	2,105
Transfer to investment properties (note 13)	**–**	(10)
Release for the year (note 7)	**(1)**	(130)
At end of the year	**43**	6,290

The cost of prepaid lease payments represents the amount paid to the government of the PRC with lease terms ranging from 40 to 70 years.

16. PROPERTIES UNDER DEVELOPMENT

	Non-current		Current	
	2009	2008	**2009**	2008
	RMB'million	RMB'million	**RMB'million**	RMB'million
At cost				
At beginning of the year	**2,411**	1,734	**7,786**	6,281
Reclassified to investment properties (note 13)	**(2,411)**	–	**–**	–
Additions	**–**	572	**4,205**	4,535
Release of prepaid lease payments capitalised to properties under development (note 7)	**–**	129	**–**	–
Transfer to investment properties (note 13)	**–**	(24)	**–**	–
Transfer to properties held for sale	**–**	–	**(443)**	(2,995)
Transfer to property, plant and equipment	**–**	–	**(16)**	(35)
At end of the year	**–**	2,411	**11,532**	7,786

The properties under development are all situated in the PRC.

Included in the current portion of properties under development as at 31 December 2009 is carrying value of RMB9,322 million (2008: RMB7,099 million) which represents the carrying value of the properties expected to be completed and available for sale after more than twelve months from the end of the reporting period.

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES/ AMOUNTS DUE TO ASSOCIATES

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Cost of investments, unlisted	**357**	227	59
Share of post-acquisition profits	**505**	69	26
	862	296	85
Loans to associates	**1,273**	1,331	981
Amounts due from associates	**147**	450	12
Amounts due to associates	**45**	–	–

The summarised financial information in respect of the Group's associates is set out below:

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Total assets	**6,716**	4,875
Total liabilities	**(4,568)**	(3,972)
Net assets	**2,148**	903
Group's share of net assets of associates	**862**	296

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Revenue	**–**	–
Profit for the year	**708**	71
Group's share of results of associates for the year	**436**	44

17. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES/ AMOUNTS DUE TO ASSOCIATES (CONTINUED)

Particulars of the Group's principal associates at 31 December 2009 and 2008 are as follows:

Name of associate	Form of legal entity	Proportion of nominal value of issued ordinary share capital/ registered capital held by the Group	Place of incorporation/ registration and operations	Principal activities
Richcoast Group Limited ("Richcoast") (note)	Sino-Foreign Joint Venture	61.54%	British Virgin Islands ("BVI")	Investment holding
Dalian Qiantong Science & Technology Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Ruisheng Software Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Delan Software Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Jiadao Science & Technology Development Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Fazhan Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development
Dalian Software Park Shuion Kaifa Co., Ltd.	Sino-Foreign Joint Venture	48%	PRC	Software park development

Note:
The Group does not have control over Richcoast because the Group has the power to appoint only 4 out of the 10 directors of that company.

Pursuant to the Joint Venture Agreement dated 25 May 2007 entered into among Innovate Zone Group Limited ("Innovate Zone"), an indirect subsidiary of the Company, Main Zone Group Limited ("Main Zone"), a direct wholly-owned subsidiary of Shui On Construction and Materials Limited (an associate of Shui On Company Limited "SOCL", a substantial shareholder of the Company) and Many Gain International Limited ("Many Gain"), and independent third party, whereby the parties agreed to form a joint venture company, Richcoast, which is owned 61.54%, 28.20% and 10.26% by Innovate Zone, Main Zone, and Many Gain, respectively, for the development and operation of Dalian Tiandi project in Dalin, the PRC.

Loans to associates represent the loans to subsidiaries of Richcoast for financing the development of Dalian Tiandi project. Pursuant to the Joint Venture Agreement,the loans are unsecured, interest free and with no fixed terms of repayment until Many Gain has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rate of 7.3% (2008: 9.6%) per annum.

The amounts due from associates are unsecured, interest bearing at 5.8% (2008: 5.8%) per annum and repayable on demand.

The amounts due to associates are unsecured, interest free and repayable on demand.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY/AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Cost of investment, unlisted	**–**	–	–
Share of post-acquisition losses	**–**	–	–
	–	–	–
Amount due from a jointly controlled entity	**11**	11	11
Less: Allowance	**(11)**	(11)	(11)
	–	–	–

Particulars of the Group's jointly controlled entity at 31 December 2009 and 2008 are as follows:

Name of jointly controlled entity	Form of legal entity	Proportion of nominal value of issued ordinary share capital held by the Group	Place of incorporation and operation	Principal activity
Crystal Jade Food and Beverage (Hangzhou) Limited	Limited liability company	50%	Hong Kong	Investment holding

The amount due from a jointly controlled entity is unsecured, interest free and repayable on demand.

19. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Non-current accounts receivable comprise:			
Receivables from sales of properties (note a)	**–**	283	272
Deferred rental receivables	**59**	46	40
	59	329	312

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million (Restated)	RMB'million (Restated)
Current accounts receivable comprise:			
Trade receivables (note a)	**186**	34	78
Less: allowance for bad and doubtful debts	**–**	–	(9)
	186	34	69
Consideration receivable on partial disposals of equity interests in subsidiaries (note b)	**–**	339	1,136
Prepayments of relocation costs (note c)	**483**	474	558
Deposit for land acquisition	**–**	–	1,200
Other deposits, prepayments and receivables	**264**	94	252
	933	941	3,215

19. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (CONTINUED)

Trade receivables comprise:

(i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sale and purchase agreements; and

(ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants.

The following is an aged analysis of trade receivables (net of allowance for bad and doubtful debts) at the end of each reporting period:

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million (Restated)	RMB'million (Restated)
Not yet due	**172**	25	22
Within 30 days	**5**	6	4
31 – 60 days	**3**	–	23
61 – 90 days	**2**	–	1
Over 90 days	**4**	3	19
	186	34	69

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB14 million (2008 restated: RMB9 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

Ageing of trade receivables which are past due but not impaired:

	31 December 2009	31 December 2008
	RMB'million	RMB'million (Restated)
Within 30 days	**5**	6
31 – 60 days	**3**	–
61 – 90 days	**2**	–
Over 90 days	**4**	3
	14	9

The Group's management has considered that no allowance for bad and doubtful debts is required as the Group has collected rental deposits from the tenants to secure any potential loss from uncollectible debts.

19. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (CONTINUED)

Movement in the allowance for bad and doubtful debts:

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Balance at beginning of the year	**–**	9
Impairment losses recognised on trade receivables	**–**	–
Amounts written off as uncollectible	**–**	(9)
Balance at end of the year	**–**	–

Notes:

(a) The amounts are unsecured and repayable on or before 31 December 2010.

	31 December 2009	31 December 2008
	RMB' million	RMB' million
Non-current accounts receivables		
Interest free (note (i))	–	162
Interest bearing (note (ii))	–	121
	–	283
Current accounts receivables		
Interest free	63	34
Interest bearing (note (ii))	123	–
	186	34

(i) These receivables were carried at amortised cost at effective interest rate of 8% per annum and were early settled in full during the year 2009.

(ii) These receivables are interest bearing as followings:

- the whole amount is interest free from 1 January 2007 to 31 December 2007;
- half of the amount is interest free and the remaining amount bears interest at 5% per annum from 1 January 2008 to 31 December 2008;
- the whole amount bears interest at simple interest rate of 6% per annum from 1 January 2009 to 31 December 2009;
- the full amount bears interest at simple interest rate of 8% per annum from 1 January 2010 to 31 December 2010

These receivable are carried at amortised cost at effective interest rate of 8% (2008: 8%) per annum.

(b) The balance at 31 December 2008 represents the consideration receivable on partial disposals of equity interests in Foresight Profits Limited and Rightchina Limited. These amounts were unsecured, interest bearing at People's Bank of China one-year borrowing rate and were fully settled during the year ended 31 December 2009.

(c) The balance represents the amounts that will be capitalised to properties under development for sale in accordance with the Group's normal operating cycle, and not expected to be realised within twelve months from the end of the reporting period.

20. PLEDGED BANK DEPOSITS/BANK BALANCES

Pledged bank deposits represents deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to RMB1,222 million (2008: RMB694 million) have been pledged to secure long-term bank loans and are therefore classified as non-current assets.

Bank balances carry interest at market rates which range from 0.4% to 1.4% (2008: 0.4% to 1.7%) per annum. The pledged bank deposits carry interest at fixed rates ranging from 0.4% to 1.4% (2008: 0.4% to 4.7%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

21. PROPERTIES HELD FOR SALE

The Group's properties held for sale are situated in the PRC. All the properties held for sale are stated at cost.

22. LOANS RECEIVABLE

The loans are denominated in RMB, unsecured, fixed interest bearing ranging from 5.9 % to 7.5 % (2008: 5.9% to 7.5%) per annum and repayable on or before 24 June 2010.

23. AMOUNTS DUE FROM/TO RELATED PARTIES

Particulars of the amounts due from/to related parties are as follows:

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Amounts due from:			
– shareholders	**–**	–	1
– fellow subsidiaries	**–**	62	40
– related companies (note)	**73**	–	3
Amounts due from related parties	**73**	62	44
Amounts due to:			
– shareholders	**–**	1	17
– fellow subsidiaries	**–**	32	22
– related companies (note)	**69**	–	–
Amounts due to related parties	**69**	33	39

Note:
Related companies are subsidiaries or associates of SOCL.

The amounts are unsecured, interest free and repayable on demand.

24. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

Particulars of the amounts due from/to non-controlling shareholders of subsidiaries are as follows:

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Amounts due from non-controlling shareholders of subsidiaries			
Interest free	**17**	176	6
Amounts due to non-controlling shareholders of subsidiaries			
Interest free	**191**	172	792
Interest bearing at 5 % per annum	**84**	84	84
Interest bearing at 7.6 % per annum	**200**	–	–
Interest bearing at 8 % per annum	**–**	502	–
	475	758	876

The amounts due from/to non-controlling shareholders of subsidiaries are unsecured and repayable on demand.

25. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million (Restated)	RMB'million (Restated)
Trade payables aged analysis:			
Not yet due	**1,138**	691	495
Within 30 days	**5**	85	288
31 – 60 days	**6**	9	–
61 – 90 days	**2**	1	1
Over 90 days	**–**	4	1
	1,151	790	785
Retention payables (note)	**128**	120	78
Deed tax, business tax and other tax payables	**442**	678	498
Deposits received and receipt in advance from property sales	**2,235**	2,480	909
Deposits received and receipt in advance in respect of rental of investment properties	**174**	156	142
Accrued charges	**175**	194	169
	4,305	4,418	2,581

Note:
Retention payables are expected to be paid upon the expiry of the retention periods according to the respective contracts.

26. BANK BORROWINGS

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Repayable within a period of			
– Not more than 1 year or on demand	**2,098**	1,953	1,514
– More than 1 year, but not exceeding 2 years	**934**	1,550	586
– More than 2 years, but not exceeding 5 years	**6,684**	4,346	2,149
– More than 5 years	**487**	349	156
	10,203	8,198	4,405
Less: Amount due within one year shown under current liabilities	**(2,098)**	(1,953)	(1,514)
Amount due after one year	**8,105**	6,245	2,891

26. BANK BORROWINGS (CONTINUED)

The carrying amount of the Group's bank loans is analysed as follows:

Denominated in	Interest rate	**31 December 2009** **RMB'million**	31 December 2008 RMB'million
RMB	95% to 115 % (2008: 90% to 110%) of People's Bank of China ("PBOC") Prescribed Interest Rate	**3,595**	1,794
Hong Kong dollars	Hong Kong Interbank Offered Rates ("HIBOR") plus 2 % to 4.5 % (2008: HIBOR plus 0.85% to 4.5%)	**6,349**	5,654
United States dollars	London Interbank Offered Rates ("LIBOR") plus 0 % to 2.5 % (2008: LIBOR plus 6% to 10%)	**259**	750
		10,203	8,198

As of 31 December 2009, the weighted average effective interest rate on the bank loans was 4.1% (2008: 6.0%), and is further analysed as follows:

	31 December 2009	31 December 2008
Denominated in RMB	**5.7%**	5.5%
Denominated in Hong Kong dollars	**3.3%**	5.5%
Denominated in United States dollars	**2.8%**	10.8%

The bank loans as at the end of the reporting period were secured by the pledge of assets as set out in note 39.

27. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

The derivative financial instruments are measured at fair value at the end of the reporting period. The fair value is determined based on valuation provided by the counterparty financial institution.

(a) Interest rate swaps

At 31 December 2009 and 2008, the Group has outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations. Under these swaps, the Group would receive interests at variable rates at HIBOR and pay interest at fixed rates ranging from 3.32% to 3.58% based on the notional amounts of HK$4,581 million in aggregate. The Group designated the interest rate swaps as hedges against the variability of interest payments of certain bank borrowings of the Group amounting to HK$4,581 million which bear variable interest rates at HIBOR plus spread ranging from 2.75% to 2.90% and mature on or before March 2013. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings.

During the year ended 31 December 2009, fair value gain arising from the interest rate swaps of RMB45 million (2008: RMB136 million) was deferred in equity as hedge reserve, which is expected to be recognised in the consolidated income statement at various dates upon the interest payments of the related bank borrowings are expected to settle.

27. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS (CONTINUED)

(b) Cross currency interest rate swaps

At 1 January 2008, the Group had outstanding cross currency interest rate swaps to receive interest at a fixed rate of 8.5% per annum based on a notional amount of US$375 million, pay interest at a fixed rate of 5.2% per annum based on the notional amount of RMB2,931 million and to exchange the principal at maturity to receive US$375 million and pay RMB2,931 million. The Group had designated the cross currency interest rate swaps as hedging instruments against the variability of cash flows arising from the fluctuation of currency in relation to the notes issued by the Group. The terms of the cross currency interest rate swaps had been negotiated to match the terms of the notes.

In April 2008, the cross currency interest rate swaps were early terminated. The fair value loss arising from the cross currency interest rate swaps of RMB158 million had been initially dealt with in the hedge reserve; an amount of RMB104 million was recognised in the consolidated income statement in line with the corresponding exchange gain recognised in respect of the notes liability designated as the hedge item. The residual balance of the hedge reserve amounting to RMB138 million was recognised in the consolidated income statement upon the maturity of the notes in October 2008.

28. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares of US$0.0025 each				
At 1 January 2008 and 31 December 2008	12,000,000,000	30,000	4,185,597,171	10,464
Issue of bonus shares (note 11)	–	–	**418,559,717**	**1,046**
Issue of new shares	–	–	**418,500,000**	**1,046**
At 31 December 2009	**12,000,000,000**	**30,000**	**5,022,656,888**	**12,556**

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Shown in the consolidated statement of financial position as	**99**	84	84

In June 2009, 418,500,000 new ordinary shares were issued to independent third parties at the price of HK$4.87 per share. The gross proceeds from the new issue were approximately HK$2,038 million (equivalent to RMB1,797 million). The new ordinary shares rank pari passu to the existing ordinary shares.

The issue price of HK$4.87 per share, representing a discount of approximately 7% to the closing price of HK$5.24 per share of the Company on 10 June 2009. The Directors consider that the terms of the new issue are on normal commercial terms and are fair and reasonable based on the then market conditions and the new issue is in the interests of the Company and the Shareholders as a whole.

29. OTHER RESERVES

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed non-controlling shareholders exchanged upon the group reorganisation in 2004; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a non-controlling shareholder upon the group reorganisation in 2004.

(b) Special reserve

Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interests in the subsidiaries being acquired from non-controlling shareholders, which will be recognised in the consolidated income statement upon the earlier of the disposal of the assets, disposal of the subsidiary of the assets which the assets relate, or when the related assets affect profit or loss.

During the year ended 31 December 2009, an amount of RMB205 million (2008 restated: RMB50 million) was released to the consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates. In addition, an amount of RMB91 million (2008: nil) was released to the consolidated income statement upon recognition of fair value changes of the related assets.

During the year ended 31 December 2008, an amount of RMB17 million was released to the consolidated income statement upon the partial disposal of equity interests in subsidiaries (Note 35(b)).

(c) Other reserve comprises:

(i) an amount of RMB483 million represents payable waived in 2004 by Shui On Investment Company Limited, a subsidiary of SOCL, in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of Shui On Investment Company Limited, and recharged to certain subsidiaries of the Company;

(ii) capital contribution of RMB21 million arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a non-controlling shareholder of a subsidiary in 2005, as set out in note 30(a); and

(iii) non-distributable reserve of RMB99 million arising from the capitalisation of retained profits as registered capital of a subsidiary in the PRC in 2006.

30. LOANS FROM NON-CONTROLLING INTERESTS OF SUBSIDIARIES

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Non-current	**670**	670	93
Current	**442**	199	100
	1,112	869	193

The carrying amount of the loans from non-controlling shareholders of subsidiaries is analysed as follows:

		31 December 2009	31 December 2008
Denominated in	Interest rate per annum	**RMB'million**	RMB'million
RMB	Interest free (Note a)	**–**	199
United States dollars	Interest free (Note b)	**442**	–
United States dollars	8.4% (2008: 8.4%) (Note c)	**670**	670
		1,112	869

Notes:

(a) The amount at 31 December 2008 was unsecured and repayable on demand. The amount was carried at amortised cost at effective rate of 5.3% per annum.

(b) The loan is unsecured and repayable on demand.

(c) The loan is unsecured and not repayable in the next twelve months from the end of the reporting period.

31. LOAN FROM A DIRECTOR

The loan was denominated in United States dollars, unsecured, interest bearing at London Interbank Offered Rate plus 8% and had no fixed terms of repayment. The loan was fully repaid during the year 2009.

32. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Revaluation of investment properties	Tax losses	Recognition of sales and related cost of sales	Withholding tax on income derived in the PRC	Others	Total
	RMB'million	RMB'million	RMB'million	RMB' million	RMB' million	RMB' million	RMB' million
At 1 January 2008	142	1,034	(24)	146	–	(26)	1,272
Effect of retrospective adoption of IFRIC 15	–	–	–	(165)	–	–	(165)
At 1 January 2008 as restated	142	1,034	(24)	(19)	–	(26)	1,107
Overprovision in prior year	–	–	–	–	–	(87)	(87)
Transfer from current tax liabilities	563	–	–	–	–	–	563
Charge (credit) to consolidated income statement	78	96	(7)	(21)	19	8	173
At 31 December 2008	783	1,130	(31)	(40)	19	(105)	1,756
Charge (credit) to consolidated income statement	**130**	**134**	**(9)**	**(29)**	**33**	**38**	**297**
At 31 December 2009	**913**	**1,264**	**(40)**	**(69)**	**52**	**(67)**	**2,053**

32. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

For the purposes of presentation of the consolidated statement of financial position, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million (Restated)	RMB'million (Restated)
Deferred tax assets	**(139)**	(146)	(124)
Deferred tax liabilities	**2,192**	1,902	1,231
	2,053	1,756	1,107

At the end of the reporting period, the Group had unused tax losses of RMB633 million (2008: RMB554 million) available to offset against future profits. A deferred tax asset has been recognised in respect of such tax losses amounting to RMB160 million (2008: RMB126 million). No deferred tax asset has been recognised in respect of the remaining tax losses of RMB473 million (2008: RMB428 million) due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

	31 December 2009	31 December 2008
	RMB'million	RMB'million
2009	**–**	15
2010	**46**	50
2011	**45**	35
2012	**73**	68
2013	**268**	260
2014	**41**	–
	473	428

33. ACQUISITION OF ADDITIONAL EQUITY INTERESTS IN SUBSIDIARIES

On 29 July 2009, the Group entered into a sale and purchase agreement with the non-controlling shareholders of Globe State Properties Limited ("Globe State"), an indirect 70% owned subsidiary of the Company, to acquire their entire interests in Globe State, being 30% equity interests in the issued share capital of Globe State, together with an amount due by Globe State to the non-controlling shareholders of RMB56 million, for a total cash consideration of RMB100 million. One third of the consideration was paid in July 2009, and the remaining two-thirds of the consideration was paid in December 2009 upon the completion of the sale and purchase agreement.

A gain of RMB6 million arose from the above acquisition, representing the excess of the Group's share of additional interest in the fair value of the net assets of Globe State attributable to the acquisition over the cost of the acquisition, has been recognised in the consolidated income for the year ended 31 December 2009.

34. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of entire equity interest in Silomax Limited

Pursuant to a sale and purchase agreement dated 26 February 2008 entered into between Foresight Profits Limited ("Foresight"), an indirect then wholly-owned subsidiary of the Company, as purchaser and Smithton Limited ("Smithton"), an indirect wholly-owned subsidiary of SOCL, as seller, Foresight agreed to acquire from Smithton its entire investment in the issued capital of Silomax Limited ("Silomax") and the loan owed by Silomax to Smithton in the amount of approximately HK$147 million (equivalent to RMB138 million) for a consideration of approximately HK$154 million (equivalent to RMB145 million). Silomax is the indirect owner of the project company holding Shanghai Rui Hong Xin Cheng Phase I.

The transaction was accounted for as purchase of assets and liabilities rather than as business combination as the subsidiaries acquired are investment and property holding companies with no business concerns.

(b) Acquisition of 50% equity interest in Feng Cheng Property Management Service Limited

Pursuant to a sale and purchase agreement dated 2 October 2008 entered into between Billion World Limited ("Billion World"), an indirect then wholly-owned subsidiary of the Company, as purchaser and Synergis Property & Facility Management (China) Limited ("Synergis") as seller, Billion World agreed to acquire from Synergis its entire investment in the issued capital of Feng Cheng Property Management Service Limited ("Feng Cheng", previously known as Synergis Shui On Management Services (Shanghai) Limited), together with a loan due by Feng Cheng to Synergis of RMB2 million, for an aggregate consideration of HK$6 million (equivalent to RMB5 million). Since then, Feng Cheng has become an indirect wholly-owned subsidiary of the Company.

Prior to the aforesaid acquisition, Feng Cheng was an associate of the Group, as the Group held a 50% equity interest in Feng Cheng and was able to exercise significant influence over Feng Cheng because the Group had the power to appoint 2 out of the 5 directors of Feng Cheng.

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The net assets acquired in the above transactions were as follows:

	Acquisition of Silomax	Acquisition of Feng Cheng	Total
	RMB'million	RMB'million	RMB'million
Net assets acquired:			
Investment properties	48	–	48
Property, plant and equipment	60	–	60
Properties held for sale	1	–	1
Amounts due from related companies	23	–	23
Accounts receivable, deposits and prepayments	2	2	4
Bank balances and cash	14	5	19
Loan from Smithton	(138)	–	(138)
Amounts due to related companies	–	(3)	(3)
Other payables and accrued charges	(3)	(1)	(4)
	7	3	10
Assignment of loan from Silomax	138	–	138
Assignment of loan from Synergis	–	2	2
Net assets acquired	145	5	150
Total consideration satisfied by:			
Cash	114	5	119
Other payable (note)	31	–	31
	145	5	150
Net cash outflow arising on acquisition:			
Bank balances and cash acquired	14	5	19
Cash consideration paid	(114)	(5)	(119)
	(100)	–	(100)

Note:
The amount is unsecured, interest free and repayable on demand.

Pursuant to the sales and purchase agreement, all profits or losses of Silomax and its subsidiaries arising on or after 31 December 2007 shall be attributable to the Group. During the year ended 31 December 2008, Silomax and its subsidiaries contributed turnover and profit of RMB7 million and RMB5 million to the Group, respectively.

35. PARTIAL DISPOSALS OF EQUITY INTERESTS IN SUBSIDIARIES

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Gain on partial disposals of equity interests whilst retaining control of subsidiaries:		
– 25% of the issued share capital of Rightchina Limited (note a)	–	1,021
– 25% of the issued share capital of Foresight Profits Limited (note b)	–	862
	–	1,883

(a) Disposal of 25% of the issued share capital of Rightchina Limited

Pursuant to a sale and purchase agreement dated 21 August 2008, as amended by a supplemental agreement dated 29 August 2008, entered into between Score High Limited ("Score High"), an indirectly held subsidiary in which the Group has an 80.2% equity interest, as seller and Winnington Capital Limited ("WCL", a non-controlling shareholder who holds a 19.8% equity interest in Score High) as purchaser, Score High agreed to sell to WCL 25% of the issued share capital of Rightchina Limited ("Rightchina"), a then wholly-owned subsidiary of Score High, at a consideration of RMB1,021 million in cash.

The first and second instalments with aggregate sum of RMB817 million were received by the Group during the year ended 31 December 2008. The third instalment in the sum of RMB204 million, which bore interest at the PBOC Prescribed Interest Rate, was received on 31 March 2009.

A gain of RMB1,021 million which arose from the above partial disposal has been recognised in the consolidated income statement for the year ended 31 December 2008.

Pursuant to this sale and purchase agreement, Score High also granted a call option to WCL for the acquisition of a further 25% of the issued share capital of Rightchina and the assignment to WCL the related shareholders' loans, at an exercise price of RMB1,072 million plus an amount equivalent to the shareholders' loans. This call option was exercisable during the period commencing from 1 December 2008 to 31 December 2008 and the call option was not exercised during that period. On 6 January 2009, Score High entered into a supplemental deed with WCL and extended the exercisable period to 30 April 2009. The call option was not exercised during these periods.

(b) Disposal of 25% of the issued share capital of Foresight Profits Limited

Pursuant to a sale and purchase agreement dated 19 May 2008 entered into between Shui On Development (Holding) Limited ("SOD"), a wholly owned subsidiary of the Company, as seller and WCL as purchaser, SOD agreed to sell to WCL 25% of the issued share capital of Foresight, a then wholly owned subsidiary of SOD, at a consideration of RMB1,125 million in cash. The first instalment in the sum of RMB990 million was received by the Group in June 2008 upon the completion of the transaction. The second instalment in the sum of RMB135 million, which bore interest at the PBOC Prescribed Interest Rate, was received in March 2009.

A gain of RMB862 million which arose from the above partial disposal has been recognised in the consolidated income statement for the year ended 31 December 2008.

Pursuant to this sale and purchase agreement, SOD also granted a call option to WCL for the acquisition of a further 24% of the issued share capital of Foresight at an exercise price of RMB1,134 million. This call option was exercisable during the period commencing from 1 December 2008 to 31 December 2008 and the call option was not exercised during that period. On 6 January 2009, SOD entered into a supplemental deed with WCL and extended the exercisable period to 30 April 2009. The call option was not exercised during these periods.

36. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

At 31 December 2009, 166,375,605 share options (2008: 262,727,583 share options) remained outstanding under the Scheme, representing 3.3% (2008: 6.3%) of the shares of the Company in issue at that date. The Scheme allows the Board of Directors, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable.

On 4 September 2009, an aggregate of 79,937,500 options granted on 3 November 2008 with exercise price of HK$1.60 were being replaced with an aggregate of 23,728,888 options at exercise price of HK$4.90. Other than the increase in exercise price and reduction in the number of options, the vesting period and other terms of these options remained unchanged.

The increase in exercise price and reduction in number of options did not increase the fair value of the share-based payment arrangement. Details of the replacement options are as follows:

Date of grant of replacement options	Exercise price HK$	Closing share price at date of replacement HK$	Weighted average estimated fair value at date of replacement HK$	Number of share options granted
4 September 2009	**4.90**	**4.90**	**2.04**	**23,728,888**

The options granted on 4 September 2009 were identified, on the date they were granted, as replacement options for the cancelled original options with exercise price of HK$1.60. The grant of replacement options would not have occured without the cancellation of the original options with exercise price of HK$1.60 and vice versa. Accordingly, the replacement is accounted for as a modification to the terms and conditions on which the original options were granted.

These fair values of the share options of the Company immediately before and after modification on 4 September 2009 were calculated using the Binomial model. The inputs into the model were as follows:

	Before modification	After modification
Expected volatility	**50%**	**50%**
Expected life	**6.16 to 8.16 years**	**6.16 to 8.16 years**
Risk-free rate	**1.86%**	**1.86%**
Expected dividend yield	**2.0%**	**2.0%**

The risk-free interest rates are taken to be the linearly interpolated yields of the Hong Kong Exchange Fund Notes at the grant date. Expected volatility for the replacement grant during the year ended 31 December 2009 was determined with reference to the movement of the Company's and comparators' share prices over the last 6 years before the date of grant.

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Other than the replacement of options as mentioned above, no share options were granted during the year ended 31 December 2009. Details of the share options granted during the year end 31 December 2008 were as follows:

Date of grant	Exercise price HK$	Closing share price at date of grant HK$	Weighted average estimated fair value at date of grant HK$	Number of share options granted
2 January 2008	8.97	8.90	3.35	3,725,183
1 February 2008	8.05	8.05	2.93	2,419,238
3 March 2008	7.68	7.68	2.80	813,794
2 May 2008	7.93	7.93	2.91	9,722,499
2 June 2008	7.34	7.34	2.75	15,905,938
2 July 2008	6.46	6.30	2.39	1,784,027
3 November 2008	1.60	1.60	0.65	100,250,000
				134,620,679

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2008
Expected volatility	40% to 45%
Expected life	4.57 to 8.79 years
Risk-free rate	1.90% to 3.51%
Expected dividend yield	2.0%

The risk-free interest rates are taken to be the linearly interpolated yields of the Hong Kong Exchange Fund Notes at the grant date. Expected volatility for the share options granted grant during the year ended 31 December 2008 was determined by using the volatility of the listed companies in the same industry over the previous 7 years.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

HK$1.00 is payable by each eligible participant to the Company on acceptance of an offer of options, to be paid within 1 month from the date of the offer.

The vesting period and the exercisable period of the share options granted to eligible employees and directors are as follows:

	Vesting period	Exercisable period
The first 1/7 of the grant:	From date of grant to the 2nd anniversary	From the 2nd to the 7th anniversary to the date of grant
The second 1/7 of the grant:	From date of grant to the 3rd anniversary	From the 3rd to the 8th anniversary to the date of grant
The third 1/7 of the grant:	From date of grant to the 4th anniversary	From the 4th to the 9th anniversary to the date of grant
The fourth 1/7 of the grant:	From date of grant to the 5th anniversary	From the 5th to the 9th anniversary to the date of grant
The fifth 1/7 of the grant:	From date of grant to the 6th anniversary	From the 6th to the 9th anniversary to the date of grant
The sixth 1/7 of the grant:	From date of grant to the 7th anniversary	From the 7th to the 9th anniversary to the date of grant
The last 1/7 of the grant:	From date of grant to the 8th anniversary	From the 8th to the 9th anniversary to the date of grant

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The vesting period and the exercisable period of the share options granted to a consultant are as follows:

	Vesting period	**Exercisable period**
The first 1/5 of the grant:	Unconditional and fully vested at the date of grant	Before the 5th anniversary to the date of grant
The second 1/5 of the grant:	From date of grant to the 1st anniversary	Before the 6th anniversary to the date of grant
The third 1/5 of the grant:	From date of grant to the 2nd anniversary	Before the 7th anniversary to the date of grant
The fourth 1/5 of the grant:	From date of grant to the 3rd anniversary	Before the 8th anniversary to the date of grant
The last 1/5 of the grant:	From date of grant to the 4th anniversary	Before the 9th anniversary to the date of grant

The share options granted to independent non-executive directors, a non-executive director and a consultant are unconditional and fully vested at the date of grant and exercisable on or before the 5th anniversary to the date of grant.

The Group recognised the total expense of RMB47 million (2008: RMB54 million) in the consolidated income statement in relation to share options granted by the Company.

During the years ended 31 December 2009 and 2008, none of the share options were exercised.

The movement in the Company's share options is set out below:

		Number of options				
Date of grant	**Exercise price HK$**	**At 1 January 2009**	**Granted during the year**	**Replacement during the year**	**Lapsed during the year**	**At 31 December 2009**
20 June 2007	**7.00**	**118,747,544**	**–**	**–**	**(12,115,446)**	**106,632,098**
1 August 2007	**8.18**	**1,371,013**	**–**	**–**	**(101,211)**	**1,269,802**
2 October 2007	**10.00**	**4,845,000**	**–**	**–**	**(2,376,232)**	**2,468,768**
1 November 2007	**11.78**	**4,272,054**	**–**	**–**	**(2,970,439)**	**1,301,615**
3 December 2007	**9.88**	**1,500,488**	**–**	**–**	**(266,159)**	**1,234,329**
2 January 2008	**8.97**	**3,449,266**	**–**	**–**	**(90,857)**	**3,358,409**
1 February 2008	**8.05**	**2,099,366**	**–**	**–**	**(381,984)**	**1,717,382**
3 March 2008	**7.68**	**774,732**	**–**	**–**	**(39,062)**	**735,670**
2 May 2008	**7.93**	**7,796,274**	**–**	**–**	**(558,001)**	**7,238,273**
2 June 2008	**7.34**	**15,837,819**	**–**	**–**	**(606,259)**	**15,231,560**
2 July 2008	**6.46**	**1,784,027**	**–**	**–**	**(301,852)**	**1,482,175**
3 November 2008	**1.60**	**100,250,000**	**–**	**(79,937,500)**	**(20,312,500)**	**–**
4 September 2009	**4.90**	**–**	**–**	**23,728,888**	**(23,364)**	**23,705,524**
		262,727,583	**–**	**(56,208,612)**	**(40,143,366)**	**166,375,605**
Number of options exercisable		**3,900,000**				**19,586,617**

36. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

		Number of options				
Date of grant	Exercise price HK$	At 1 January 2008	Granted during the year	Replacement during the year	Lapsed during the year	At 31 December 2008
20 June 2007	7.00	137,666,798	–	–	(18,919,254)	118,747,544
1 August 2007	8.18	1,435,193	–	–	(64,180)	1,371,013
2 October 2007	10.00	5,200,000	–	–	(355,000)	4,845,000
1 November 2007	11.78	4,505,498	–	–	(233,444)	4,272,054
3 December 2007	9.88	1,601,700	–	–	(101,212)	1,500,488
2 January 2008	8.97	–	3,725,183	–	(275,917)	3,449,266
1 February 2008	8.05	–	2,419,238	–	(319,872)	2,099,366
3 March 2008	7.68	–	813,794	–	(39,062)	774,732
2 May 2008	7.93	–	9,722,499	–	(1,926,225)	7,796,274
2 June 2008	7.34	–	15,905,938	–	(68,119)	15,837,819
2 July 2008	6.46	–	1,784,027	–	–	1,784,027
3 November 2008	1.60	–	100,250,000	–	–	100,250,000
		150,409,189	134,620,679	–	(22,302,285)	262,727,583
Number of options exercisable		3,700,000				3,900,000

37. PROVIDENT AND RETIREMENT FUND SCHEMES

Hong Kong

The Group participates in both a defined benefit plan (the "Plan") which is registered under the Occupational Retirement Schemes Ordinance and in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The Plan was set up by the Group during 2004. The assets of the schemes are held separately from those of the Group and are invested in securities and funds under the control of trustees. Employees who were members of the Plan prior to the establishment of MPF Scheme were offered a choice of staying within the Plan or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The MPF Scheme

For members of the MPF Scheme, contributions made by the employees at 5% of relevant income and by the Group at rates ranging from 5% to 10% of the employees' salaries, depending on the employees' length of services with the Group.

The Group's contributions to the MPF Scheme charged to the consolidated income statement as staff costs during the year ended 31 December 2009 were less than RMB1 million.

The Plan

Contributions to the Plan are made by the members at 5% of their salaries and by the Group which are based on recommendations made by the actuary of the Plan. The current employer contribution rate ranges from 5% to 10% of the members' salaries. Under the Plan, a member is entitled to retirement benefits which comprise the sum of any benefits transferred from another scheme and the greater of the sum of employer's basic contribution plus the member's basic contribution accumulated with interest at a rate of no less than 6% per annum before 1 September 2003 and 1% per annum in respect of contributions made on or after 1 September 2003 or 1.8 times the final salary times the length of employment with the Group on the attainment of the retirement age of 60. For members who joined the Plan before 1997, the retirement age is 60 for male members and 55 for female members. No other post-retirement benefits are provided.

37. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

Hong Kong (Continued)

The Plan (Continued)

The most recent actuarial valuations of the plan assets and the present value of the defined benefit obligation were carried out at 31 December 2009 and 31 December 2008 by Ms. Elaine Hwang of Watson Wyatt Hong Kong Limited, who is a Fellow of the Society of Actuaries. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	31 December 2009	31 December 2008
Discount rate	**2.6%**	1.2%
Expected rate of salary increase	**2010 : 4%**	2009 : 2%
	2011+ : 5%	2010+ : 5%
Expected rate of return on plan assets	**7.25%**	8%

The actuarial valuation showed that the fair value of the plan assets attributable to the Group at 31 December 2009 was RMB57 million (2008: RMB44 million), representing 61% (2008: 44%) of the benefits that had accrued to members.

Amounts recognised in the consolidated income statement for the year ended 31 December 2009 and 31 December 2008 in respect of the defined benefit plan are as follows:

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Current service cost	**4**	4
Interest cost	**1**	3
Expected return on plan assets	**(3)**	(6)
Net actuarial losses recognised during the year	**5**	1
Net amount charged to consolidated income statement as staff costs	**7**	2

The actual returns on plan assets allocated to the Group for the year ended 31 December 2009 were gains of RMB15 million (2008: losses of RMB25 million).

The amounts included in the consolidated statement of financial position arising from the Group's obligations in respect of the Plan are as follows:

	31 December 2009	31 December 2008	1 January 2008
	RMB'million	RMB'million	RMB'million
Present value of funded defined benefit obligations	**94**	99	89
Unrecognised actuarial losses	**(35)**	(59)	(20)
Fair value of plan assets	**(57)**	(44)	(75)
Defined benefit liabilities (assets)	**2**	(4)	(6)

37. PROVIDENT AND RETIREMENT FUND SCHEMES (CONTINUED)

Hong Kong (Continued)

The Plan (Continued)

Movements in the present value of the funded defined benefit obligations in the current year were as follows:

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
At 1 January	**99**	89
Exchange realignment	**–**	(5)
Current service cost	**4**	4
Interest cost	**1**	3
Contributions from plan participants	**1**	1
Actuarial (gains) losses	**(8)**	11
Transfer-out liabilities	**(2)**	(1)
Benefits paid	**(1)**	(3)
At 31 December	**94**	99

Movements in the fair value of the plan assets in the current year were as follows:

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
At 1 January	**(44)**	(75)
Exchange realignment	**–**	4
Expected return on plan assets	**(3)**	(6)
Actuarial losses (gains)	**(11)**	31
Contributions from the employer	**(1)**	(1)
Contributions from plan participants	**(1)**	(1)
Benefits paid	**1**	3
Transfer-in assets	**2**	1
At 31 December	**(57)**	(44)

The major categories of plan assets at the end of the reporting period are as follows:

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Equities	**30**	20
Hedge funds	**15**	13
Bonds and cash	**12**	11
	57	44

The Group expects to make a contribution of RMB1 million (2008: RMB1 million) to the defined benefit plans during the next financial year.

PRC

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specific percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the respective schemes.

38. NOTES AND WARRANTS

On 12 October 2005, the Company, being issuer of warrants, and Shui On Development (Holding) Limited (the "Note Issuer"), a wholly owned subsidiary of the Company, issued 1,750 Class A Units and 2,000 Class B Units (together referred to as the "Units"). Each Class A Unit consists of one US$100,000 principal amount note and 1,071 warrants and each Class B Unit consists of one US$100,000 principal amount note and 1,000 warrants. The notes and the warrants were immediately separable upon the issue date.

The principal terms of the notes
The notes were:

(a) general, unsecured obligations of the Note Issuer;

(b) senior in right of payment to any existing and future obligations of the Note Issuer expressly subordinated in right of payment to the notes;

(c) pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Note Issuer (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law); and

(d) effectively subordinated to all existing and future obligations of the Note Issuer's subsidiaries.

The notes bore interest at the rate of 8.5% per annum, payable semi-annually in arrears and was matured and redeemed at par on 12 October 2008.

The Note Issuer might, at its option, redeem all or part of the notes at the redemption prices equal to the percentage of the principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on 12 October of the years indicated below:

12-month period commencing in year	Percentage
2005	108.50%
2006	104.25%
2007	100.00%

The principal terms of the warrants
Each warrant:

(a) would be exercisable on 30 June 2007, 31 December 2007, 30 June 2008 or 12 October 2008 or, following a Qualifying IPO (as defined in the warrant agreement), the warrants would be exercisable at any time on or after the date of the Qualifying IPO;

(b) when exercised prior to a Qualifying IPO would entitle the holder thereof to receive cash from the Company in an amount equal to the Fair Value (as defined in Section 6.01 (g) of the warrant agreement) of, a number of fully paid and non-assessable ordinary shares of the Company equal to X (as defined in Section 4.01 (k) of the warrant agreement) at an exercise price of US$0.01 per share; subject to adjustments in certain cases as defined in the warrant agreement; and

(c) when exercised at any time on or after the date of a Qualifying IPO would entitle the holder thereof to receive cash from the Company in an amount equal to the Fair Value of a number of fully paid and non-assessable ordinary shares of the Company equal to Y (as defined in Section 4.01 (k) of the warrant agreement) at an exercise price of US$0.01 per share, subject to adjustments in certain cases as defined in the warrant agreement; provided that, if the issuance or delivery of ordinary shares by the Company to a holder would not be subject to any pre-emption right of holders of ordinary shares and the exercise price per ordinary shares was equal to or greater than the par value per ordinary share, the Company might deliver, at the Company's sole option, ordinary shares in lieu of cash.

38. NOTES AND WARRANTS (CONTINUED)

The principal terms of the warrants (Continued)

The net proceeds received from the issue of the Units contain the following components that were required to be separately accounted for in accordance with IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement":

(a) Notes represented the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time of the market interest rate on instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

The interest charged for the year was calculated by applying an effective interest rate of approximately 12% to the notes for the year since the Units were issued.

(b) Warrants represented the fair value of the conversion option.

(c) The issuer had option to early redeem all or part of the notes during the period from 12 October 2005 to 11 October 2008.

	Notes	Early redemption rights	Total
	RMB'million	RMB'million	RMB'million
As of 1 January 2008	2,667	(11)	2,656
Exchange realignment	(130)	(2)	(132)
Interest charged during the year	246	–	246
Interest paid during the year	(221)	–	(221)
Loss on change in fair value	–	13	13
Redeemed during the year	(2,562)	–	(2,562)
As of 31 December 2008 and 2009	–	–	–

39. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to obtain certain banking facilities at the end of the reporting period:

	31 December 2009	31 December 2008
	RMB'million	RMB'million (Restated)
Investment properties	**13,243**	8,308
Property, plant and equipment	**128**	129
Prepaid lease payments	**43**	599
Properties under development	**–**	197
Properties under development for sale	**4,948**	1,821
Properties held for sale	**406**	1,236
Accounts receivable	**90**	72
Bank deposits	**2,019**	1,709
	20,877	14,071

39. PLEDGE OF ASSETS (CONTINUED)

Included in pledged bank deposits above is an amount of RMB265 million (2008: RMB443 million) which has been pledged to a bank to secure the banking facilities granted to an associate. All the other assets were pledged to secure banking facilities granted to the Group.

In addition, the equity interests in certain subsidiaries were also pledged to banks as securities to obtain banking facilities granted to the Group at the end of the reporting period.

40. LEASE ARRANGEMENTS

As lessor

Property rental income in respect of the investment properties earned, net of outgoings of RMB10 million (2008: RMB9 million), was RMB532 million (2008: RMB488 million). The investment properties held have committed tenants for the next one to eleven years at fixed rentals. Certain leases contain contingent rental income recognised during the year ended 31 December 2009 amounting to RMB7 million (2008: RMB9 million). These contingent rentals are generally based on specified percentage of turnover of the tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments which fall due as follows:

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Within one year	**526**	527
In the second to fifth years inclusive	**780**	827
Over five years	**100**	113
	1,406	1,467

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Within one year	**46**	45
In the second to fifth years inclusive	**71**	105
Over five years	**81**	90
	198	240

Operating lease payments represent rentals payable by the Group for certain of its office and retail properties. Leases are negotiated for an average term of one to fifteen years.

41. COMMITMENTS AND CONTINGENCIES

(a) Capital and other commitments

(i) At the end of the reporting period, the Group had the following commitments:

	31 December 2009 RMB'million	31 December 2008 RMB'million
Contracted but not provided for:		
Capital expenditure in respect of the acquisition of property, plant and equipment	–	2
Development costs for investment properties under construction or development	**3,801**	2,623
Development costs for properties under development held for sale	**6,293**	2,793
	10,094	5,418

(ii) Pursuant to an agreement entered into with the 上海市虹口區衛生局 of the Hongkou District, Shanghai, the PRC on 20 June 2006, the Group has committed to build a hospital to be located in the Rui Hong Xin Cheng area of the Hongkou District as compensation for the removal of those medical and health care services originally located in that area. As at 31 December 2009, no construction contracts related to the hospital were entered into. No provision for the construction costs has been made in the consolidated financial statements as the amount cannot be measured reliably.

(iii) Pursuant to an agreement entered into with the district government (the "Luwan Government") of the Luwan District, Shanghai, the PRC, the Group has committed to build certain educational facilities to be located in the Taipingqiao area of the Luwan District as compensation for the removal of those educational facilities originally located in that area. As at 31 December 2008, no construction contracts related to the educational facilities were entered into. As at 31 December 2009, the committed relocation costs related to the educational facilities were included in the commitment of development costs for properties under development held for sale.

(iv) On 30 November 2007, the Group entered into a Confirmation Agreement with the Land Exchange Center at Chancheng District in Foshan City, Guangdong Province, the PRC confirming the Group's successful bid for a plot of land in Foshan. Under this Confirmation Agreement, total consideration for acquiring the land use rights is RMB7,510 million, against which RMB3,186 million has been paid to the Land Exchange Centre up to 31 December 2009 (2008: RMB2,864 million), of which RMB994 million has been recognised as investment properties under construction or development (2008: RMB1,232 million recognised as prepaid leave payment) under non-current assets and the remaining RMB2,192 million (2008: RMB1,632 million) as property under development for sale under current assets. The remaining balance of RMB4,324 million (2008: RMB4,646 million) will be paid in stages in line with the relocation progress of the land.

41. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(a) Capital and other commitments (Continued)

(v) On 28 April 2008, the Group agreed to provide further funding or financial assistance of RMB1,128 million to the associates formed for the development of Dalian Tiandi project, whereby the Group ultimately holds a 48% effective interest. Details of the transactions are set out in the announcement dated 28 April 2008 and the circular dated 19 May 2008.

At 31 December 2009, the Group had commitment in respect of investments in associates contracted but not provided for in the consolidated financial statements amounting to approximately RMB121 million (2008: RMB121 million).

(b) Contingent liabilities

Financial guarantee contracts:

(i) Pursuant to an agreement entered into with the district government (the "Hongkou Government") and the Education Authority of the Hongkou District, Shanghai, the PRC on 31 July 2002, guarantees of no more than RMB324 million (2008: RMB324 million) will be granted by the Group to support bank borrowings arranged in the name of a company to be nominated by the Hongkou Government, as part of the financial arrangement for the site clearance work in relation to the development of a parcel of land. As at 31 December 2009, no amount had been drawn down under this arrangement (2008: nil).

(ii) As at 31 December 2009, the Group has issued guarantees amounting to RMB528 million (2008: RMB528 million) to banks in respect of banking facilities granted to an associate, in which the associate has drawn down bank loans amounting to RMB480 million (2008: RMB480 million).

In the opinion of the Directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote. Accordingly, no value has been recognised in the consolidated statement of financial positions as at 31 December 2009 and 31 December 2008.

42. MAJOR NON-CASH TRANSACTIONS

Details of the non-cash transactions entered into during the years ended 31 December 2009 and 2008 in relation to the acquisitions of interests in subsidiaries are set out in note 34.

43. RELATED PARTY TRANSACTIONS

Apart from the related party transactions and balances as stated in notes 17, 18, 23, 24, 30, 31, 34 and 41, the Group had the following transactions with related parties during the year:

(a) SOCL and its subsidiaries and associates other than those of the Group

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million
Project construction costs	**196**	248
Rental and building management fee expenses	**36**	28
Project management fee income	**1**	4
Rental and building management fee income	**2**	4
Interest income	**1**	1

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related parties

	Year ended 31 December	
	2009	2008
	RMB'million	RMB'million (Restated)
Associates		
Project management fee income	**8**	–
Building management fee expenses	**–**	3
Imputed interest income	**55**	89
Interest income	**11**	11
Non-controlling shareholders of subsidiaries		
Interest income	**2**	30
Imputed interest expenses	**1**	6
Interest expenses	**102**	92
Project management fee expenses	**7**	4
Jointly controlled entity		
Rental and building management fee income	**4**	3
A director		
Interest expenses	**35**	9
Senior management		
Property sales	**43**	12
Close family members of senior management		
Property sales	**20**	5

44. EVENT AFTER THE REPORTING PERIOD

On 5 March 2010, the Group successfully bid for a land parcel in the Yangpu district, Shanghai with developable area of 159,600 sq.m. at a consideration of RMB1,264 million.

45. 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 Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 26 net of bank balances and cash and pledged bank deposits, and equity attributable to equity holders of the Company, comprising issued share capital and reserves, and non-controlling interests.

The Directors of the Company review the capital structure of the Group by using a gearing ratio, which is calculated on the basis of dividing the excess of bank borrowings over the sum of bank balances and cash (inclusive of pledged bank deposits) by total equity. The review is conducted at least quarterly and before each major financing or investment decision is made.

45. CAPITAL RISK MANAGEMENT (CONTINUED)

The gearing ratio at the end of the reporting date was as follows:

	31 December 2009	31 December 2008
	RMB'million	RMB'million (Restated)
Bank borrowings	**10,203**	8,198
Pledged bank deposits	**(2,019)**	(1,709)
Bank balances and cash	**(2,928)**	(1,671)
Net debt	**5,256**	4,818
Total equity	**22,574**	18,175
Net debt to total equity	**23%**	27%

46. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	31 December 2009	31 December 2008
	RMB'million	RMB'million (Restated)
Financial assets		
Loans and receivables (including bank balances and cash)	**7,827**	7,083
Financial liabilities		
Derivative instruments designated on the hedge accounting	**211**	256
Amortised cost	**13,974**	12,363

b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from related parties, amounts due from non-controlling shareholders of subsidiaries, pledged bank deposits, accounts payable, amounts due to related parties, amounts due to associates, amounts due to non-controlling shareholders of subsidiaries, loans from non-controlling shareholders of subsidiaries and bank borrowings.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Group's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. The Directors review and agree to policies for managing each of these risks and they are summarised below.

46. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Currency risk

All of the Group's turnover is denominated in RMB. However, the Group has certain bank balances and debt obligations that are denominated in foreign currency. As a result, the Group is exposed to fluctuations in foreign exchange rates. The management closely monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Hong Kong dollar ("HKD")		
Assets	**2,006**	1,640
Liabilities	**6,458**	6,046
United States dollar ("USD")		
Assets	**313**	562
Liabilities	**1,285**	2,046

Sensitivity analysis

The Group is mainly exposed to the currency of HKD and USD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

		Year ended 31 December	
		2009	2008
	Notes	**RMB'million**	RMB'million
HK dollar			
Profit or loss	(i)	**212**	210
US dollar			
Profit or loss	(ii)	**46**	71

Notes:

(i) This is mainly attributable to the exposure outstanding on receivables and payables denominated in HKD not subject to cash flow hedge at year end.

(ii) This is mainly attributable to the exposure outstanding on receivables and payables denominated in USD not subject to cash flow hedge at year end.

The Group's sensitivity to foreign currency has increased in profit during the current year mainly due to both the significant depreciation of HKD and USD against RMB and increase in foreign currency bank borrowings.

46. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings at variable rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and PBOC prescribed interest rate arising from the Group's HKD and RMB borrowings. In order to mitigate the cash flow interest rate risk, the Group has entered into several interest rate swaps (which have been designated as hedging instruments) whereby the Group will receive interest at variable rates at HIBOR and pay interests at fixed rates. Details of the interest rate swaps are set out in note 27(a).

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would have decreased/increased by RMB17 million (2008: RMB21 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

The Group's principal financial assets are bank balances and cash, pledged bank deposits, accounts receivable, loans receivable, loans to associates, amounts due from associates, amounts due from non-controlling shareholders of subsidiaries and amounts due from related companies, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its loans to associates, accounts receivable and loans receivable. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

46. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for as at 31 December 2009 where the largest debtor amounting to approximately RMB123 million (2008: RMB162 million) arising from sales of properties, loans to associates of RMB1,273 million (2008: RMB1,331 million) and loans receivable of RMB378 million (2008: RMB414 million).

The credit risk on liquid funds is limited because the funds were deposited with various creditworthy financial institutions located in Hong Kong and in the PRC.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure it maintains sufficient working capital and adequate committed lines of funding to meet its liquidity requirement.

The following tables detail the maturities of the Group's financial liabilities. The tables have 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 tables include both interest and principal cash flows.

For derivative instruments that settle on a net basis, undiscounted net cash outflows are presented.

Liquidity and interest risk tables

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2009							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	2,070	–	–	–	2,070	2,070
Bank borrowings at variable rates	4.1%	2,482	1,249	7,141	543	11,415	10,203
Amounts due to related parties	–	69	–	–	–	69	69
Amounts due to associates	–	45	–	–	–	45	45
Amounts due to non-controlling shareholders of subsidiaries	4.1%	494	–	–	–	494	475
Loans from non-controlling shareholders of subsidiaries							
– variable rate	8.4%	56	56	168	670	950	670
– interest free	–	442	–	–	–	442	442
Financial guarantee contracts	–	528	–	–	–	528	–
		6,186	1,305	7,309	1,213	16,013	13,974
Derivatives – net settlement							
Cash flow hedge instruments		130	130	–	–	260	211

46. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

	Weighted average effective interest rate	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2008
	%	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
2008 (Restated)							
Non-derivative financial liabilities							
Accounts payable, deposits received and accrued charges	–	1,938	–	–	–	1,938	1,938
Bank borrowings at variable rates	6.0%	2,408	1,879	4,762	416	9,465	8,198
Amounts due to related parties	–	33	–	–	–	33	33
Amounts due to non-controlling shareholders of subsidiaries	6.0%	802	–	–	–	802	758
Loans from non-controlling shareholders of subsidiaries							
– variable rate	8.4%	56	55	168	726	1,005	670
– interest free	–	200	–	–	–	200	199
Loan from a director	8.0%	45	612	–	–	657	567
Financial guarantee contracts	–	528	–	–	–	528	–
		6,010	2,546	4,930	1,142	14,628	12,363
Derivatives – net settlement							
Cash flow hedge instruments		98	98	98	–	294	256

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

46. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions as inputs; and

- the fair values of derivative instruments, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

d. Fair value measurements recognised in the consolidated statement of financial position

Included in other comprehensive income is a gain of RMB45 million (2008: RMB136 million) related to interest rate swaps designated in cash flow hedge held at the end of the reporting period.

47. SUMMARISED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2009	31 December 2008
	RMB'million	RMB'million
Investments in subsidiaries	**2,413**	1,237
Loan to a subsidiary	**6,365**	–
Amounts due from subsidiaries	**2,203**	8,206
Other prepayments	**22**	–
Bank balances	**–**	22
Total assets	**11,003**	9,465
Amounts due to a non-controlling shareholder	**–**	502
Total liabilities	**–**	502
Net assets	**11,003**	8,963
Share capital	**99**	84
Reserves	**10,904**	8,879
Total equity	**11,003**	8,963

48. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2009 and 2008 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	2008	Place of operation	Principal activities
Ally Victory Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Atlantic Best Limited	Hong Kong 5 January 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Best View Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Billion China Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Billion Glory Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Billion World Limited	Hong Kong 19 November 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Bondwise Profits Limited	BVI 28 December 2000	1 ordinary share of US$1	100%	70%	Hong Kong	Investment holding
Bright Continental Limited	Hong Kong 5 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Bright Power Enterprises Limited	BVI 1 July 2004	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Bright Winner Limited	Hong Kong 27 December 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Brixworth International Limited	BVI 3 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Central Fit Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Century Team Limited	Hong Kong 16 January 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Chinalink Capital Limited	BVI 16 July 2003	999 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
China Advance Limited	Hong Kong 13 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
China Wealth (H.K.) Limited	Hong Kong 4 January 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Chongqing Shui On Tiandi Property Development Co. Ltd.	PRC 21 November 2003	Registered capital US$230,000,000 Paid up capital US$205,535,050	79.4%	79.4%	PRC	Property development
Citichamp Limited	Hong Kong 19 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Cititop Pacific Limited	Hong Kong 1 December 2000	2 ordinary shares of HK$1 each	100%	70%	Hong Kong	Investment holding
Costworth Investments Limited	BVI 12 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Crown Fame Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Cybricity Limited	Hong Kong 28 April 2000	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Dali Shui On Management Consultation Co., Ltd.	PRC 9 September 2008	Registered and paid up capital US$500,000	100%	100%	PRC	Provision of management services

48. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	2008	Place of operation	Principal activities
Dailian Yingjia Science and Technology Development Co., Ltd	PRC 3 December 2009	Registered and paid up capital US$230,000,000	100%	–	PRC	Science and Technology development
East Capital Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
East Trend Limited	Hong Kong 14 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Eastern View Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Excel Efficient Limited	BVI 19 August 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Fast China Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Feng Cheng Property Management Services Limited	Hong Kong 14 November 2003	100 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Fieldcity Investments Limited	BVI 30 March 2005	100 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Focus Top Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Foresight Profits Limited	BVI 8 February 2001	100 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Fo Shan An Ying Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Rui Dong Property Development Co., Ltd.	PRC 25 April 2008	Registered capital RMB690,000,000 Paid up capital RMB104,794,604	100%	100%	PRC	Property development
Fo Shan Rui Fang Property Development Co., Ltd.	PRC 21 May 2008	Registered capital RMB690,000,000 Paid up capital RMB105,768,504	100%	100%	PRC	Property development
Fo Shan Rui Kang Tian Di Property Development Co., Ltd.	PRC 21 May 2008	Registered capital RMB690,000,000 Paid up capital RMB104,029,965	100%	100%	PRC	Property development
Fo Shan Shui On Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Yi Kang Property Development Co., Ltd.	PRC 8 January 2008	Registered and paid up capital RMB700,000,000	100%	100%	PRC	Property development
Fo Shan Yong Rui Tian Di Property Development Co., Ltd.	PRC 21 March 2008	Registered capital RMB690,000,000 Paid up capital RMB103,742,060	100%	100%	PRC	Property development
Fo Shan Yuan Kang Property Development Co., Ltd.	PRC 29 February 2008	Registered capital RMB700,000,000 Paid up capital RMB669,397,251	100%	100%	PRC	Property development
Galore Profits Limited	BVI 23 January 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Global Ocean Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Globaland Limited	Hong Kong 30 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding

48. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	2008	Place of operation	Principal activities
Globe State Properties Limited	BVI 12 October 2005	100 ordinary shares of US$1 each	100%	70%	Hong Kong	Investment holding
Glory Advance Investments Limited	BVI 18 August 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Glory Wing Holdings Limited	BVI 15 January 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Grand Hope Limited (Note 4)	Hong Kong 14 March 2003	2 A ordinary shares of HK$1 each and 2 B ordinary shares of HK$1 each	A shares: 80.2% B shares: 60.15%	A shares: 80.2% B shares: 60.15%	Hong Kong	Investment holding
Grand Rich Limited	Hong Kong 14 March 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Hangzhou Xihu Tiandi Management Co., Ltd.	PRC 6 March 2003	Registered and paid up capital US$1,400,000	100%	100%	PRC	Property management
Hangzhou Xihu Tiandi Property Co., Ltd.	PRC 12 June 2003	Registered capital US$51,800,000 Paid up capital US$40,612,333	100%	100%	PRC	Property development
Hing Tin Investments Limited	BVI 23 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Hollyfield Holdings Limited	Mauritius 19 April 2001	2 ordinary shares of US$1 each	75%	75%	Hong Kong	Investment holding
Infoshore International Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Info Union Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Innovate Zone Group Limited	BVI 3 January 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Intellect Profit Investments Limited	BVI 10 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Interchina International Limited	BVI 12 January 2001	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Join Legend Limited	Hong Kong 2 June 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Joyous Bond Limited	BVI 18 April 2008	1 ordinary share of US$1	75%	100%	Hong Kong	Investment holding
Keen Allied Investments Limited	BVI 18 September 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
King Concord Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Kinmax Limited	Hong Kong 24 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Kunming Shui Fang Management Consultation Co., Ltd.	PRC 28 May 2008	Registered and paid up capital US$500,000	100%	100%	PRC	Provision of management services
Land Pacific Limited	Hong Kong 2 November 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Legend City Limited	Hong Kong 4 June 1997	2 ordinary shares of HK$1 each	51%	51%	Hong Kong	Investment holding

48. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	2008	Place of operation	Principal activities
Lijiang Shui On Management Consultation Co., Ltd.	PRC 10 November 2008	Registered and paid up capital US$500,000	100%	100%	PRC	Provision of management services
Lucky Gain Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Magic Best Investments Limited	BVI 19 July 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Magic Bright Investments Limited	BVI 18 September 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Marble Way Limited	BVI 28 August 1996	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Merry Wave Limited	BVI 23 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Modern Prosper Investments Limited	BVI 1 November 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Mount Eastern Limited	BVI 18 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
New Asia Limited	Hong Kong 31 October 2003	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
New Power Profits Limited	BVI 18 October 2005	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Nice In Investments Limited	BVI 18 October 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Onfair Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Onwin Limited	Hong Kong 13 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Gain Limited	Hong Kong 2 February 2001	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Oriental Host Limited	Hong Kong 23 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Pacific Gain Limited	Hong Kong 11 September 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Portspin Limited	BVI 22 May 1997	100 ordinary shares of US$1 each	51%	51%	Hong Kong	Investment holding
Princemax Limited	Hong Kong 15 April 1998	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Profitstock Holdings Limited	BVI 2 June 2005	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Regal Victory Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Rich Prime Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Rightchina Limited	BVI 2 July 2008	100 ordinary shares of US$1 each	60.15%	60.15%	Hong Kong	Investment holding
Rightidea Limited	BVI 2 July 2008	1 ordinary share of US$1	80.2%	80.2%	Hong Kong	Investment holding
Rise Lake Investments Limited	BVI 23 August 2007	10 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Score High Limited	BVI 12 February 2003	1,000 ordinary shares of US$1 each	80.2%	80.2%	Hong Kong	Investment holding
Selfers Limited	BVI 29 November 1995	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding

48. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	2008	Place of operation	Principal activities
Shanghai Bai-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB151,300,000	97%	97%	PRC	Property development
Shanghai Feng Cheng Property Management Co., Ltd (previously known as Synergis Shui On Property Management (Shanghai))	PRC 18 January 2004	Registered and paid up capital US$375,000	100%	100%	PRC	Property management
Shanghai Fu Ji Properties Co., Ltd.	PRC 18 January 2004	Registered capital US$35,773,000 Paid up capital US$9,376,343	99%	99%	PRC	Property development
Shanghai Fu Xiang Properties Co., Ltd.	PRC 19 December 2001	Registered and paid up capital RMB645,000,000	99%	99%	PRC	Property development
Shanghai Ji-Xing Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB71,600,000	97%	97%	PRC	Property development
Shanghai Jing Fu Property Co., Ltd.	PRC 26 December 2001	Registered and paid up capital RMB400,000,000	99%	99%	PRC	Property development
Shanghai Jun Xing Property Co., Ltd. (Note 5)	PRC 5 March 2009	Registered capital RMB920,000,000 Paid up capital RMB477,312,089	49.98%	–	PRC	Property development
Shanghai Lakeville Properties Co., Ltd.	PRC 23 May 2001	Registered and paid up capital RMB165,000,000	99%	69.3%	PRC	Property development
Shanghai Le Fu Properties Co., Ltd.	PRC 20 February 2004	Registered and paid up capital US$82,500,000	99%	99%	PRC	Property development
Shanghai IPO Food & Beverage Co., Ltd.	PRC 6 September 2006	Registered and paid up capital US$1,890,000	100%	100%	PRC	Food and beverage services
Shanghai Rui Chen Property Co., Ltd.	PRC 6 May 1996	Registered and paid up capital RMB189,000,000	75%	75%	PRC	Property development
Shanghai Rui Qiao Enterprise Management Co., Ltd.	PRC 23 April 2009	Registered and paid up capital RMB1,000,000	70%	–	PRC	Property development
Shanghai Rui Hong Xin Cheng Co., Ltd.	PRC 2 July 2001	Registered capital RMB2,000,000,000 Paid up capital RMB1,622,415,680	74.25%	74.25%	PRC	Property development
Shanghai Rui Zhen Food & Beverage Co., Ltd.	PRC 7 November 2003	Registered and paid up capital US$2,100,000	99%	99%	PRC	Food and beverage services
Shanghai Synergies Shui On Yang Pu Property Management Co., Ltd.	PRC 27 January 2006	Registered and paid up capital RMB500,000	90%	90%	PRC	Property management
Shanghai Tai Ping Qiao Properties Management Co., Ltd.	PRC 31 August 2001	Registered and paid up capital US$200,000	99%	99%	PRC	Property management

48. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	2008	Place of operation	Principal activities
Shanghai Xin-tian-di Plaza Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB101,300,000	97%	97%	PRC	Property development
Shanghai Xing Bang Properties Co., Ltd.	PRC 21 June 2001	Registered and paid up capital RMB290,500,000	99%	99%	PRC	Property development
Shanghai Xing-Qi Properties Co., Ltd.	PRC 2 February 1999	Registered and paid up capital RMB274,900,000	97%	97%	PRC	Property development
Shanghai Xing Qiao Properties Co., Ltd.	PRC 18 January 2004	Registered capital US$115,000,000 Paid up capital US$95,868,834	99%	99%	PRC	Property development
Shanghai Yang Pu Centre Development Co., Ltd. (Note 6)	PRC 26 August 2003	Registered capital US$137,500,000 Paid up capital US$85,500,000	70%	70%	PRC	Property development
Shui On Development (Holding) Limited	Cayman Islands 27 July 2005	22 ordinary shares of US$0.01 each	100%	100%	PRC	Investment holding
Shui On Land Management Limited	Hong Kong 12 May 2004	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of management services
Shui On Resort Community (Dali) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Dali) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Holding Limited	BVI 28 April 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Lijiang) Limited	Hong Kong 5 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Holding Limited	BVI 6 May 2008	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Shangri-La) Limited	Hong Kong 13 May 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Holding Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Kunming) Limited	Hong Kong 25 July 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Shui On Resort Community (Yunnan) Development Limited	Cayman Islands 17 July 2006	1 ordinary share of US$0.01	100%	100%	Hong Kong	Investment holding
Shine First Limited	BVI 25 October 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shine Prime Investments Limited	BVI 2 November 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Shui On Secretaries & Nominees Limited	Hong Kong 30 November 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Provision of secretarial services

48. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held (Note 1) 2009	2008	Place of operation	Principal activities
Silomax Limited	BVI 25 March 1996	1 ordinary share of US$1	75%	75%	Hong Kong	Investment holding
Sino Realty Limited	Hong Kong 3 October 2006	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Sino Wisdom Investments Limited	BVI 12 May 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Sinoco Limited	Hong Kong 28 October 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Sinothink Holdings Limited	BVI 15 September 2000	100 ordinary shares of US$1 each	100%	100%	Hong Kong	Investment holding
Smart Century Limited	Hong Kong 18 October 2007	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Smart Silver Limited	BVI 18 December 2002	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Super Field Limited	Hong Kong 25 February 2005	1 ordinary share of HK$1	75%	75%	Hong Kong	Investment holding
Timezone Management Limited	BVI 28 February 2001	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Tip Profit Limited	BVI 18 July 2006	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Top Faith Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	75%	100%	Hong Kong	Investment holding
Top Victory Development Limited	Hong Kong 5 March 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Triumph Sky Group Limited	BVI 23 October 2007	1 ordinary share of US$1	100%	100%	Hong Kong	Investment holding
Union Grow Limited	Hong Kong 8 November 2002	2 ordinary shares of HK$1 each	100%	100%	Hong Kong	Investment holding
Victory Win Development Limited	Hong Kong 18 April 2008	1 ordinary share of HK$1	100%	100%	Hong Kong	Investment holding
Wuhan Shui On Tiandi Property Development Co., Ltd.	PRC 2 August 2005	Registered and paid up capital US$238,000,000	75%	75%	PRC	Property development
Wuhan Shui On Tian Di Trading Co., Ltd.	PRC 8 January 2007	Registered and paid up capital US$600,000	100%	100%	PRC	Retail business
上海瑞安房地產發展有限公司 (Shui On Development Limited)	PRC 14 June 2004	Registered and paid up capital US$5,350,000	100%	100%	PRC	Provision of management services

Notes:

1. The Company directly holds the equity interest in Shui On Development (Holding) Limited. All other equity interests shown above are indirectly held by the Company.
2. All subsidiaries established in the PRC are either equity joint ventures or cooperative joint ventures except Hangzhou Xihu Tiandi Property Co., Ltd. Wuhan Shui On Tian Di Trading Co., Ltd., and 上海瑞安房地產發展有限公司 (Shui On Development Limited) which are wholly foreign owned enterprises.
3. Except for Shui On Development (Holding) Limited, none of the subsidiaries had any debt securities subsisting at 31 December 2009 or at any time during the year.
4. The holders of Class B ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Super Rise Project whereas the holders of Class A ordinary shares of Grand Hope Limited have attributable interests in the Chongqing Shui On Tiandi Property Development Co., Ltd. other than the Chongqing Super High Rise Project.
5. The Group holds 51% equity interest in Portspin, which holds 98% equity interest in Shanghai Jun Xing Property Co., Ltd. The Group's effective interest in Shanghai Jun Xing Property Co., Ltd is therefore 49.98%.
6. The registered capital in Shanghai Yang Pu Centre Development Co., Ltd. ("KIC") shall be increased from US$60,500,000 to US$137,500,000, by US$77,000,000 pursuant to an amendment agreement dated 14 August 2008 (the "Amendment Agreement") entered into between Bright Continental Limited ("BCL", an indirect wholly owned subsidiary) and Shanghai Yuangpu Knowledge and Innovation Zone Investment and Development Company Limited ("SYKIZ"). BCL shall inject the entire portion of the increase in equity capital of US$77,000,000 and at a premium of US$8,470,000 in cash (being US$85,470,000 in total). SYKIZ will not participate in injecting any additional equity capital into KIC. As a result of the completion of the Amendment Agreement, the interest of BCL in the equity capital of KIC will be increased from 70.0% to 86.8% by 16.8% and SYKIZ's interest will be diluted from 30% to 13.2% by 16.8%.

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF SHUI ON LAND LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 26 to 46, which comprises the condensed consolidated statement of financial position of Shui On Land Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and selected explanatory notes. The Main Board Listing 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 International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. 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 inquires, 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 IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
19 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 RMB'million (Unaudited)	2009 RMB'million (Unaudited)
Turnover	3	**3,121**	1,335
Cost of sales		**(1,849)**	(945)
Gross profit		**1,272**	390
Other income		**87**	107
Selling and marketing expenses		**(60)**	(39)
General and administrative expenses		**(275)**	(261)
Operating profit	4	**1,024**	197
Increase in fair value of investment properties	9	**1,461**	199
Gain on disposal of investment properties		**23**	–
Share of results of associates		**68**	398
Finance costs, net of exchange gain	5	**(36)**	(60)
Profit before taxation		**2,540**	734
Taxation	6	**(832)**	(78)
Profit for the period		**1,708**	656
Attributable to:			
Shareholders of the Company		**1,557**	718
Non-controlling interests		**151**	(62)
		1,708	656
Earnings per share	8		
– Basic		**RMB0.31**	RMB0.16
– Diluted		**RMB0.31**	RMB0.15

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 RMB'million (Unaudited)	2009 RMB'million (Unaudited)
Profit for the period		**1,708**	656
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		**1**	(10)
Fair value adjustments on interest rate swaps designated in cash flow hedges	12	**(39)**	60
Other comprehensive (expense) income for the period		**(38)**	50
Total comprehensive income for the period		**1,670**	706
Total comprehensive income (expense) attributable to:			
Shareholders of the Company		**1,519**	768
Non-controlling interests		**151**	(62)
		1,670	706

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2010

	Notes	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Non-current assets			
Investment properties	9	**23,676**	21,206
Property, plant and equipment		**335**	356
Prepaid lease payments		**42**	43
Interests in associates	10	**930**	862
Loans to associates	10	**1,281**	1,273
Accounts receivable	11	**33**	59
Pledged bank deposits		**1,164**	1,222
Deferred tax assets		**187**	139
		27,648	25,160
Current assets			
Properties under development for sale		**11,815**	11,532
Properties held for sale		**769**	627
Accounts receivable, deposits and prepayments	11	**1,586**	933
Loans receivable		**485**	378
Amounts due from associates	10	**299**	147
Amounts due from related parties		**199**	73
Amounts due from non-controlling shareholders of subsidiaries		**38**	17
Pledged bank deposits		**850**	797
Bank balances and cash		**2,915**	2,928
		18,956	17,432
Current liabilities			
Accounts payable, deposits received and accrued charges	13	**3,181**	4,305
Amounts due to related parties		**118**	69
Amounts due to associates	10	**37**	45
Amounts due to non-controlling shareholders of subsidiaries		**214**	475
Loan from a non-controlling shareholder of a subsidiary		**300**	442
Dividend payable		**530**	–
Tax liabilities		**1,347**	1,404
Bank borrowings – due within one year		**1,474**	2,098
		7,201	8,838
Net current assets		**11,755**	8,594
Total assets less current liabilities		**39,403**	33,754

	Notes	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Capital and reserves			
Share capital	14	**99**	99
Reserves		**22,507**	21,480
Equity attributable to shareholders of the Company		**22,606**	21,579
Non-controlling interests		**1,158**	995
Total equity		**23,764**	22,574
Non-current liabilities			
Bank borrowings – due after one year		**10,999**	8,105
Derivative financial instruments designated as hedging instruments	12	**250**	211
Loans from non-controlling shareholders of subsidiaries		**1,669**	670
Deferred tax liabilities		**2,719**	2,192
Defined benefit liabilities		**2**	2
		15,639	11,180
Total equity and non-current liabilities		**39,403**	33,754

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to shareholders of the Company											
	Share capital RMB′ million	**Share premium** RMB′ million	**Merger reserve** RMB′ million (Note 15(a))	**Special reserve** RMB′ million (Note 15(b))	**Share option reserve** RMB′ million	**Exchange reserve** RMB′ million	**Hedge reserve** RMB′ million	**Other reserves** RMB′ million (Note 15(c))	**Retained earnings** RMB′ million	**Total** RMB′ million	**Non-controlling interests** RMB′ million	**Total** RMB′ million
At 1 January 2010 (audited)	**99**	**12,433**	**122**	**(101)**	**136**	**19**	**(91)**	**603**	**8,359**	**21,579**	**995**	**22,574**
Profit for the period	–	–	–	–	–	–	–	–	**1,557**	**1,557**	**151**	**1,708**
Exchange difference arising on translation of foreign operations	–	–	–	–	–	**1**	–	–	–	**1**	–	**1**
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 12)	–	–	–	–	–	–	**(39)**	–	–	**(39)**	–	**(39)**
Total comprehensive income for the period	–	–	–	–	–	**1**	**(39)**	–	**1,557**	**1,519**	**151**	**1,670**
Recognition of equity-settled share-based payment expenses	–	–	–	–	**17**	–	–	–	–	**17**	–	**17**
Capital injection	–	–	–	–	–	–	–	–	–	–	**13**	**13**
Dividend paid to a non–controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	**(1)**	**(1)**
Release of special reserve upon disposal of related assets	–	–	–	**21**	–	–	–	–	–	**21**	–	**21**
2009 final dividend of HK$0.12 per share approved	–	–	–	–	–	–	–	–	**(530)**	**(530)**	–	**(530)**
At 30 June 2010 (unaudited)	**99**	**12,433**	**122**	**(80)**	**153**	**20**	**(130)**	**603**	**9,386**	**22,606**	**1,158**	**23,764**
At 1 January 2009 (audited)	84	10,689	122	(393)	89	38	(136)	603	5,767	16,863	1,312	18,175
Profit for the period	–	–	–	–	–	–	–	–	718	718	(62)	656
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(10)	–	–	–	(10)	–	(10)
Fair value adjustments on interest rate swaps designated as cash flow hedges (note 12)	–	–	–	–	–	–	60	–	–	60	–	60
Total comprehensive income for the period	–	–	–	–	–	(10)	60	–	718	768	(62)	706
Recognition of equity-settled share-based payment expenses	–	–	–	–	30	–	–	–	–	30	–	30
Bonus issue of shares	8	(8)	–	–	–	–	–	–	–	–	–	–
Issue of new shares at a premium	7	1,790	–	–	–	–	–	–	–	1,797	–	1,797
Transaction costs attributable to issue of new shares	–	(38)	–	–	–	–	–	–	–	(38)	–	(38)
Dividend paid to a non–controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	(204)	(204)
2008 final dividend of HK$0.01 per share paid	–	–	–	–	–	–	–	–	(37)	(37)	–	(37)
At 30 June 2009 (unaudited)	99	12,433	122	(393)	119	28	(76)	603	6,448	19,383	1,046	20,429

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Note	Six months ended 30 June 2010 RMB'million (Unaudited)	2009 RMB'million (Unaudited)
Net cash (used in) from operating activities		**(1,356)**	769
Net cash used in investing activities			
Additions to investment properties		**(1,022)**	(1,682)
Proceeds from disposal of investment properties		**185**	–
Decrease (increase) in pledged bank deposits		**5**	(913)
Acquisition of a subsidiary	17	**(109)**	–
Proceeds from partial disposal of equity interests in subsidiaries		**–**	339
(Increase) decrease in amounts due from associates		**(141)**	307
Increase in loans receivable		**(107)**	(3)
Other investing cash flows		**43**	15
		(1,146)	(1,937)
Net cash from financing activities			
Net proceeds on issuance of new shares		**–**	1,759
Advance from non-controlling shareholders of subsidiaries		**575**	140
Capital injected by non-controlling shareholders of subsidiaries		**13**	–
New bank loans raised		**2,849**	2,465
Repayment of bank loans		**(507)**	(1,394)
Increase in amounts due to associates		**–**	54
Interest and bank charges paid		**(440)**	(382)
Dividend paid		**–**	(37)
Dividend paid to a non-controlling shareholder of a subsidiary		**(1)**	(204)
		2,489	2,401
Net (decrease) increase in cash and cash equivalents		**(13)**	1,233
Cash and cash equivalents at the beginning of the period		**2,928**	1,671
Effect of foreign exchange rate changes		**–**	(1)
Cash and cash equivalents at the end of the period		**2,915**	2,903
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**2,915**	2,903

1. GENERAL

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board (the "IASB").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and derivative financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except as described below.

In the current interim period, the Group has applied, for the first time, the following International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS") and Interpretations ("IFRIC") (hereinafter collectively referred to as "new and revised IFRSs") issued by the IASB, which are effective for the Group's financial year beginning 1 January 2010.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs 2008
IFRSs (Amendments)	Improvements to IFRSs 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 (Amendment)	Eligible Hedged Items
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners

The Group applies IFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised) and IAS 27 (Revised) has had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

The application of the other new and revised IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The Group has not early applied the following new and revised IFRSs, IASs and IFRICs that have been issued by the IASB but are not yet effective:

IFRSs (Amendments)	Improvement to IFRSs 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Rights Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 February 2010

3 Effective for annual periods beginning on or after 1 July 2010

4 Effective for annual periods beginning on or after 1 January 2011

5 Effective for annual periods beginning on or after 1 January 2013

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of other new and revised IFRSs, IASs and IFRICs will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENTAL INFORMATION

An analysis of the Group's turnover for the period is as follows:

	Six months ended 30 June	
	2010	2009
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Property development:		
Property sales	**2,778**	1,010
Property investment:		
Rental income from investment properties	**269**	260
Income from serviced apartments	**12**	9
Property management fees	**16**	13
Rental related income	**29**	23
	326	305
Others	**17**	20
	3,121	1,335

For management purposes, the Group's business activities are broadly categorised into the following two major reportable segments – property development and property investment.

3. TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

Principal activities of the two major reportable segments are as follows:

Property development – development and sale of properties
Property investment – property letting, property management and operations of serviced apartments

	Six months ended 30 June 2010 (Unaudited)			
	Property development RMB'million	**Property investment RMB'million**	**Others RMB'million**	**Consolidated RMB'million**
Turnover				
Segment revenue	**2,778**	**326**	**17**	**3,121**
Results				
Segment results	**898**	**1,698**	**10**	**2,606**
Interest income				**69**
Share of results of associates				**68**
Finance costs, net of exchange gain				**(36)**
Net unallocated expenses				**(167)**
Profit before taxation				**2,540**
Taxation				**(832)**
Profit for the period				**1,708**

	Six months ended 30 June 2009 (Unaudited)			
	Property development RMB'million	Property investment RMB'million	Others RMB'million	Consolidated RMB'million
Turnover				
Segment revenue	1,010	305	20	1,335
Results				
Segment results	18	439	11	468
Interest income				107
Share of results of associates				398
Finance costs, net of exchange gain				(60)
Net unallocated expenses				(179)
Profit before taxation				734
Taxation				(78)
Profit for the period				656

4. OPERATING PROFIT

	Six months ended 30 June	
	2010	2009
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Operating profit has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	**4**	–
Depreciation of property, plant and equipment	**29**	25
Less: Amount capitalised to properties under development	**–**	(1)
	29	24
Release of prepaid lease payments	**1**	1
Employee benefits expenses		
Directors' emoluments		
Fees	**1**	1
Salaries, bonuses and allowances	**19**	8
Share-based payment expenses	**1**	2
	21	11
Other staff costs		
Salaries, bonuses and allowances	**174**	138
Retirement benefit costs	**12**	13
Share-based payment expenses	**16**	28
	202	179
Total employee benefits expenses	**223**	190
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(51)**	(43)
	172	147
Cost of properties sold recognised as an expense	**1,761**	886
Rental charges under operating leases	**19**	23
Interest income	**(69)**	(107)

5. FINANCE COSTS, NET OF EXCHANGE GAIN

	Six months ended 30 June	
	2010	2009
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts wholly repayable within five years	**248**	198
Interest on amounts due to non-controlling shareholders of subsidiaries wholly repayable within five years (Note 20)	**4**	25
Interest on loans from non-controlling shareholders of subsidiaries wholly repayable within five years (Note 20)	**64**	30
Imputed interest on loan from a non-controlling shareholder of a subsidiary wholly repayable within five years (Note 20)	**–**	1
Interest on loan from a director wholly repayable within five years (Note 20)	**–**	23
Add: Net interest expense from interest rate swaps designated as cash flow hedge	**66**	53
Total interest costs	**382**	330
Less: Amount capitalised to investment properties under construction or development and properties under development for sale	**(356)**	(311)
	26	19
Net exchange gain on bank borrowings and other financing activities	**(48)**	(12)
Other finance costs	**58**	53
	36	60

Borrowing costs capitalised during the six months ended 30 June 2010 arose on the general borrowing pool of the Group and were calculated by applying a capitalisation rate of approximately 6.6% (six months ended 30 June 2009: approximately 5.5%) per annum to expenditure on the qualifying assets.

6. TAXATION

	Six months ended 30 June	
	2010	2009
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
People's Republic of China ("PRC") Enterprise Income Tax	**152**	73
Deferred taxation	**480**	(23)
PRC Land Appreciation Tax	**200**	28
	832	78

No provision for Hong Kong Profits Tax has been made as the income of the Group neither arises in, nor is derived from, Hong Kong.

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 25% (six months ended 30 June 2009: 25%) on the assessable profits of the companies in the Group during the period.

The provision of Land Appreciation Tax is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. Land Appreciation Tax has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditures.

7. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
2009 Final dividend approved (2009: 2008 final dividend paid)	**530**	37
Interim dividend declared in respect of 2010 of HK$0.06 (2009: HK$0.01) per share	**270**	44

The Board has declared the payment of HK$0.06 (equivalent to RMB0.053) (2009: HK$0.01 (equivalent to RMB0.0088)) per share as the interim dividend in respect of 2010. Subject to the approval of The Stock Exchange of Hong Kong Limited, the 2010 interim dividend will be payable in the form of cash and/or shares of the Company as shareholders will be given the option to elect to receive their interim dividend in new, fully paid shares in lieu of all or part of cash.

In May 2010, a final dividend in respect of 2009 of HK$0.12 (equivalent to RMB0.11) per share was approved by the shareholders of the Company at the annual general meeting. The 2009 final dividend was paid in July 2010 in the form of cash and/or shares of the Company as shareholders were given the option to elect to receive their final dividend in new, fully paid shares in lieu of all or part of cash.

In June 2009, a final dividend in respect of 2008 of HK$0.01 (equivalent to RMB0.0088) per share was paid to the shareholders of the Company. In addition, a bonus issue of shares, which represented a total of 418,559,717 ordinary shares, was issued to the shareholders of the Company on the basis of one bonus share for every ten ordinary shares then held. The bonus shares ranked pari passu with the existing ordinary shares in all respects.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to shareholders of the Company is based on the following data:

Earnings

	Six months ended 30 June	
	2010	2009
	RMB'million	RMB'million
	(Unaudited)	(Unaudited)
Earnings for the purposes of basic earnings per share and diluted earnings per share, being profit for the period attributable to shareholders of the Company	**1,557**	718

Number of shares

	Six months ended 30 June	
	2010	2009
	'million	'million
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**5,023**	4,620
Effect of dilutive potential shares:		
Share options issued by the Company (Note)	**–**	44
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**5,023**	4,664

Note:

There were no dilution effects for share options granted as the exercise prices of these share options granted were higher than the average market price for the period (six months ended 30 June 2009: Other than the share options granted on 3 November 2008, there were no dilution effects for other share options granted as the exercise prices of these share options granted were higher than the average market price for the period).

9. INVESTMENT PROPERTIES

	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Completed investment properties held to earn rentals or for capital appreciation or both	**9,749**	9,384
Investment properties under construction or development, stated at fair value	**8,381**	6,129
stated at cost	**5,546**	5,693
	13,927	11,822
	23,676	21,206

The movements of investment properties during the current and prior periods are as follows:

	Six months ended 30 June	
	2010 RMB'million (Unaudited)	2009 RMB'million (Unaudited)
At 1st January	**21,206**	8,466
Reclassified from prepaid lease payments and properties under development	**–**	8,657
Eliminated upon disposal	**(162)**	–
Acquisition of a subsidiary	**67**	–
Additions	**1,104**	2,605
Increase in fair value recognised in the condensed consolidated income statement	**1,461**	199
At 30th June	**23,676**	19,927

The investment properties are all situated in the PRC under long/medium-term leases. All the completed investment properties are rented out under operating leases or are held for capital apprectiation purposes.

In circumstances where the fair value of an investment property under construction or development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is completed, such investment properties under construction or development are measured at cost using the cost model in IAS 16 until either its fair value becomes reliably determinable or construction is completed (whichever is the earlier).

The fair values of the Group's investment properties at 30 June 2010 and 31 December 2009 have been arrived at on the basis of valuations carried out on those dates by Knight Frank Petty Limited, an independent qualified professional valuer not connected to the Group.

For completed investment properties, the valuations have been arrived at using the capitalisation of net income method of valuation, based on the present value of the income to be derived from the properties. For the properties which are currently vacant, the valuation was based on capitalisation of the hypothetical and reasonable market rents with a typical lease term.

For investment properties under construction or development, the valuations have been arrived at by adopting direct comparison approach with reference to comparable transactions in the locality and assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The valuations have also taken into account the relevant future cost of development, including construction costs, finance costs, professional fees and developer's profit which duly reflects the risks associated with the development of the properties.

10. INTEREST IN ASSOCIATES/LOANS TO ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES/ AMOUNTS DUE TO ASSOCIATES

	Notes	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Cost of investments, unlisted		**357**	357
Share of post acquisition profits		**573**	505
		930	862
Loans to associates			
– Interest free	(a)	**804**	1,273
– Interest bearing at 5% per annum	(b)	**477**	–
		1,281	1,273
Amounts due from associates	(c)	**299**	147
Amounts due to associates	(d)	**37**	45

Notes:

(a) These loans to associates represent the loans to subsidiaries of Richcoast Group Limited ("Richcoast"), an associate of the Group, for financing the development of Dalian Tiandi project. Pursuant to the Joint Venture Agreement dated 25 May 2007, the loans are unsecured, interest-free and with no fixed terms of repayment until Many Gain International Limited ("Many Gain"), a shareholder of Richcoast which is an independent third party, has contributed its share of the shareholder's loan to the subsidiaries of Richcoast. Thereafter, the loans will bear interest at a rate of 5% per annum, subject to shareholders' approval. The loans are carried at amortised cost using the effective interest rates of 5.4% (31 December 2009: 7.3%) per annum.

(b) These loans to associates are unsecured, interest bearing at a rate of 5% per annum and with no fixed terms of repayment.

(c) The amounts due from associates are unsecured, interest bearing at 6.1% (31 December 2009: 5.8%) per annum and repayable on demand.

(d) The amounts due to associates are unsecured, interest free and repayable on demand.

11. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Non-current accounts receivable comprise of:		
Deferred rental receivables	**33**	59
Current accounts receivable comprise:		
Trade receivables (net of allowance for bad and doubtful debts) with aging analysis:		
Not yet due	**48**	172
Within 30 days	**10**	5
31 – 60 days	**3**	3
61 – 90 days	**2**	2
Over 90 days	**8**	4
	71	186
Prepayments of relocation costs (Note)	**934**	483
Deposit for land acquisition	**331**	–
Other deposits, prepayments and receivables	**250**	264
	1,586	933

11. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (CONTINUED)

Trade receivables comprise:

(i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the relevant sale and purchase agreements; and

(ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants.

Note:

The balance represents the amounts that will be capitalised to properties under development for sale in accordance with the Group's normal operating cycle, and not expected to be realised within twelve months from the end of the reporting period.

12. DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

The derivative financial instruments are measured at fair value at the end of the reporting period. The fair value is determined based on valuation provided by the counterparty financial institution.

At 30 June 2010 and 31 December 2009, the Group has outstanding interest rate swaps to hedge against the variability of cash flows arising from the interest rate fluctuations. Under these swaps, the Group would receive interest at variable rates at Hong Kong Interbank Offered Rate ("HIBOR") and pay interest at fixed rates ranging from 1.32% to 3.58% (31 December 2009: 3.32% to 3.58%) based on the notional amounts of HK$5,081 million (31 December 2009: HK$4,581 million) in aggregate. The Group designated the interest rate swaps as hedges against the variability of interest payments of certain bank borrowings of the Group amounting to HK$5,081 million (31 December 2009: HK$4,581 million) which bear variable interest rates at HIBOR plus spread ranging from 2.75% to 3.00% (31 December 2009: 2.75% to 2.90%) and mature on or before March 2013. The principal terms of the interest rate swaps have been negotiated to match the terms of the related bank borrowings.

During the six months ended 30 June 2010, fair value loss arising from the interest rate swaps of RMB39 million (six months ended 30 June 2009: fair value gain of RMB60 million) was recognised in other comprehensive income and accumulated in hedge reserve, which is expected to be recognised in the condensed consolidated income statement at various dates upon the interest payments of the related bank borrowings are expected to settle.

13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUED CHARGES

	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Trade payable with aging analysis:		
Not yet due	**1,245**	1,138
Within 30 days	**24**	5
31 – 60 days	**2**	6
61 – 90 days	**1**	2
Over 90 days	**4**	–
	1,276	1,151
Retention payables (Note)	**155**	128
Deed tax, business tax and other tax payables	**402**	442
Deposits received and receipt in advance from property sales	**974**	2,235
Deposits received and receipt in advance in respect of rental of investment properties	**212**	174
Accrued charges	**162**	175
	3,181	4,305

Note:

Retention payables are expected to be paid upon the expiry of the retention periods according to the respective contracts.

14. SHARE CAPITAL

Ordinary shares of US$0.0025 each	Authorised Number of shares	US$'000	Issued and fully paid Number of shares	US$'000
At 1 January 2009	12,000,000,000	30,000	4,185,597,171	10,464
Issue of bonus shares (note 7)	–	–	418,559,717	1,046
Issue of new shares	–	–	418,500,000	1,046
At 30 June 2009, 1 January 2010 and 30 June 2010	**12,000,000,000**	**30,000**	**5,022,656,888**	**12,556**

	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Shown in the condensed consolidated statement of financial position as	**99**	99

In June 2009, 418,500,000 new ordinary shares were issued to independent third parties at the price of HK$4.87 per share. The gross proceeds from the new issue were approximately HK$2,038 million (equivalent to RMB1,797 million). The new ordinary shares rank pari passu with the existing ordinary shares in all respects.

15. OTHER RESERVES

(a) Merger reserve represents the aggregate of:

(i) the difference between the nominal value of the share capital and share premium on the shares issued by the Company and the aggregate of the share capital and share premium of the holding companies of the subsidiaries acquired;

(ii) the share of profit attributable to the deemed non-controlling shareholders exchanged upon the group reorganisation in 2004; and

(iii) the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from a non-controlling shareholder upon the group reorganisation in 2004.

(b) Special reserve represents the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in the subsidiaries being acquired from non-controlling shareholders, which will be recognised in the condensed consolidated income statement upon the earlier of the disposal of the assets, disposal of the subsidiary of the assets which the assets relate, or when the related assets affect profit or loss.

During the six months ended 30 June 2010, an amount of RMB21 million was released to condensed consolidated income statement upon the disposal by the subsidiaries of the assets to which it relates (six months ended 30 June 2009: nil).

15. OTHER RESERVES (CONTINUED)

(c) Other reserves comprise:

(i) An amount of RMB483 million represents payable waived in 2004 by Shui On Investment Company Limited, a subsidiary of Shui On Company Limited ("SOCL"), in respect of development costs of the same amount originally paid by Shanghai Shui On Property Development Management Co., Ltd., a fellow subsidiary of Shui On Investment Company Limited, and recharged to certain subsidiaries of the Company. SOCL is a substantial shareholder of the Company, of which Mr. Vincent H.S. Lo, the Chairman and the Chief Exceutive Officer of the Company, has beneficial interest.

(ii) Capital contribution of RMB21 million arising on the fair value adjustments at the initial recognition of an interest free loan advanced by a non-controlling shareholder of a subsidiary in 2005.

(iii) Non-distributable reserve of RMB99 million arising from the capitalisation of retained profits as registered capital of a subsidiary in the PRC in 2006.

16. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed by the shareholders on 8 June 2007 for the primary purposes of providing incentives to directors, eligible employees and consultants. Under the Scheme, the total number of shares in respect of which options may be granted is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

At 30 June 2010, 153,884,399 share options (31 December 2009: 166,375,605 share options) remained outstanding under the Scheme, representing 3.1% (31 December 2009: 3.3%) of the shares of the Company in issue at that date. The Scheme allows the Board of Directors, when offering the grant of any option, to impose any condition including any performance target which must be met before the option shall vest and become exercisable.

The Group recognised the total expense of RMB17 million (six months ended 30 June 2009: RMB30 million) in the consolidated condensed income statement in relation to share options granted by the Company.

16. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

No share options were granted or exercised during the six months ended 30 June 2010 and 30 June 2009. The movement in the Company's share options is set out below:

		Number of options				
Date of grant	Exercise price HK$	At 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2010
20 June 2007	7.00	106,632,098	–	–	(7,937,762)	98,694,336
1 August 2007	8.18	1,269,802	–	–	(115,392)	1,154,410
2 October 2007	10.00	2,468,768	–	–	(224,192)	2,244,576
1 November 2007	11.78	1,301,615	–	–	(381,547)	920,068
3 December 2007	9.88	1,234,329	–	–	(121,509)	1,112,820
2 January 2008	8.97	3,358,409	–	–	(119,067)	3,239,342
1 February 2008	8.05	1,717,382	–	–	(46,236)	1,671,146
3 March 2008	7.68	735,670	–	–	(53,835)	681,835
2 May 2008	7.93	7,238,273	–	–	(854,564)	6,383,709
2 June 2008	7.34	15,231,560	–	–	(1,238,876)	13,992,684
2 July 2008	6.46	1,482,175	–	–	(332,814)	1,149,361
4 September 2009	4.90	23,705,524	–	–	(1,065,412)	22,640,112
Total		166,375,605	–	–	(12,491,206)	153,884,399
Number of options exercisable at the beginning and end of the period		19,586,617				32,418,733

		Number of options				
Date of grant	Exercise price HK$	At 1 January 2009	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2009
20 June 2007	7.00	118,747,544	–	–	(4,895,062)	113,852,482
1 August 2007	8.18	1,371,013	–	–	(64,180)	1,306,833
2 October 2007	10.00	4,845,000	–	–	(2,125,000)	2,720,000
1 November 2007	11.78	4,272,054	–	–	(10,611)	4,261,443
3 December 2007	9.88	1,500,488	–	–	(151,820)	1,348,668
2 January 2008	8.97	3,449,266	–	–	(44,593)	3,404,673
1 February 2008	8.05	2,099,366	–	–	(291,923)	1,807,443
3 March 2008	7.68	774,732	–	–	(19,531)	755,201
2 May 2008	7.93	7,796,274	–	–	(312,102)	7,484,172
2 June 2008	7.34	15,837,819	–	–	(551,766)	15,286,053
2 July 2008	6.46	1,784,027	–	–	(108,357)	1,675,670
3 November 2008	1.60	100,250,000	–	–	(10,609,375)	89,640,625
Total		262,727,583	–	–	(19,184,320)	243,543,263
Number of options exercisable at the beginning and end of the period		3,900,000				17,628,252

16. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

The vesting period and the exercisable period of the share options granted to eligible employees and directors are as follows:

	Vesting period	**Exercisable period**
The first 1/7 of the grant:	From date of grant to the 2nd anniversary	From the 2nd to the 7th anniversary to the date of grant
The second 1/7 of the grant:	From date of grant to the 3rd anniversary	From the 3rd to the 8th anniversary to the date of grant
The third 1/7 of the grant:	From date of grant to the 4th anniversary	From the 4th to the 9th anniversary to the date of grant
The fourth 1/7 of the grant:	From date of grant to the 5th anniversary	From the 5th to the 9th anniversary to the date of grant
The fifth 1/7 of the grant:	From date of grant to the 6th anniversary	From the 6th to the 9th anniversary to the date of grant
The sixth 1/7 of the grant:	From date of grant to the 7th anniversary	From the 7th to the 9th anniversary to the date of grant
The last 1/7 of the grant:	From date of grant to the 8th anniversary	From the 8th to the 9th anniversary to the date of grant

The vesting period and the exercisable period of the share options granted to a consultant are as follows:

	Vesting period	**Exercisable period**
The first 1/5 of the grant:	Unconditional and fully vested at the date of grant	Before the 5th anniversary to the date of grant
The second 1/5 of the grant:	From date of grant to the 1st anniversary	Before the 6th anniversary to the date of grant
The third 1/5 of the grant:	From date of grant to the 2nd anniversary	Before the 7th anniversary to the date of grant
The fourth 1/5 of the grant:	From date of grant to the 3rd anniversary	Before the 8th anniversary to the date of grant
The last 1/5 of the grant:	From date of grant to the 4th anniversary	Before the 9th anniversary to the date of grant

The share options granted to independent non-executive directors, a non-executive director and a consultant are unconditional and fully vested at the date of grant and exercisable on or before the 5th anniversary to the date of grant.

17. ACQUISITION OF A SUBSIDIARY

During the six months ended 30 June 2010, a subsidiary of the Company acquired the entire interest of a company incorporated in the PRC from an independent third party for a cash consideration RMB109 million. The acquired company owned the property development right on a piece of land adjacent to Shanghai Rui Hong Xin Cheng project.

The acquisition was accounted for during the six months ended 30 June 2010 as purchase of assets and liabilities rather than as business combination as the subsidiary acquired is an investment and property holding company with no business concerns.

The net assets acquired in the transaction were as follows:

	RMB'million (Unaudited)
Investment properties under construction or development	**67**
Properties under development for sale	**45**
Accounts receivable, deposits and prepayments	**4**
Other payables and accrued charges	**(7)**
Net assets acquired	**109**
Cash consideration	**109**

During the six months ended 30 June 2010, the acquired company did not contribute any turnover or results to the Group.

18. PLEDGE OF ASSETS

The following assets were pledged to banks as securities to obtain certain banking facilities at the reporting date:

	30 June 2010 RMB'million (Unaudited)	31 December 2009 RMB'million (Audited)
Investment properties	**15,135**	13,243
Property, plant and equipment	**127**	128
Prepaid lease payments	**42**	43
Properties under development held for sale	**3,953**	4,948
Properties held for sale	**116**	406
Accounts receivable	**69**	90
Bank deposits	**2,014**	2,019
	21,456	20,877

Included in pledged bank deposits above is an amount of RMB265 million (31 December 2009: RMB265 million) which has been pledged to secure banking facilities granted to an associate. All the other assets were pledged to secure banking facilities granted to the Group.

In addition, the equity interests in certain subsidiaries were also pledged to banks as securities to obtain banking facilities for the Group at the reporting date.

19. COMMITMENTS AND CONTINGENCIES

As of the respective reporting dates, the Group had the following commitments:

Contracted but not provided for:	**30 June 2010 RMB'million (Unaudited)**	31 December 2009 RMB'million (Audited)
Development costs for investment properties	**5,748**	6,534
Development costs for properties under development held for sale	**8,737**	7,884
	14,485	14,418

As of 30 June 2010 and 31 December 2009, the commitment for development costs included the committed relocation costs for the development of certain educational facilities to be located in the Taipingqiao area of the Luwan District as compensation for the removal of those educational facilities originally located in that area. The commitment for development costs also included the remaining outstanding cost of acquisition for land use rights in Foshan City, Guangdong Province, the PRC amounted to RMB4,120 million (31 December 2009: RMB4,324 million). These development costs will be paid in stages according to the relocation progress of the land.

Except as disclosed above, there have been no material changes in the Group's capital and other commitments as well as contingent liabilities since 31 December 2009.

20. RELATED PARTY TRANSACTIONS

Apart from the related balances as stated in the condensed consolidated statement of financial position, the Group also had the following transactions with related parties during the period:

	Six months ended 30 June	
Nature of transactions	**2010 RMB million (Unaudited)**	2009 RMB million (Unaudited)
SOCL and its subsidiaries and associates other than those of the Group		
Project construction fees	**161**	67
Rental and building management fee expenses	**13**	20
Travelling expenses	**11**	–
Project management fee income	**5**	8
Interest income	**–**	1
Associates		
Interest income	**16**	–
Imputed interest income	**19**	62
Project management fee income	**8**	–
Non-controlling shareholders of subsidiaries		
Interest expenses	**68**	55
Imputed interest expenses	**–**	1
Property management fee	**2**	2
Jointly controlled entity		
Rental and building management fee income	**2**	2
A director		
Interest expenses	**–**	23
Senior management		
Property sales	**20**	2

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