RISKS RELATING TO OUR BUSINESS

We are and will continue to be dependent on the performance of the PRC property market, particularly in the cities where we operate and intend to operate

Our business and prospects depend on the performance of the PRC property market. As of November 30, 2013, we had 25 property projects development across 15 cities in China, including Tianjin, Chongqing, Wuhan, Changsha, Nanning, Shenyang, Jinan, Chengdu, Wuxi, Yantai, Dongying, Liuzhou, Guilin, Weifang and Qingyuan. We also intend to enter certain other regions and cities in China. Any adverse development in the supply of or demand for properties and any measures that the PRC government may take in restricting the growth of the property market in China, particularly in the cities where we have or plan to have projects, may adversely affect our financial condition, results of operations and business prospects.

The overall demand for private residential and commercial properties in China, particularly in provincial capitals and regional urban centers, has grown rapidly in recent years. However, the market also experienced fluctuations in property prices during this period in response to PRC government policies and trends in the PRC and world economy. There have been increasing concerns over the affordability of housing and the sustainability of the real estate market growth in China. As a result, the PRC government has in recent years promulgated various control measures aimed at cooling the property sector. See "—Risks Relating to the Property Industry in China—The PRC government may adopt further measures to prevent over-heating of the property sector." We cannot assure you that such measures will not have a negative impact on our business or that the demand for new properties in provincial capitals and regional centers, where we have or will have operations, will continue to grow in the future or that there will not be over-development or market downturn in the PRC property sector. Any adverse development and the ensuing decline in property sales or decrease in property prices in China may adversely affect our business and financial condition.

Our business relies on the availability of suitable land at commercially reasonable costs and our ability to identify and acquire suitable land for development

Our business is dependent upon our ability to identify and acquire suitable land at commercially reasonable costs and our ability to generate profit from the sale of properties developed on such land. We need to periodically replenish our land reserves in order to grow our business and we may incur significant costs in identifying, evaluating and acquiring suitable new land for development. We have set clear criteria for land selection for each of the two principal types of properties we develop. See "Business—Property Development Process—Site Selection" on page 188 of this prospectus. Our future growth prospects and results of operations may be adversely affected if we fail to identify and acquire sufficient amount of such suitable new land for development and to achieve reasonable returns upon the sale or lease of these properties.

The PRC government's policies on land supply may also affect our land acquisition costs and our ability to acquire land use rights for future developments. The PRC government controls land supply and regulates the ways in which property developers may obtain land for property development. Such measures and any other similar measures in the future may subject us to increased competition from other property developers and limit our ability to develop a wide variety of properties. Changes in government policy that reduce land supply or limit our ability to tender for land may materially and adversely affect our business and financial condition.

We generate revenue principally from the sale of properties, which in turn depends on a number of factors including the schedule of our property development and the timing of property sales

Historically, we have derived our revenue principally from the sale of properties. For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2012 and 2013, we generated 96.7%, 96.0%, 96.0%, 94.2% and 92.4%, respectively, of our revenue from the sale of properties. Our results of operations may fluctuate due to factors such as the schedule of our property development and the timing of property sales.

We generally recognize revenue from the sale of a property upon the completion of property construction and delivery of the property to the buyer, at which point we believe the significant risks and rewards of ownership are transferred to the buyer. Due to capital requirements for land acquisition and construction, limited land supply and the time required for completing a project, we can undertake only a limited number of property development projects at a time. In addition, since the timing of delivery of our properties varies according to our construction timetable, our revenue and results of operations may vary significantly from period to period depending on the number of properties delivered during a specific period. As a result, our period-to-period comparisons of results of operations and cash flow positions may not be indicative of our future results of operations and may not be as meaningful measures of our financial performance of a specific period as they would be for a company with a greater proportion of steady recurring revenues. Furthermore, our property development may be delayed or adversely affected by a combination of factors, including adverse weather conditions, delays in obtaining requisite permits and approvals from relevant government authorities, as well as other factors beyond our control, which may in turn adversely affect our revenue recognition and consequently our cash flow and results of operations.

Our primary land development projects and some property development projects may be materially and adversely affected by difficulties in and costs associated with demolition and resettlement of existing businesses and residents

In our primary land development projects and some property development projects, we paid for costs associated with, and in one case was responsible for (see below), the demolition of existing buildings and the resettlement of incumbent businesses and residents. For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, our demolition and resettlement costs were RMB563.9 million, RMB349.6 million, RMB428.6 million and RMB159.6 million, respectively. The compensation we pay for resettlement is calculated in accordance with certain formulas published by the relevant local authorities, which generally take into account the location, GFA and type of building to be demolished, local income levels and many other factors. There can be no assurance that local authorities will not change or adjust these formulas. Additionally, existing owners or residents may disagree with the compensation arrangements or refuse to relocate. The administrative process to settle the amount of compensation, together with any appeals or refusal to relocate, may significantly delay the timetable for the affected development. The Property Rights Law of China《中華人民共和國物權法》adopted by NPC on March 16, 2007 provides specific legal protection to private property rights of homeowners, which may further increase the difficulties in achieving demolition and resettlement through the administrative process and increase the cost associated with such process. Although we generally take into consideration the difficulties in resettlement compensation negotiations before we enter into the relevant contractual arrangements with local governments, unforeseen factors beyond our control may result in a protracted resettlement process. This consequently may cause delays in project development and adversely affect our plans to obtain the relevant land use rights, which may only occur through public bidding, auction and listing-for-sale after the land has been prepared on a primary basis. In addition, there is no assurance that we will be able to reach agreements for compensation and resettlement for these redevelopment projects on terms satisfactory to us, or at all. An unfavorable final determination or settlement regarding the amount of compensation payable by us may increase our cost of primary land development and materially and adversely affect our cash flow, results of operations and financial condition.

We are responsible for demolition and resettlement with respect to Yantai Sunshine 100 City Plaza (Phase II) by agreement with the local government. Then prevailing PRC regulations required private companies engaged in demolition and resettlement work like us to have valid qualification, and we accordingly obtained a demolition and resettlement permit on September 29, 2010. On January 21, 2011, the State Council promulgated the Regulation on Expropriation and Compensation Related to Buildings on State-Owned Land (國有土地上房屋徵收與補償條例), which replaced the Regulations for the Administration of Demolition and Removal of Urban Housing (城市房屋拆遷管理條例). The new regulation provides, among other things, that only government authorities are permitted to conduct resettlement activities, but companies who had already obtained a demolition and resettlement permit may continue to use such permit to complete the demolition. When our permit expired in September 2011, we could not have had it renewed because the relevant local authority in Yantai, the Yantai Municipal Bureau of Housing and Urban-Rural Development, had ceased to renew such permits after the new regulation came into effect. We remained, however, bound by our agreement with the local government to be the responsible party for resettlement. In light of the circumstances, the Yantai Municipal Bureau of Housing and Urban-Rural Development agreed, as set out in a confirmation letter, that we could designate a qualified contractor to carry on with the remaining work. We did so accordingly. Based on the confirmation letter, Zhong Lun Law Firm, our PRC legal advisers, have confirmed to us that our delegation to a qualified contractor to continue the demolition work does not breach any applicable PRC law or regulation. We cannot, however, assure you that we will not be found to be in technical breach of the relevant PRC government regulation against carrying out resettlement work without qualification. If we were so found, we could be required by the relevant government authority to cease the resettlement work and be subject to a warning and/or a fine, according to Zhong Lun Law Firm, our PRC legal advisers.

We may not be able to complete our projects according to schedule

A property development project may take several years to complete and the progress of a project can be adversely affected by many factors, including:

- changes in market conditions;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- changes in government rules and regulations and the related practices and policies, including reclamation of land for public works or facilities;
- relocation of existing residents and demolition of existing structures;

- increases in the prices of raw materials;
- shortages of materials, equipment, contractors and skilled labor;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;
- labor disputes;
- construction accidents;
- natural disasters or adverse weather conditions; and
- other unforeseen problems or circumstances.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets as a result of the above factors may adversely affect our results of operations and financial position and may also cause reputational damage. We cannot assure you that we will not experience such delays in delivery of our property projects in the future or that we will not be subject to any liabilities for any such delays.

Our business is capital intensive and we may not be able to timely obtain sufficient financing to fund our land acquisitions or property developments

Property development usually requires substantial capital investment during the construction period. It is not unusual for a property developer to generate negative operating cash flow over a particular period when the cash outlay for land acquisition and construction expenditures during that period, after offsetting changes in other working capital items, exceeds the cash inflow from property sales or pre-sales over the same period. We incurred a net cash outflow from operating activities of RMB40.7 million, RMB212.3 million, RMB49.6 million and RMB495.6 million for the years ended December 31, 2010 and 2012 and the nine months ended September 30, 2012 and 2013, respectively. We therefore require external funding to expand our business and to acquire land and develop new projects. Our property development projects are generally funded through cash generated from operations, bank loans, trust loans, loans from related parties and third parties and shareholders' contributions. We expect to continue to fund our projects through these sources. However, we cannot assure you that such funds will be sufficient or that any additional financing can be obtained on satisfactory or commercially reasonable terms, or at all.

A number of factors, such as general economic conditions, our financial performance, credit availability from financial institutions and monetary policies in the PRC, may affect our ability to obtain adequate financing for our projects on favorable terms, if at all. Many of these factors are beyond our control. The PRC government has in recent years taken a number of measures in the financial sector to further tighten lending requirements for property developers to cool down excessive growth in the property sector, which, among other things:

- prohibit PRC commercial banks from extending loans to property developers to finance land premiums;

- restrict PRC commercial banks from extending loans for the development of luxury residential properties;
- restrict PRC commercial banks from granting or extending revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibit PRC commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- prohibit PRC commercial banks from granting loans to development projects that fail to meet capital ratio requirements or lack the required government permits and certificates; and
- prohibit property developers from using borrowings obtained from any local banks to fund property developments outside that local region.

In addition, PBOC regulates the reserve requirement ratio for commercial banks in the PRC, which affects the availability and cost of financing from them. PBOC has adjusted the bank reserve requirement ratio six times in 2010, seven times in 2011 and twice in 2012. The reserve requirement ratio for commercial banks currently ranges from 16.5% to 20% with effect from May 18, 2012. We cannot assure you that the PRC government will not introduce other measures which may limit our access to capital resources. The foregoing and other governmental actions and policy initiatives may limit our flexibility and ability to use bank loans or other forms of financing, including trust financing and financings from other financial institutions, to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash to obtain funding at a higher cost. As a result, our business, financial condition and results of operations may be materially and adversely affected.

In addition, under our current development model, we require substantial capital resources to acquire land parcels on a large scale before they reach the development stage according to our phased development schedule and pursuant to PRC land regulations. Bank loans in the PRC, however, are typically only available for drawdown once a project receives a permit for commencement of construction works. Due to this and other reasons, trust financing has become a necessary and substantial component of our external financing, particularly in the early stages of property development. Even though trust financing is a legitimate source of financing under PRC laws, it typically costs more than traditional bank borrowing and involves additional terms and conditions. We cannot assure you that we will not be required to resort to proportionally more trust financing, or that we will be able to secure trust financing on reasonable terms, or at all, when we need it. If any of these circumstances occur, our finance costs may materially increase or our development plan may be hampered, which, in turn, may materially and adversely affect our business, results of operations and financial condition.

We have substantial indebtedness and may incur additional indebtedness in the future, and we may not be able to generate sufficient cash to satisfy our outstanding and future debt obligations

We currently have, and after the Global Offering will continue to have, a substantial amount of indebtedness. Our total borrowings, including both current and non-current borrowings, as of December 31, 2010, 2011 and 2012 and September 30, 2013 were RMB5,716.9 million, RMB7,264.5 million, RMB10,194.4 million and RMB13,041.2 million, respectively, and our debt to equity ratio were 3.60, 4.06, 4.22 and 4.42, respectively, as of the same dates. Our substantial indebtedness could have important consequences. For example, it could:

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

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities, in which case the risks that we face as a result of our indebtedness could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, the demand for properties in the regions we operate and other factors, many of which are beyond our control. We may not generate sufficient cash flow to pay our anticipated operating expenses and to service our debts, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of our assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be implemented on satisfactory terms, or at all, and, even when implemented, may result in an adverse effect on our business, results of operations and financial condition.

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

If we fail to collect our trade receivables, our financial condition and results of operations will be materially and adversely affected

We generally do not incur significant trade receivables as most of our revenue is derived from sales of properties, and we typically do not deliver properties to purchasers before the full purchase price is paid. We, however, recorded considerable trade receivables during the Track Record Period, which amounted to RMB619.9 million, RMB625.3 million, RMB661.1 million and RMB680.4 million as of December 31, 2010, 2011 and 2012 and September 30, 2013, respectively, of which RMB592.4 million, RMB592.4 million, RMB602.2 million and RMB607.6 million, respectively, were past due for more than one year. The overdue amount is primarily attributable to RMB581.1 million due from the government of Chenghua District, Chengdu in relation to Phase I of our Chengdu Primary Land Development Project. See "Business—Our Primary Land Development Projects—Chengdu Primary Land Development Project" and "Financial Information—Certain Consolidated Balance Sheet Items—Trade and Other Receivables—Trade Receivables" beginning on page 183 and page 310 of this prospectus, respectively. We cannot assure you that we will be able to collect trade receivables from our debtors, including the Chenghua district government, in full or in a timely manner, and our failure to do so may materially and adversely affect our financial condition, results of operations and cash flow, as we could be forced to write off a receivable in accordance with IFRS and our accounting policies if our trade debtors, including the Chenghua district government, failed to honor their repayment obligations. In addition, we may incur expenses and have management resources diverted relating to the collection of our trade receivables, such as through legal proceedings.

We are subject to certain restrictive covenants and risks normally associated with debt and trust financing, which may limit or otherwise materially and adversely affect our business, financial condition and results of operations.

We are subject to certain restrictive covenants in our loan and financing agreements with certain banks and trust companies. Some of our loan agreements, for example, obligate some of our subsidiaries to maintain certain financial ratios. As of December 31, 2010, 2011 and 2012 and September 30, 2013, our loans and borrowings of RMB305.0 million, RMB110.0 million, RMB97.0 million and RMB290.6 million, or 5.3%, 1.5%, 1.0% and 2.2% of our loans and borrowings as of the same dates, respectively, were re-classified as payable on demand as our respective borrowing subsidiaries did not satisfy such financial ratios. As of the Latest Practicable Date, loans in the amount of RMB215.2 million of this nature remained outstanding. We cannot assure you that the respective lenders will not demand our repayment of the relevant amounts immediately. If they do, our liquidity may be materially and adversely affected. In addition, certain loan agreements contain covenants pursuant to which we or our relevant PRC operating subsidiaries may not enter into merger, joint venture or restructuring, decrease our registered share capital, transfer material assets, liquidate, change our shareholding or distribute dividends without the relevant lenders' prior written consent or unless we fully settle the outstanding amounts under the relevant loan agreements.

Our trust financing agreements generally also contain certain covenants stipulating, among others, that we or our relevant subsidiaries will not repay shareholders' loans, misuse proceeds, provide guarantees, distribute dividends, enter into merger, joint venture or acquisition, transfer material assets or change our registered share capital without notifying the relevant trust company, obtaining the prior consent of the relevant trust company or fully repaying the outstanding amount under the relevant trust financing agreement.

Pursuant to some of the trust financing arrangements, the trust companies have veto rights over certain of our corporate actions. In addition, our trust financings are generally secured by either a pledge or a transfer of our equity interests in the relevant project subsidiary to the relevant trust company. See "Financial Information—Liquidity and Capital Resources—Indebtedness—Loans and Borrowings" on page 329 of this prospectus. If we fail to comply with any of those covenants resulting in the trust companies' requests for acceleration or other default remedies or repay these trust financings in part or in full at their respective maturity dates, we may lose part or all of our equity interest in these project subsidiaries and our proportionate share of the asset value of the relevant property project. The occurrence of any of the above events may have a material adverse effect on our business, financial condition and results of operations.

Our financing costs are affected by changes in interest rates

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. PBOC has periodically adjusted its benchmark lending rates to respond to changes in the PRC and global economy. In April 2006, PBOC raised the benchmark one-year lending rate from 5.58% to 5.85% and in August 2006 further increased such rate to 6.12%. The PBOC again increased the one-year lending rate six times in 2007 from 6.12% to 7.47% in December 2007. Beginning in 2008, the PBOC decreased the benchmark one-year lending rate five times, from 7.47% to 5.31% in December 2008. Since late 2009, the PRC government introduced a new round of austerity measures to control the growth of the economy, including increasing the one-year benchmark lending rate to 5.56% on October 20, 2010 and to 6.56% on July 7, 2011. The one-year benchmark lending rate was then decreased to 6.31% on June 8, 2012 and to 6.00% on July 6, 2012. As of September 30, 2013 and as of the Latest Practicable Date, the benchmark one-year lending rate was 6.00%. As commercial banks in China and other financial institutions based in China link the interest rates on their loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the mortgage rates of our customers and our financing costs.

We guarantee the mortgages provided by financial institutions to our purchasers and, consequently, we are liable to the mortgagees if our purchasers default

We arrange for various banks to provide mortgages to the purchasers of our properties. In accordance with market practice, PRC domestic banks require us to provide guarantees in respect of these mortgages. We generally provide guarantees until the purchasers of our properties obtain the relevant "strata-title building ownership certificate (分戶產權證)" and the mortgage is registered in favor of the bank. We rely on credit checks conducted by the bank on our customers and do not conduct our own credit checks. The guarantees cover the full value of mortgages that purchasers of our properties have obtained to finance their purchases and any additional payments or penalties imposed by mortgagee banks for any defaults in mortgage payments by the purchasers. The typical guarantee period is 24 months. We deposit with the mortgage banks an amount which typically represents less than 10% of the mortgage to which the guarantee relates. If a customer defaults on payment of its mortgage, the mortgagee bank may deduct the payment due from the deposited sum and require that we immediately repay the entire outstanding balance of the mortgage pursuant to the guarantee. Upon satisfaction of our obligations under the guarantee, the mortgagee bank would then assign its rights under the loan and the mortgage to us and we would then have full recourse to the property. As of December 31, 2010, 2011 and 2012 and September 30, 2013, our outstanding guarantees over the mortgage loans of our customers amounted to RMB3,304.4 million, RMB2,962.6 million, RMB3,041.5 million and RMB4,149.1 million, respectively. We cannot assure you that defaults by purchasers will not occur or the rate of such defaults will not increase in the future. If a significant amount of our guarantees are called upon at the same time or in close succession, our results of operations and financial condition may be materially and adversely affected to the extent that there is a material depreciation in the market value of the relevant properties from the price to be paid by the customers or that we cannot resell such properties due to unfavorable market conditions or other reasons.

Any breach of contractual obligations by third-party contractors for the construction of our property development projects or our primary land development projects may adversely affect our results of operations and financial condition

We engage third-party contractors to provide various services, including the construction of buildings for our property development projects and the clearance of land for our primary land development projects. We generally select third-party contractors through competitive bids and also through internal assessment of general factors including their demonstrated competence, market reputation and our prior relationship with them, if any. Completion of our projects is subject to the satisfactory performance by these third-party contractors of their contractual obligations, including their adherence to the pre-agreed schedule for completion, and we cannot assure you that the services rendered by any of these third-party contractors will be satisfactory or that their services will be completed on time. If the performance of any third-party contractor proves unsatisfactory, or if any of them is in breach of its contractual obligations, we may need to replace such contractor or take other actions to remedy the situation, which could materially and adversely affect our cost and construction progress of our projects. Furthermore, a contractor's financial or other difficulties may cause the delay in the completion of our property developments and result in our incurring additional costs, which may have a material adverse effect on our results of operations and financial condition.

Our business may be adversely affected if we fail to obtain, or if there is any material delay in obtaining, the relevant PRC governmental approvals for our property development projects

We are required to obtain various permits, licenses, certificates and other approvals including, but not limited to, the state-owned land use rights certificates, planning permit for construction land, planning permit for construction works, permit for commencement of construction works, pre-sale permit for commodity properties and certificates or confirmations of completion and acceptance from the relevant administrative authorities at various stages of project development. In particular, we are required to obtain state-owned land use rights certificates before commencing any property development and such certificates would generally only be issued after certain conditions have been satisfied. Such conditions include the relevant project company having executed the state-owned land use rights granting contracts (國有土地使用權出讓合同) with the relevant authorities whereby the land use rights are granted to the relevant project company, provided we have paid the land grant premium in full.

As of the Latest Practicable Date, we had obtained the relevant land use rights certificates for all of the properties completed and the properties under development by us. However, we had a total site area of approximately 261,414 sq.m. in properties held for future development, corresponding to approximately 1,512,510 sq.m. in planned GFA, for which we had not obtained the relevant land use rights certificates for reasons relating to resettlement or re-zoning. The following table sets forth certain details of such land parcels:

Project	Site area without land use rights certificate	Corresponding planned GFA	Reason	Expected date of receiving certificate
	(sq.m.)	(sq.m.)		
Shenyang Sunshine 100 International New Town (Phase III)	211,607	889,592	The local government had not completed the resettlement of existing residents on this portion of the land and had not been able to enter into a land grant contract with us with respect to this portion of land in accordance with the land sale confirmation letter that was validly executed. The local government, therefore, had not been able to deliver the relevant land use rights certificates to us. We had fully paid land premiums presently due, and expect the local government to complete the resettlement process on a gradual basis that would not delay our development schedule.	Within our development schedule
Chongqing Sunshine 100 International New Town	23,381	261,571	The local government had re-zoned the use of, and had not completed the resettlement of existing residents on, this portion of the land. Therefore, even though we had entered into a land grant contract, the local government had not been able to deliver the relevant land use rights certificates to us. We had fully paid land premiums presently due, and are awaiting the local government to complete the resettlement process.	Based on our current knowledge, and subject to any changes in the local government's zoning plan, we expect to enter into a supplemental land grant agreement with the local government by June 30, 2014 and receive the land use rights certificate in due course thereafter.
Yantai Sunshine 100 City Plaza (Phase II)	26,425	361,347	We had not completed the resettlement of existing residents on this portion of the land. Therefore, even though we had entered into a land grant contract, the local government had not been able to deliver the relevant land use rights certificates to us. We had fully paid land premiums presently due, and are awaiting the completion of the resettlement process.	Third quarter of 2014

Zhong Lun Law Firm, our PRC legal advisers, have confirmed to us that, provided that we duly follow procedures the local governments may prescribe, and pay any due amounts of land premiums and supplemental land premiums, transaction fees and taxes, as applicable, there exist no material legal impediments to our obtaining such land use rights certificates.

In addition, as of November 30, 2013, we had land parcels held for future development in connection with our Weifang Sunshine 100 City Plaza, corresponding to 1,419,414 sq.m. in planned GFA, with respect to which we had not obtained the relevant land use rights certificates, as we had entered into a project development framework agreement with the local authorities in January 2010 and planned to obtain the relevant land use rights certificates following normal procedures set by the local authorities if we prevail at the future land auction and enter into land grant contracts with the local government. We cannot, however, assure you that we will prevail at the future land auction.

Furthermore, as of the Latest Practicable Date, there was, in connection with our Yantai Sunshine 100 City Plaza (Phase I) project, a plot of land with a site area of 3,965 sq.m. that was part of the land parcels under the land grant contract we had entered into with the local government but had not been available for development, as the local government had not completed the resettlement of existing residents. We have adjusted our development plan and completed the project without this plot of land. We have not included this plot for purposes of calculating and presenting our land reserves.

We cannot assure you that we will be able to obtain all necessary certificates and permits for our projects in a timely manner, or at all, and we cannot assure you that we will not encounter problems in fulfilling all or any of the conditions imposed for the grant of the necessary certificates or permits, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the granting of such items. Additionally, there may also be significant delays in the granting of such certificates and permits to us by the relevant PRC administrative bodies. If we fail to obtain, or are considered by relevant governmental authorities to have failed to obtain, or experience significant delays in obtaining, the requisite governmental permits, licenses, certificates and other approvals, penalties could be levied on us and our schedule of property development could be disrupted or substantially delayed, which could materially and adversely affect our business, financial condition and results of operations.

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

We are required to reassess the fair value of our investment properties at every balance sheet date for which we issue financial statements. Under IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our income statements in the period in which they arise. Our investment properties were revalued by CBRE Limited, an independent property valuer, as of December 31, 2010, 2011 and 2012 and September 30, 2013, on an open market and existing use basis, which reflected market conditions on the respective dates. Based on such valuation, we recognized the aggregate fair market value of our investment properties and relevant deferred tax on our consolidated balance sheets and fair value gains on investment properties and movements of the relevant deferred tax on our consolidated income statements. For the years ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2012 and 2013, the fair value gains on our investment properties were RMB373.3 million, RMB242.4 million, RMB139.3 million, RMB115.0 million and RMB121.3 million, respectively.

Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us and, therefore, do not increase our liquidity in spite of the increased profit. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure you that changes in the market conditions will continue to create fair value gains on our investment properties or that the fair value of our investment properties will not decrease in the future. In particular, the fair value of our investment properties could decline in the event that the property industry of China experiences a downturn. Any significant decreases in the fair value of our investment properties may materially and adversely impact our profit.

The illiquidity of property investments and the lack of alternative uses of hotel and retail properties could significantly limit our ability to respond to adverse changes in the performance of our investment properties

Because property investments in general are relatively illiquid, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates, supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. In addition, if we sell an investment property during the term of that property's management agreement or tenancy agreement, we may have to pay termination fees to our hotel management partners or our anchor retail tenants.

In addition, hotels and retail properties may not be readily converted to alternative uses if they became unprofitable due to competition, age, decreased demand or other factors. The conversion of hotel and retail properties to alternative uses generally requires substantial capital expenditures. We cannot assure you that we will have sufficient funds to carry out the conversion. These factors and any others that would impede our ability to respond to adverse changes in the performance of our hotels and retail properties could affect our ability to compete against our competitors and results of operations.

If our provisions for LAT prove to be insufficient, our financial results would be adversely affected

Our properties developed for sale are subject to LAT. Under PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value. LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement with the relevant tax authorities. As we often develop our projects in phases, deductible items for the calculation of LAT, such as land costs, are apportioned among different phases of development. Provisions for LAT are made on our own estimates based on, among other things, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. We only prepay a portion of such provisions each year as required by the local tax authorities. As of December 31, 2010, 2011 and 2012 and September 30, 2013, we made provisions for LAT in the amounts of RMB168.3 million, RMB150.7 million, RMB110.2 million and RMB48.4 million, respectively. As of the Latest Practicable Date, we had not received any official confirmation or exemption with respect to our LAT liabilities for any period despite our LAT prepayments during the years. We cannot assure you that the relevant tax authorities will agree with our calculation of LAT liabilities, nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount, our cash flow, results of operations and financial condition may be materially and adversely affected. In addition, as we continue to expand our property developments, we cannot assure you that our provision for LAT obligations based on our estimates in new markets will be sufficient to cover our actual LAT obligations. As there are uncertainties as to when the tax authorities will enforce the LAT collection and whether it will apply the LAT collection retrospectively to properties sold before the enforcement, any payment as a result of the enforcement of LAT collection may significantly restrict our cash flow position, our ability to finance our land acquisitions and to execute our business plans.

Our future growth partly depends on our ability to develop our business in other regions of China where we currently have no operations

In order to achieve sustainable growth, we need to continue to seek development opportunities in select regions in the PRC with potential for growth where we have no existing operations. However, our experience as a property developer in our existing markets may not be applicable in other regions. We may face intense competition from developers with established experience or presence in these new markets, and from other developers with similar expansion plans. In addition, business expansion or land acquisition requires a significant amount of capital investment and human resources, and may divert our existing resources including the attention of our management. Additionally, we may not be able to hire, train or retain sufficient talent to manage our operations in the new markets. As a result, our inability to develop, manage and integrate new projects and businesses may adversely affect our operating efficiency and the success of our expansion plans, which consequently may adversely affect our business, financial conditions and future prospects.

Increasing competition in the PRC, particularly from developers of properties similar to ours in the second- and third-tier cities where we operate, 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 second- and third-tier cities in China, including property developments similar to ours, with commercial and residential properties integrated to varying degrees. Our major competitors include large national and regional property developers and overseas developers, some of which may have better track records and greater financial and other resources than us. In addition, we also compete with small local property developers. Intense competition among property developers in second- and third-tier cities in China for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, an oversupply of properties available for sale and a decrease in property prices. Any of the above may adversely affect our business, financial condition and results of operations. In addition, the property markets in second- and third-tier cities in China are rapidly changing in response to various external factors beyond our control. If we fail to respond to these changes in market conditions or customer preferences more swiftly or effectively than our competitors, our business, results of operations and financial condition could be adversely affected.

We are a holding company and rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business

We are a holding company incorporated in the Cayman Islands and we conduct our core business operations through our subsidiaries and associated companies in China. We are financially dependent on dividends received from these subsidiaries and associated companies to pay dividends to our Shareholders and to service our indebtedness. Therefore, we may face financial difficulties should our subsidiaries and associated companies incur debt or losses affecting their ability to pay us dividends or make other distributions to us.

According to the PRC regulations, our subsidiaries may distribute their after-tax profits, as determined in accordance with the PRC accounting principles (which differ in many aspects from the generally accepted accounting principles in other jurisdictions), to their shareholders according to their capital contribution only after they have made appropriate contributions to the relevant statutory reserves. Furthermore, we or our subsidiaries and associated companies may enter into certain agreements such as bank credit facilities and joint venture agreements which may contain restrictive covenants restricting our subsidiaries and associated companies from making distributions to us. Any of the above factors may affect our ability to pay dividends to our Shareholders and to service our indebtedness, which could materially and adversely affect our business, results of operations and financial condition.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income, which could result in unfavorable tax consequences to us and our non-PRC Shareholders

Under the EIT Law and the Rules on the Implementation, enterprises established outside of the PRC but whose "de facto management body" is located in the PRC are treated as "tax resident enterprises" and are subject to the uniform 25% corporate income tax rate as to their aggregate worldwide income, unless otherwise provided by PRC laws and regulations. The Rules on the Implementation 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 Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of "de facto management body"《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》currently in force has clarified the conditions under which a foreign company whose majority shareholder is a Chinese enterprise or a group of Chinese enterprises would be considered as a PRC tax resident enterprise that has its "de facto management body" located in the PRC. However, the relevant PRC tax rules have not clarified whether and under what conditions a foreign company whose majority shareholders are PRC individuals may also be considered as a PRC tax resident enterprise having its "de facto management body" located in China, and currently, it is uncertain whether the PRC local tax authority will make such determination. As of the date hereof, the PRC local tax authorities have not certified our Company as a PRC tax resident enterprise. However, we cannot assure you that our Company will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations, in which case the tax consequences described above may apply.

Substantially all members of our management are currently based in China. If we are treated as a resident enterprise for PRC tax purposes, we will be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which may, unless otherwise provided for in the EIT Law, include any dividend income we receive from our subsidiaries. Although the EIT Law provides that dividend income between qualified resident enterprises is exempted, it is not clear what is considered as a qualified resident enterprise. If we are required to pay PRC income tax with respect to any dividends we receive from our subsidiaries, the actual amount of dividends available to pay to our Shareholders may be materially and adversely affected.

Furthermore, the EIT Law and the Rules on the Implementation provide that withholding tax at a rate of 10% will normally apply to dividends payable to non-PRC investors which are derived from sources within the PRC. Moreover, any gain realized on the transfer of shares by investors is also subject to 10% tax if such gain is regarded as income derived from sources within the PRC. We are a Cayman Islands holding company and substantially all of our income may come from dividends we receive from our PRC subsidiaries. If we declare dividends from such income, it is unclear whether any dividends we pay or whether any gain our non-PRC Shareholders realize from the transfer of our Shares would be treated as PRC-sourced income subject to such PRC withholding tax of 10%. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our non-PRC Shareholders, or if non-PRC Shareholders are required to pay PRC income tax on the transfer of their Shares, the value of their investment may be materially and adversely affected.

Compliance with PRC laws and regulations regarding environmental protection or preservation of antiquities and monuments could result in substantial costs

We are subject to extensive PRC laws and regulations concerning environmental protection and preservation of antiquities and monuments which impose fines for violation and authorize government authorities to shut down any construction sites that fail to comply with governmental orders requiring the cessation of certain activities causing environmental damage. The application of such laws and regulations vary greatly according to a site's location, its environmental condition, present and former use, as well as the circumstances of its adjoining properties. Such variation in application may result in delays in our project completion and may cause us to incur substantial compliance and other costs and severely restrict our project development activities in certain regions or areas.

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of project construction. If we fail to meet such requirements, the local authorities may issue orders to suspend our construction activities and impose a penalty in the range of RMB50,000 to RMB200,000. We cannot assure you that we will be able to comply with all such requirements with respect to environmental assessments. In the event of a suspension of construction and/or imposition of a fine as a result of our non-compliance, our financial condition may be materially and adversely affected.

There is a growing awareness of environmental issues in the PRC and we may sometimes be expected to meet more stringent standards than those under applicable environmental laws and regulations. We have not adopted any special environmental protection measures other than the measures generally taken in the ordinary course of business by comparable companies in our industry. There is no assurance that more stringent requirements on environmental protection will not be imposed by the relevant PRC governmental authorities in the future. If we fail to comply with existing or future environmental laws and regulations or fail to meet public expectations, our reputation may be damaged or we may be required to pay penalties or fines or take remedial actions, any of which could have a material adverse effect on our business, financial condition, and results of operations.

We may not have adequate insurance to cover all kinds of losses and claims in our operations

We maintain insurance as required by applicable PRC laws and regulations and as we consider appropriate for our business operations. We do not, however, maintain insurance against all risks associated with our operations, such as insuring our projects under development against natural or accidental damage and destruction by fire, flood, lightning, explosions or other hazards during construction periods or insuring our assets against certain natural disasters. We may incur losses, damages or liabilities during any stage of our property development and we may not have sufficient funds to cover the same or to rectify or replace any uninsured property or project that has been damaged or destroyed. In addition, any payments we are obligated to make to cover any losses, damages or liabilities may materially and adversely affect our business, financial condition and results of operations.

We depend on our management team for sustainable growth

Our continued success and growth depends on our ability to identify, hire, train and retain suitably skilled and qualified employees, including management personnel with relevant professional skills. The services of Mr. Yi Xiaodi, our Chairman, and our other Directors and members of senior management are essential to our success and future growth. See the section entitled "Directors and Senior Management" beginning on page 249 of this prospectus. The loss of Mr. Yi or a significant number of our other Directors and senior management could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. Due to intense competition for management and other personnel in the PRC property sector, any failure to recruit and retain the necessary management personnel could have a material adverse impact on our business and prospects.

Losses from our associated companies may adversely affect our results of operations

We have minority interests in certain projects through associated companies. The results of operations of these associated companies are not consolidated with our Group, and we record gains or losses from these investments on our income statements. As we do not control these associated companies, we cannot direct their business operations even if we disagree with the majority shareholders with regard to important business decisions with respect to these companies which may negatively impact the value of our investments and could, in turn, materially and adversely affect our own business, results of operations and financial condition.

A deterioration in our brand image or any infringement of our intellectual property rights could adversely affect our business

We rely to a significant extent on our brand name, "Sunshine 100" ("陽光壹佰"), in marketing our properties. Brand value is based largely on subjective consumer perception and can be damaged by isolated incidents that diminish consumer trust. Any negative incident or negative publicity concerning us or our business could adversely affect our reputation and business. Our brand value and consumer demand for our properties could decline significantly if we fail to maintain the quality of our properties or fail to deliver a consistently positive experience for the purchasers of our properties, or if we are perceived to have acted in an unethical or socially irresponsible manner. In addition, our efforts to protect our brand name may not be adequate, and we may be unable to identify any unauthorized use of our brand name or to take appropriate steps to enforce our rights on a timely basis. Any unauthorized use or infringement of our brand name may impair our brand value, damage our reputation and materially and adversely affect our business and results of operations. In addition, we have authorized Guilin Sunshine 100, and may in the future authorize additional non-Group companies, to use our brand. While we seek to maintain our brand image by requiring these companies to comply with relevant rules and standards relating to the use of our brand name, we cannot assure you that these parties will not use our brand name in a way that negatively affects our reputation and the reputation of our projects, which in turn may have an adverse effect on our financial condition and results of operations.

In addition, our service marks, trademarks, trade secrets and other intellectual property are critical to our success. We rely on trademark and copyright law, trade secret protection and confidentiality agreements with our employees, customers, business partners and others to protect our intellectual property rights. Despite the precautions taken, it may be possible for third parties to obtain and use our intellectual property without authorization, which may adversely affect our business and reputation. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources and, consequently, adversely affect our business and results of operations.

Our results of operations may be adversely affected by price volatility of construction materials and the rising cost of labor

As a result of the economic growth in China, prices for construction materials, including but not limited to steel and cement, and wages for construction workers have increased substantially in recent years. With the overall improvement of living standards in China as well as the PRC government's recent policies aimed at increasing wages of migrant workers, we expect labor costs to continue to increase in the near future. We are exposed to price volatility of construction materials and increased labor cost to the extent that we are not able to pass the increased costs on to our construction contractors or customers. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale. Our inability to pass cost increases to our construction contractors or our customers may adversely affect our results of operations.

Our business may be adversely affected if we fail to obtain, maintain or renew the required qualification certificates and other requisite government approvals

Property developers in the PRC must hold a valid qualification certificate to develop commercial and residential properties. In addition, at various stages of project development, the developer must obtain various licenses, certificates, permits, and approvals from the relevant PRC administrative authorities, including, among other things, land use rights certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion. PRC laws provide that a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be renewed annually for not more than two consecutive years. If, however, the newly established property developer fails to commence a property development project within the one-year period following the provisional qualification certificate, it will not be allowed to renew the term of its provisional qualification certificate. Developers with longer operating histories must submit their qualification certificates to relevant construction administration authorities for review annually. Government regulations require developers to fulfill all statutory requirements before they may obtain or renew their qualification certificates. We conduct our property developments through project companies, and we cannot assure you that our project companies will be able to obtain or renew the necessary qualification certificates in a timely manner, or at all. We cannot assure you that we will not encounter significant problems in satisfying the conditions to, or experience delays on the part of the administrative bodies in, the issuance or renewal of the relevant qualification certificates of our project companies or other necessary licenses, certificates, permits or approvals. There may also be delays in reviewing and processing our applications and granting licenses, certificates, permits or approvals. Any of the above factors could adversely impact our development schedule and our sales, which would in turn result in a material and adverse effect on our business, results of operations and financial condition.

We may be subject to sanctions by the PRC government if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the land grant terms may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, under current PRC laws and regulations, 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 on the land 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 to the PRC government unless the delay in development is caused by government actions or force majeure. See "Appendix V—Summary of Principal PRC Legal and Regulatory Provisions—Development of real estate projects—Idle land" on page V-9 of this prospectus.

Moreover, even if the time of commencement of the land development is in line with the land grant contract, under certain circumstances, such as if the development of the land has been suspended for over one year without government approval, the land will be treated as idle land.

In May 2007, we acquired a parcel of land in Chengdu from a previous holder, on which we planned to develop the Chengdu Xin Sheng Yuan project. The previous holder had entered into a land grant contract with the local government on June 5, 2003, our acquisition was approved by the State-Owned Land and Resources Bureau of Chengdu on May 17, 2007 and all land premiums were paid as of May 8, 2007. We planned to commence development in June 2008, but have not been able to do so, as the local government has not completed re-zoning of the relevant land. We expect to enter into a supplemental agreement with the local government specifying a new development commencement date after the re-zoning is completed. Based on our current knowledge, and subject to any changes in the local government's zoning plan, we expect to enter into the supplemental agreement with the local government by the end of 2014. See "Business—Description of Our Projects—25. Chengdu Xin Sheng Yuan Project (成都鑫勝源項目)" on page 180 of this prospectus. For similar reasons, we have not been able to commence or complete development of a portion of the Chongqing Sunshine 100 International New Town project prior to the end of December 2003 and December 2007, respectively, as originally envisaged in the land grant contract. The contract further provides that the local land authority has the right to seize the land if we fail to complete the project for more than 180 days after the agreed completion date. We had entered into the land grant contract with the local government on April 7, 2003 and all land premiums had been paid as of December 8, 2005. See "—Our business may be adversely affected if we fail to obtain, or if there is any material delay in obtaining, the relevant PRC governmental approvals for our property development projects" on page 39 above. Our development plan with respect to this portion of land is pending further government action. Based on our current knowledge, and subject to any changes in the local government's zoning plan, we expect to enter into the supplemental agreement with the local government by June 30, 2014. See "Business—Description of Our Projects—8. Chongqing Sunshine 100 International New Town (重慶陽光100國際新城)" on page 161 of this prospectus.

Under Civil Air Defense Law (《人民防空法》), newly built civil buildings shall construct underground spaces as required under relevant rules and regulations for air defense purpose during war time. Therefore local authorities generally stipulate certain site areas of the civil air defense underground spaces of a project during the project planning in accordance with relevant laws, rules and local regulations. According to Civil Air Defense Law and Management Measures of Normal Development and Utilization of Air Defense Projects (《人民防空工程平時開發利用管理辦法》), civil air defense projects are normally under the investors' management who are entitled to the proceeds from such projects. Hence each company who develops air defense underground spaces has the right to receive proceeds from such projects by lease or other measures. We confirm that as of the Latest Practicable Date, we occupied a total site area of approximately 262,844 sq.m. civil air defense underground spaces, most of which are leased for rent except for a small portion that is self-occupied by us.

The general terms under a land grant contract between local authorities and us are usually ordinary obligations including date of commencement/completion, conditions to use the land and agreement to construct a certain portion of land for public complementary facilities. Nonetheless, in some particular projects, we undertook additional obligations as a result of the negotiation with the local authorities including:

- *Dongying Sunshine 100 City Garden* where we agreed to construct a total site area of approximately 14,919 sq.m. for urban green space, the title of which will be complimentarily transferred to the local authorities upon completion of construction.
- *Liuzhou Sunshine 100 City Plaza*, where we agreed to construct a star-rated hotel within three years.
- *Liuzhou Yaobu Classic Town Project,* where the local authorities required that the commercial properties of a total site area of approximately 31,800 sq.m. in Land A and Land B are not alienable within 10 years which shall be under uniform management and operation by the Group.

Except for the additional obligations described above, we are not subject to any onerous obligations or restrictions under the land grant contracts.

Many cities in China have set out specific enforcement rules on the idle land, civil air defense underground spaces, and the local authorities are expected to enforce such rules in accordance with the instructions from central government of China. We cannot assure you that regulations relating to idle land, civil air defense underground spaces or other aspects of land use rights grant contracts will not become more restrictive or punitive in the future. If we fail to comply with the terms of any land use rights grant contract as a result of delays in project development, or as a result of other factors, we may lose the opportunity to develop the project, as well as our past investments in the land, which could materially and adversely affect our business, financial condition and results of operations.

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

Property developers in the PRC 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 property sale and purchase agreement. Property developers, including ourselves, generally elect to specify the deadline for the delivery in the property 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 receipt of the completion and acceptance certificate for the relevant properties and apply for the general property ownership certificate in respect of 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 relevant local authority's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. For example, we have not received the land use rights certificates for a portion of our Yantai Sunshine 100 City Plaza

(Phase I), as the local government has not completed the resettlement of existing residents and the demolition of existing structures on the relevant land. As a consequence, we have not been able to deliver property ownership certificates to purchasers of properties built on the affected portion of the land. During the Track Record Period, we made penalty and compensation payments to purchasers of our properties for late delivery. We cannot assure you that we will not incur material liability to purchasers in the future for the late delivery of individual property ownership certificates due to our fault or for any reason beyond our control.

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

We may be involved in disputes with various parties involved in the development and sale of our properties, including contractors, suppliers, construction workers, purchasers and project development partners. We may also be involved in disputes with various parties relating to our property management business. See "Business—Legal Proceedings and Compliance" on page 199 in this prospectus. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. As most of our projects comprise multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities and cause delays to our property developments. From time to time, our officers and management may be parties to litigation or other legal proceedings. Even though our company may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business.

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

The permitted total GFA for a particular development is set out in various governmental documents issued at various stages. In many cases, the underlying land grant contract will specify permitted total GFA. Total GFA is also set out in the relevant urban planning approvals and various construction permits. If constructed total GFA exceeds the permitted total, or if the completed development contains built-up areas that the authorities believe do not conform to the approved plans as set out in relevant construction works planning permit, we may not be able to obtain the acceptance and compliance form of construction completion (竣工驗收備案表) for our development and, as a consequence, we would not be able to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. Moreover, excess GFA requires additional governmental approval, and the payment of additional land premium. If issues related to excess GFA cause delays in the delivery of our products, we may also be subject to liability to purchasers under our sales and purchase agreements. We cannot assure you that constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA, or that the authorities will determine that all built-up areas conform to the plans approved as set out in the construction permit. Moreover, we cannot assure you that we would have sufficient funding to pay any required additional land premium or to take any remedial action that may be required in a timely manner, or at all. Any of these factors may materially and adversely affect our reputation, business, results of operations and financial condition.

The appraisal value of our properties may be different from the actual realizable value and is subject to change

The appraisal value of our properties as contained in Appendix IV—Property Valuation Report was prepared by CBRE Limited based on multiple assumptions containing elements of subjectivity and uncertainty, including, among other things, that:

- we will complete development projects on time;
- we have obtained or will obtain on a timely basis all approvals from regulators necessary for the development of the projects; and
- we have paid all the land premiums and obtained all land use rights certificates and transferable land use rights without any payment obligation of additional land premiums.

In addition, the appraisal value of our investment properties is based on key assumptions including levels of yield, rent and/or price. See "Financial Information—Critical Accounting Policies—Valuation Gains on Investment Properties—Valuation methods" on page 278 of this prospectus. Even though CBRE Limited, in preparing the Property Valuation Report, adopted valuation methodologies used in valuing similar types of properties, the assumptions adopted may prove to be incorrect.

Therefore, the appraisal values of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of the property projects as well as national and local economic conditions may affect the value of our properties. In particular, the valuation of our investment properties could stagnate or even decrease if the market for comparable properties in the PRC experienced a downturn as a result of PRC government austerity measures on the property sector, any continued effect of the adverse macroeconomic environment or other reasons.

If any of the assumptions proves incorrect or the actual realizable value of any of our properties is significantly lower than its appraisal value, our business, financial condition and results of operations may be materially and adversely affected.

We may be subject to additional payments of statutory employee benefits

According to PRC labor laws and regulations, we are required to pay various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance for all employees, to designated government agencies. We pay statutory employee benefits based on the contribution ratio pre-set by the local labor authorities, while we accrue provisions for unpaid employee benefits. We did not pay social insurance fund for certain employees in a number of project companies, mostly property management companies. As of September 30, 2013, the total unpaid amount of such social insurance fund contribution was approximately RMB1.46 million. In addition, we did not pay housing fund for certain employees in a number of project companies, which amounted to approximately RMB1.83 million as of September 30, 2013. As of the Latest Practicable Date, we had not received any notice, penalty-related or otherwise, from the local labor authorities in the above cities where our affected project companies are located. According to Zhong Lun Law Firm, our PRC legal advisers, if the relevant employees bring a complaint before relevant government authorities or initiate labor arbitration proceedings, we may be required to pay the arrears amount in full and pay delay penalties. However, we cannot assure you that the amount of such provisions will be sufficient to cover our liability. If we are required to make additional payments of statutory employee benefits, our operating expenses will increase and consequently our results of operations and financial condition may be materially and adversely affected.

Mr. Liao Chimei, one of the Original Shareholders, might make a claim against the Controlling Shareholders and/or the Company, and your interests may not always align with those of other shareholders, including the Controlling Shareholders

In a complaint letter dated November 4, 2013 addressed to the Stock Exchange, Mr. Liao Chimei, one of the Original Shareholders and an ex-employee of our Group, alleged that his 6% ownership interest in the Company was "deprived" by the Controlling Shareholders as a result of the Reorganization and the proposed Listing (the "**Complaint**"). As of the Latest Practicable Date, the Controlling Shareholders and the Company had not received any legal writ from Mr. Liao arising from the Complaint. Based on legal advice and reasonable due diligence undertaken, the Directors and the Joint Sponsors believe that the allegations contained in the Complaint are untrue and unfounded. Nevertheless, Mr. Liao might still decide to make a claim against the Controlling Shareholders and/or the Company based on what has been alleged in the Complaint. For more details of the Complaint, the history of dealings between Mr. Liao Chimei and the Controlling Shareholders and the views of our legal advisers, our Directors and the Joint Sponsors on the Complaint, see "Business—Legal Proceedings and Compliance—Complaint Letter by Mr. Liao Chimei" from page 200 to page 203 of this prospectus.

We cannot assure you that we will not experience similar complaints from other persons in the future. You are also reminded that your interests may not always align with those of other shareholders, including our Controlling Shareholders. Immediately following the Global Offering, assuming the Over-allotment Option is not exercised and the Offer Price is fixed at the mid-point of the Offer Price range, the Controlling Shareholders will hold and control through Joywise approximately 69.83% of our issued share capital. The Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, the election of directors and other significant corporate actions, and the power to prevent or cause a change in control. Without the consent of the Controlling Shareholders, we may not be allowed to enter into transactions that you may consider desirable. We cannot assure you that actions taken by our Controlling Shareholders will completely align with your interests, or that any conflicts of interest will be resolved in a way beneficial to you.

RISKS RELATING TO THE PROPERTY INDUSTRY IN CHINA

Our business is subject to extensive government regulation, and we are particularly susceptible to policy changes relating to the PRC property sector

Our business is subject to extensive government regulation. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. 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. Specifically, 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. Such property industry policies may materially and adversely affect our operations or our future business development. In addition, many of the property industry policies carried out by the PRC government in recent years were unprecedented and are expected to be amended over time. Other political, economic and social factors may also lead to further amendments of such policies. We cannot assure you that the PRC government will not adopt additional and more stringent industry policies, regulations and measures in the future. If we fail to adapt our operations to these new policies, regulations and measures that may come into effect from time to time, or if such policy changes negatively impact our business or cause us to incur additional costs, our business prospects, results of operations and financial condition may be materially and adversely affected.

You should read the various risk factors in this section "—Risks Relating to the Property Industry in China" and Appendix V to this prospectus for more detailed descriptions relating to the extensive PRC government regulation in the property sector.

The PRC government may adopt further measures to prevent over-heating of the property sector

Investments in the PRC property sector have increased significantly in the past decade. In response to concerns over the rapid increase in property investments and property prices, from 2004 to the first half of 2008, the PRC government introduced various policies and measures to curtail property developments. In the second half of 2008 and in 2009, in order to combat the impact of the global economic slowdown, the PRC government adopted measures to encourage consumption in the residential property market and to support real estate development. However, since December 2009, the PRC government has adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain cities, including:

- abolishing certain preferential treatment relating to business taxes payable upon transfers of residential properties by property owners and imposing more stringent requirements on the payment of land premium by property developers;
- requiring higher minimum down payment, granting the right to commercial banks to stop lending, punishing speculative developers and requiring mandatory disclosure of property ownership;
- imposing property purchase restrictions on non-local residents, decreasing the maximum loan to value ratio of mortgage loans offered to borrowers, and increasing mortgage interest rates and construction loan interest rates;
- increasing the minimum down payment to at least 60% of the total purchase price for second-house purchases with a minimum lending interest rate of at least 110% of the benchmark rate, in

certain targeted cities restricting purchasers from acquiring second (or further) residential properties and restricting non-residents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties, launching new property tax schemes in certain cities on a trial basis, and levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase.

In August 2011, MOHURD urged provincial governments to implement home purchase restrictions to control property prices, and listed five criteria for the implementation of restrictions: (i) cities where property prices have risen more rapidly based on the property price index report of 70 cities published in June 2011 by the China Statistics Bureau; (ii) second- or third-tier cities where property prices have seen a sharp rise in June 2011 with prices at the end of 2010 used as the benchmark; (iii) cities where property transaction volumes in the first half of 2011 increased faster than in the first half of 2010; (iv) cities neighboring those where home purchase restrictions have been implemented and those with a higher proportion of non-local resident home buyers; and (v) cities whose residents have complained about the overly high or fast-rising property prices or inefficiency of the current control measures. In the second half of 2011, in order to further cool down the property market, the PRC government extended home purchase restrictions to certain second- and third-tier cities in addition to the more than 40 first- and second-tier cities that had already adopted home purchase restriction measures. Second- and third-tier cities with high housing prices that meet two of the above-mentioned five criteria issued by MOHURD in August 2011 may be required to impose home purchase restriction measures. Some provincial and city governments have also considered levying additional taxes on properties, in particular on vacant homes. On February 26, 2013, the General Office of the State Council issued the Circular on Further Promoting Real Estate Market Regulation, which provides, among other things, that a 20% individual income tax should be levied on the difference between the sale proceeds and the purchase price for the owner's transfer of residence. For more information on the various restrictive measures taken by the PRC government, see Appendix V to this prospectus. As of November 30, 2013, we had 25 projects located in 15 cities across China, among which seven (Tianjin, Wuxi, Changsha, Chengdu, Shenyang, Wuhan and Nanning) had adopted restrictive measures on property purchases and one (Chongqing) had launched new property tax schemes on a trial basis. Recently, between October and November 2013, a new round of policies aimed at promoting affordable housing and discouraging speculative investments in residential properties was announced in a number of large Chinese cities, including Beijing, Shanghai, Guangzhou, Shenzhen, Zhengzhou, Nanchang, Xiamen, Nanjing and Hangzhou. Wuhan, Changsha and Shenyang, where we have active project developments, also announced new policies in November 2013, further limiting the eligibility of non local residents to purchase properties locally and requiring the local banks to raise down payment requirements for second home purchases. Other cities where we have developments may also roll out similar policies in the future.

These and other future measures may limit our access to capital, reduce market demand for our products and increase our finance costs. We cannot assure you that the PRC government will not adopt more stringent policies, regulations and measures in the future. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes negatively impact our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available

Most purchasers of our residential properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of residential properties. 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 less available or less attractive to potential property purchasers. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan and the monthly house expenditure would exceed 50% of the individual borrower's monthly income or if the monthly repayment of total debt of the individual borrower would exceed 55% of such individual's monthly income. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be materially and adversely affected.

Our investments in the PRC are subject to the PRC government's control over foreign investment in the property sector

The PRC government has imposed restrictions on foreign investment in the property sector to curtail the over-heating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. Restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have a material and adverse effect on our business, financial condition and results of operations.

The global financial markets have experienced significant slowdown and volatility during the past few years and any continued deterioration may adversely affect our business and results of operations

The economic slowdown and turmoil in the global financial markets starting in the second half of 2008 has affected the PRC property market, including among other things,

- reduced the demand for residential and commercial properties and resulted in the reduction of property prices;
- adversely impacted the purchasing power of homeowners and potential property purchasers, which may further impact the general demand for properties and cause a further erosion of their selling prices; and
- negatively impacted the ability of property developers and potential property purchasers to obtain financing.

More recently, global market and economic conditions have continued to be adversely affected by the ongoing credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. 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 properties and erosion of their selling prices. Any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. In addition, the PRC economy grew at a slower pace in 2012 than in previous years, with a GDP growth of 7.8%, and is expected to grow at 7.5% in 2013 by the central government. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, or if the PRC economy continues to slow down, our business, prospects, financial condition and results of operations could be materially and adversely affected.

The property industry in China is still at a relatively early stage of development with a significant degree of uncertainty

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

Changes of PRC laws and regulations with respect to pre-sales may adversely affect our business

We depend on cash flows from pre-sales of properties as an important source of funding for our property developments. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties and pre-sales proceeds may only be used to finance the related development. In August 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report," in which it recommended discontinuing the practice of pre-selling uncompleted properties because it created significant market risks and transactional irregularities. This PBOC recommendation has not been adopted by any PRC government authorities. However, there can be no assurance that the PRC government will not adopt this recommendation or otherwise ban or impose additional restrictions on pre-sales in the future. Any ban or additional restrictions on pre-sales may require us to seek alternative sources of funding to finance our developments, and such alternative funding may not be available to us on attractive terms, or at all, in which case our cash flow and prospects, and our business, results of operations and financial condition could be materially and adversely affected.

We are exposed to contractual and legal risks related to the pre-sale of our properties

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we fail to complete the development of units which we have pre-sold, we will be liable to the purchasers for their losses. If we fail to complete a pre-sold property on time, our purchasers are entitled to claim compensation for late delivery under either their contracts with us or relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate their pre-sale contracts and claim for additional compensation. A purchaser may also terminate his or her contract with us and/or claim for compensation for certain other contract disputes, including, for example, if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit as set out in the contract, or if the floor plan of the relevant unit is different from what is set out in the contract adversely affecting the quality and functionality of the unit, or if the interior decoration of the relevant unit is inferior to what is set out in the contract, or if the purchaser fails to receive the relevant property ownership certificate within a statutory period due to our fault. For the year ended December 31, 2010, 2011 and 2012 and the nine months ended September 30, 2013, we paid compensation for delay in delivery and other contract disputes to our purchasers of RMB5.2 million, RMB15.0 million, RMB16.8 million and RMB14.8 million, respectively.

The table below sets forth a breakdown of such penalties by nature for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2010		2011		2012		2012		2013	
	Unit	Amount (RMB in millions)	Unit	Amount (RMB in millions)	Unit	Amount (RMB in millions)	Unit	Amount (RMB in millions)	Unit	Amount (RMB in millions)
Delay in delivery										
Wuxi Sunshine 100 International New Town	702	1.3	710	10.1	1,427	11.9	1,106	5.7	594	4.51
Shenyang Sunshine 100 International New Town	356	1.1	—	—	88	0.4	4	0.1	32	0.31
Dongying Sunshine 100 City Garden	2	0.1	16	0.3	224	1.0	6	0.2	264	5.9
Wuhan Sunshine 100 Lakeside Residence	—	—	—	—	393	2.4	47	1.0	153	0.3
Others	140	0.4	28	2.1	40	—*	13	0.8	37	2.7
Subtotal	1,200	2.9	754	12.5	2,172	15.7	1,176	7.8	1,080	13.6
Other contract disputes	30	2.4	109	2.5	15	1.0	137	1.2	65	1.2
Total	1,230	5.2	863	15.0	2,187	16.8	1,313	9.0	1,145	14.8

* Less than RMB50,000.

The major cause for the delays in delivery has been delays in construction of the projects by our contractors for various technical and other reasons. If a delay is caused by a contractor's fault, we are typically able to claim compensation from the contractor pursuant to the terms of our contract with it and generally recoup such compensation through negotiated reduced fee payments to the contractor. We cannot assure you that we will not experience delays in the completion of our projects and delivery of our properties and, to the extent that we believe such delays are caused by the fault of our contractors, that we will always succeed in proving such fault against, and recoup full compensation from, our contractors. We also cannot assure you that the GFA for a delivered unit will not deviate more than 3% from the GFA set out in the relevant contract or that we will not be involved in other contract disputes with purchasers of our properties resulting in penalties against us. If we experience material delays in delivering our properties in the future or are required to pay significant amounts of compensation to purchasers of our properties due to contractual disputes or other reasons, our results of operations may be materially and adversely affected.

We are subject to claims under statutory quality warranties

All property development companies in the PRC, including us, must provide certain quality warranties for the properties they construct or sell. Generally, we also receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner, or at all, or if the money retained by us to cover our payment obligations under the quality warranties is not sufficient, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

The economic, political and social conditions in China, as well as government policies, could affect our business and prospects

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

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

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

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be amended and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures, which may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy that the government believed to be over-heating, including the property industry. These measures have included restricting foreign investment in certain sectors of the property industry, raising benchmark interest rates of commercial banks, reducing currency supply and placing additional limitations on the ability of commercial banks to make loans by raising bank reserves against deposits and raising the thresholds and minimum loan interest rates for residential mortgages. See "—Risks Relating to Our Business—The PRC government may adopt further measures to prevent over-heating of the property sector" on page 54 of this prospectus. These actions, as well as future actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the property industry, and in turn have a material and adverse impact on our business, results of operations and financial condition.

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

The PRC government imposes controls on the convertibility between the Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive substantially all our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or service their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to provide financing to our PRC subsidiaries. Subsequent to this offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest the net proceeds from this offering in the form of registered capital or a shareholder loan into our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. In addition, our transfer of funds to our subsidiaries in China is subject to approval by PRC governmental authorities in the case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans at all. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to provide financing to these subsidiaries, to undertake certain business opportunities and act in response to changing market conditions.

The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect our ability to deploy the funds raised outside of China in our business in the PRC

On June 18, 2008, MOFCOM promulgated the "Notice on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry" (關於做好外商投資房地產 業備案工作的通知), according to which, MOFCOM authorizes provincial departments in charge of commerce to verify the record-filing materials of property development projects with foreign investment. These regulations effectively prohibit our ability to fund our PRC subsidiaries by way of shareholder loans.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and registration with the MOFCOM, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation.

Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, funds raised outside of China in China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner, or at all.

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

Pursuant to SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or Circular No. 75, issued on October 21, 2005, (i) a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local branch of the SAFE before it establishes or controls an overseas special purpose vehicle for the purpose of overseas equity financing (including convertible debt financing); (ii) when a PRC resident contributes the assets of or its equity interest in a domestic enterprise into a special purpose vehicle, or engages in overseas financing after contributing assets or equity interest into a special purpose vehicle, such PRC resident shall register his or her interest in the special purpose vehicle and the change thereof with the local branch of the SAFE; and (iii) when the special purpose vehicle undergoes a material event outside of China, such as change in share capital, merger, investment with long-term stock rights or credits, or a provision of a guaranty to a foreign party, the PRC resident shall, within 30 days from the occurrence of such event, register such change with the local branch of the SAFE. Under Circular No. 75, failure to comply with the registration procedures set forth above may result in penalties, including restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the special purpose vehicle.

Our Original Shareholders completed the registration of their overseas invested companies in accordance with Circular No. 75 in 2007. Material changes in the status of these overseas invested companies would require further registration of changes in accordance with Circular No. 75. We cannot assure you that such process will be completed in a timely manner, or at all, or that we will not be subject to fines or other sanctions which restrict our cross-border activities or limit our PRC subsidiaries' ability to distribute dividends or to repay shareholder loans to us.

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

The value of the Renminbi depends, to a large extent, on the PRC domestic and international economic, financial and political developments and governmental policies, as well as the currency's supply and demand in the local and international markets. Since 1994 till 2005, the conversion of the Renminbi into foreign currencies were based on exchange rates set and published daily by PBOC in light of the previous day's interbank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The official exchange rate for the conversion of the Renminbi into the U.S. dollar was largely stable until July 2005. On July 21, 2005, PBOC revalued the Renminbi by reference to a basket of foreign currencies, including the U.S. dollar. As a result, the value of the Renminbi appreciated by more than 2% on that day. Since then, the PRC central bank has allowed the official Renminbi exchange rate to float against a basket of foreign currencies. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 19, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. On June 19, 2010, the PBOC announced its intention to proceed with the reform of the Renminbi exchange rate regime to increase the Chinese currency's exchange rate flexibility. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 34.0% from July 21, 2005 to August 5, 2013. There can be no assurance that such exchange rate will not fluctuate widely against the U.S. dollar or any other foreign currency in the future. Since our income and profits are denominated in Renminbi, any appreciation of the Renminbi will increase the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Conversely, any depreciation of the Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Fluctuation of the value of the Renminbi will also affect the amount of our foreign debt service in Renminbi terms since we have to convert the Renminbi into foreign currencies to service our indebtedness denominated in foreign currencies.

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

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

It may be difficult to effect service of process upon our Directors or executive officers who reside in China or to enforce against us or them in China any judgments obtained from non-PRC courts

A majority of our Directors and senior management members reside in China, and substantially all of our assets and the assets of such persons are believed to be located in China. Therefore, it may be difficult for investors to effect service of process upon those persons inside China or to enforce against us or them in China any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other countries. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

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

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 or H7N9 avian flu or the human swine flu, also known as Influenza A (H1N1). For examples, a destructive earthquake measured at magnitude 8.0 on the Richter scale took place in the Sichuan Province of the PRC on May 12, 2008 and another earthquake measured at magnitude 7.1 hit Yushu county in western China's Qinghai Province on April 14, 2010, and resulted in tremendous loss of lives and destruction of assets in the affected regions. Another destructive earthquake took place in Sichuan Province, near the city of Ya'an, in April 2013. A recurrence of SARS or an outbreak of any other epidemics or other natural disasters in China, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may adversely affect our financial condition and results of operations.

RISKS RELATING TO OUR GLOBAL OFFERING

There has been no prior public market for our Shares, and their liquidity and market price may be volatile

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Sponsors on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or, if it does develop, will be sustained following the Global Offering, or that the market price of our Shares will not decline following the Global Offering. In addition, the Global Offering may not result in the development of an active and liquid public trading market for our Shares. Furthermore, the price and trading volume of our Shares may be volatile. Factors such as the following may affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our revenues and results of operations;
- announcements of new projects or land acquisitions by us or our competitors;
- limitations or restrictions of financing for the property industry or the housing market;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us or other Shareholders.

In addition, shares of other companies on the Stock Exchange in the property industry or with significant operations and assets in China have experienced price volatility in the past. Moreover, the securities markets generally have from time to time experienced significant price and volume fluctuations that are not related to the performance of particular industries or companies. These types of price volatility and fluctuations may also materially and adversely affect the market price of our Shares.

You will experience immediate dilution after the Global Offering and may experience further dilution if we issue additional Shares in the future

The Offer Price of the Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, you and other purchasers of the Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset value of approximately HK$2.14 per Share (based on an Offer Price of HK$4.40 per Share, being the mid-point of the stated price range of the Offer Share) and existing holders of our Shares will receive an increase in net tangible asset value per share of their Shares. If we issue additional Shares or equity-linked securities in the future and such Shares are issued at a price lower than the net tangible asset value per Share at the time of their issuance, you and other purchasers of our Shares may experience further dilution in the net tangible asset value per Share.

We cannot guarantee the accuracy of facts, forecasts and other statistics derived from various official government publications with respect to China, the PRC economy and the PRC property industry contained in this prospectus

Facts, forecasts and other statistics in this prospectus relating to China, the PRC economy and the PRC property industry have been derived from various official government publications. We cannot guarantee the quality or reliability of these source materials. They have not been prepared or independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts, forecasts and statistics in this prospectus may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Furthermore, 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. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy and the PRC property industry contained in this prospectus.