SUMMARY

OVERVIEW

We are one of the leading property developers focused on the development and sale of high quality properties in key economic cities in the PRC. Our land bank is highly diversified and is located in prime locations in such key economic cities. It comprised, as at 31 July 2009, a total planned GFA of 13,598,083 sq.m. (of which, 6,051,874 sq.m. was GFA for which we have signed master agreements with the relevant local governments but had not as at the Latest Practicable Date obtained the land use right certificates). Of our land bank, approximately 20.2% of our total GFA was located in Shanghai and 18.1% was located in Tianjin and Beijing as at 31 July 2009.

Since we commenced our business in 1996, we have been dedicated to developing our property business in key economic cities in China and, in particular, in Shanghai, in which we believe has the highest level of demand from international and domestic purchasers' of any property market in China. Over the past 13 years, we have developed various projects and sold and delivered more than 2.0 million sq.m. of GFA in Shanghai, and successfully establishing ourselves as one of the leading players in this economic and financial capital in terms of total completed GFA. As at 31 July 2009, we had seven projects in Shanghai in various stages of development, namely, Shanghai Bay (尚海灣), Shanghai Park Avenue (皇家花園), Chateau De Paris (陽光巴黎), Sunshine Venice (陽光威尼斯), Baoshan Gaojing (寶山高境), Royal Lakefront (湖畔豪庭) and Sunglow Xinjing (陽光新景). Our projects in Shanghai are strategically located either in well established prime locations such as in the vicinity of the Huangpu River or around the Inner Ring Road and Middle Ring Road, or in areas which we believe have a high growth potential. In particular, our flagship project, Shanghai Bay, is situated along the west bank of the Huangpu River, facing the Shanghai World Expo Site. Based on the sales data collected and compiled by www.soufun.com (搜房網), our flagship project, Shanghai Bay, was among top three in Shanghai in terms of total sales contract value achieved in 2008.

Leveraging on our success and valuable experience in Shanghai, in 2003, we began developing properties in Tianjin, which is one of the four municipalities administered directly by the Chinese Central Government. Tianjin is the largest city in the Pan-Bohai Rim area and we expect Tianjin to be one of the key beneficiaries of the economic reform of the Pan-Bohai Rim. Over the past six years of development, we have established a firm foothold in the Tianjin market. Our project Sunshine Holiday (陽光星期八) won the China Real Estate Gold Housing Award (中國金房獎). Our project development company, Tianjin Yangguang Xindi, was also awarded the Meritorious Enterprises Award for Investment in Tianjin (投資天津功勳企業獎). In 2006, we began developing properties in Beijing, with the aim of establishing our reputation in this capital city of China. Beijing has been an integral part of China's history for centuries and its art treasures and internationally renowned universities have long made the city a centre of art and culture.

Our strategic vision is not confined to developing our business in Shanghai, Tianjin and Beijing. We recognise that China is the largest country in terms of population and the fastest growing major economy in the world. Therefore, in addition to national key economic cities in China, we believe that other regional key economic cities located in high growth regions will also play an increasingly important role in China's property market due to urbanisation and will benefit from the anticipated strong economic growth in these regions. Hence, leveraging on our success in Shanghai and Tianjin, we have also selectively expanded into other fast-growing regional key economic cities so as to take advantage of the growth potential in those local property markets. For example, our No. 1 City Promotion (第一國際) was ranked the sixth best selling real estate project in Wuxi during the first half of 2009 according to Wuxi House Online.

As at 31 July 2009, we had developed or were developing projects in nine key economic cities across the PRC, namely three municipalities (Shanghai, Tianjing, Beijing), three provincial capitals (Hefei, Shenyang, Harbin) and three regional key economic cities (Wuxi, Suzhou, Nantong) in the Yangtze River Delta. In the past three years, the GDP growth rates of each of these cities exceeded the national average, and their combined economic contributions to national GDP were 18.0%, 18.1% and 17.5%, respectively. In 2008, the GDP per capita in these cities was on average approximately 3 times the national average, ranging from 1.5 to 4.7 times the national average GDP per capita. The urbanisation rates in 2008 in each of these cities exceeded 48%, which is higher than the national average, and the aggregate urban population accounts for about 68.3% of the total population in these cities, significantly higher than the national average of 45.7%. Of these cities, Shanghai, Beijing, Tianjin, Shenyang and Suzhou were also among the "Top Ten Most Appealing Cities in China's Real Estate Market" in terms of demand for properties according to the China Index Research Institute in April 2009. Our strategy is to continue our efforts to further develop our property business and strengthen our market position in these key economic cities in China, and to selectively expand our business into other key economic cities with similar growth potential.

We offer a wide range of products, including apartments, townhouses, retail properties, offices and hotels. We target the upper segment of the real estate market, developing and selling our premium residential properties while seeking to selectively retain long-term ownership of certain commercial properties to benefit from potential capital appreciation as well as to diversify our future income stream.

As at 31 July 2009, we had 19 projects in various stages of development, with a total land bank of approximately 13,598,083 sq.m. and consisting of the following types of projects:

(i) projects with a total planned GFA of approximately 4,654,495 sq.m. for which the relevant government authorities had granted the land use rights certificates;

(ii) projects with a total planned GFA of approximately 2,891,714 sq.m. for which we had signed land grant contracts or had successfully tendered but had not, as at the Latest Practicable Date, obtained the land use rights certificates; and

(iii) projects with a total planned GFA of approximately 6,051,874 sq.m. for which we have entered into master agreements with the local governments but had not, as at the Latest Practicable Date, concluded the public tender process or entered into land grant contracts. The master agreements are legally binding but, after signing such master agreements, we are still required by the relevant PRC laws and regulations to go through the public tender, auction or listing for bidding process, enter into a land grant contract and pay the relevant land premium before we are able to obtain the land use rights certificate. Details of these projects for which we signed master agreements are disclosed in the paragraph headed "— Projects to be acquired for future development" below. We cannot guarantee that we will be successful in securing the land grant contracts and obtaining the relevant land use rights in respect of these projects for which we have only signed master agreements, or that we will be successful in obtaining the relevant approvals in accordance with our expected development schedule.

We believe that by participating in the urban redevelopment or government regional planning work during the preliminary stage of these projects through the master agreements, we are able to gain further insights into the local market and a better understanding of market demand and future product positioning, which in turn provides us with an advantage compared to other property developers in winning the tenders for the land grants for these projects. Phase I of Baoshan Gaojing in Shanghai, Phase IA and IB of Sunshine Bordeaux in Beijing, Bashang Jie and Hefei Villa Glorious in Hefei, Anhui Province, are examples of our Company having successfully signed the land grant contracts for the land after first entering into the master agreements.

Based on our current business plan, we have designated all of our major completed properties and properties under development as properties for sale except for Shanghai Bay — Binjiang Center (North block), Sunglow Xinjing (commercial portion), Sunshine Venice Phase I-IIIC (commercial portion) and Chateau De Paris Phase II (commercial portion), all of which we intend to retain as investment properties. We expect our investment property portfolio to expand gradually over time to enhance the stability of our revenue streams and to reduce our operational risks. We will take into account the expected integration and efficiency in the operation and management of commercial properties, our overall financial condition and the market condition at the relevant time when determining whether any particular project will be retained as an investment property.

A number of international, renowned investors have made investments in our Company, including DESCIA, Goldman Sachs, DB, Hongkong Shanghai Banking Corporation and Nan Fung Group. Please refer to the section headed "History, Reorganisation and Group Structure — Description of our Investors and their affiliates" in this document for details.

Our projects have also received recognition and a number of prominent awards from independent or official organisations. For example, Sunshine Venice was ranked second in Commodity Housing Sales in Shanghai in terms of contracted area by Shanghai Real Estate Trading Center in 2003; No. 1 City Promotion was recognised as an International Culture Community (國際文化社區) by the Friends of the United Nations (聯合國友好理事會), the United Nations Human Settlement Programme (聯合國人居署) in 2007 and was ranked as the sixth best selling real estate project in Wuxi during the first half of 2009 by Wuxi House Online; Sunshine Holiday received a Meritorious Enterprises Award for Investment in Tianjin (投資天津功勳企業獎) from the Investment in Tianjin Committee, Tianjin Federation of Industry and Commerce, Jin Wan Bao newspaper of Jin Wan Media Group in 2006; Sunshine Holiday also received the China Real Estate Gold Housing Award (中國金房獎) from China Real Estate Chamber of Commerce, Xinhua News Agency, Economic Information Daily and Urban Development and Environmental Research Center of the Chinese Academy of Social Sciences in 2006. In January 2008, we were awarded Property Company of the year 2007 with Remarkable Contributions to the Urban Development of Shanghai (2007年中國上海城市營造傑出貢獻地產企業), China by the Organising Committee of Zhuyu Dichan Grand Ceremony (主語地產盛典組委會). In December 2008, we were awarded Mainstream Property Enterprise for 2008 (2008主流地產企業) by Life Style

(精品購物指南). For further details of awards we have received for our projects, please refer to the paragraph headed "— Our Property Development Projects" below. As such we believe that we are one of the leading property developers in key economic cities in China.

Although we have not actively participated in any market ranking campaigns organised by third parties under a single uniform brand in the past, we believe that the accolades we have received for our projects have effectively established our leading position in key economic cities and, as a whole, our reputation as a leading property developer in these cities. We believe that our leading position has also been substantiated by the prime locations of our projects, the high quality of the properties we have developed, and the strong sales uptrend realised in the cities where we have our developments.

Our vision for our future development is fully reflected in our 'three prong' business approach, which is as follows.

- **Solidify our leading position in Shanghai:** Shanghai is one of the largest cities and the most populous city in China. It is also the financial capital of China. The 2010 Shanghai World Expo is expected to solidify Shanghai's status in the 21st century as a major economic city. According to the research report by China Index Research Institute issued in April 2009, Shanghai was the most attractive city in terms of demand for property investments in China's real estate market. We believe we have a strong presence and a highly regarded reputation in Shanghai and are competitively positioned to benefit from its long term growth potential. As at 31 July 2009, we had accumulated a total planned GFA of approximately 2.3 million sq.m. of high quality land bank in Shanghai, excluding those projects for which we have only signed master agreements.

- **Strengthen our foothold in Tianjin and Beijing:** We have a well-established presence in Beijing and in Tianjin. Tianjin is a fast developing city with the potential to become the commercial centre of the Pan-Bohai Rim region. We entered the property market in Tianjin in 2003 and through our efforts over the past six years, we have established a firm foothold in the Tianjin property development market. As a testimony to our success in Tianjin, our "Sunshine Holiday (陽光星期八)" project in Tianjin was awarded the China Real Estate Gold Housing Award (中國金房獎) in 2006 by the China Real Estate Chamber of Commerce, Xinhua News Agency, Economic Information Daily and Urban Development and Environmental Research Center of the Chinese Academy of Social Sciences project company, all of which are independent from our Group. Our Tianjin Yangguang Xindi was awarded the Corporate Prize for Meritorious Investment of the year in Tianjin (投資天津功勳企業獎) by the Investment in Tianjin Committee, Tianjin Federation of Industry and Commerce, Jin Wan Bao newspaper of Jin Wan Media Group, which are all independent of our Group. As at 31 July 2009, we had built up a land bank with a total planned GFA of approximately 839,309 sq.m. in Tianjin, of which approximately 156,460 sq.m. were attributable to properties for which we have signed master agreements but had not, as at the Latest Practicable Date, concluded the public tender process or entered into land grant contracts and, therefore, with respect to which we cannot guarantee that we will be successful in obtaining the land use right certificates. In addition, as at 31 July 2009, we had built up a land bank with a total planned GFA of approximately 1,625,127 sq.m. in Beijing, of which approximately 1,256,113 sq.m. were attributable to properties for which we have signed master agreements but had not, as at the Latest Practicable Date, concluded the public tender process or entered into land grant contracts and, therefore, with respect to which we cannot guarantee that we will be successful in obtaining the land use right certificates.

- **Expand into high growth cities across China:** Leveraging our success in Shanghai, Tianjin and Beijing, we have expanded, and intend to continue to actively and strategically expand, our property development business into other high growth cities within China. As at 31 July 2009, we had eight projects at different stages of development in Wuxi, Suzhou, Nantong, Hefei, Shenyang and Harbin.

Our business strategies and objectives are set out in the paragraph headed "— Our Strategies". In particular, we intend to gradually expand into the hotel, retail and office property sectors in China by increasing our investment in high quality commercial properties with the goal of diversifying and enhancing the stability of our future revenue in a prudent manner. We have entered into long-term management agreements with Key International Hotels Management Co., Ltd, a joint venture partially owned by Kempinski Hotels S.A. of Europe, and with Holiday Inns (China) Limited, a subsidiary of InterContinental Hotels Group, for the management and operations of the hotels in Shanghai Bay and No. 1 City Promotion, respectively. In line with our strategy, we also aim to selectively retain certain commercial properties developed or to be developed by us as investments in order to achieve a more diversified and balanced earnings base and to increase the proportion of our revenue generated from recurring rental income in the coming years. We believe such diversification of income sources will allow us to better formulate our capital expenditure budget and plan our financing arrangements in respect of our future property development projects. In addition to acquiring land from the government by participating in the tender process, we intend to continue to explore other effective ways to replenish and secure our land bank, including acquiring project companies that have access to suitable sites. We also intend to continue to enter into various types of master agreements with local governments for urban redevelopments in order to gain a competitive position in the subsequent tender processes. For details of our strategies, please refer to the paragraph headed "— Our Strategies" below.

COMPETITIVE STRENGTHS

We believe that we possess the following principal strengths enabling us to compete in the property markets in the PRC:

- We have established a leading role in key economic cities such as Shanghai and Tianjin, positioning us well to continue to benefit from the strong economic growth and prosperous property markets in these cities;
- We have a sizeable high quality land bank located in key economic cities, including Shanghai, Tianjin and Beijing, that provides us with long-term development and growth opportunities;
- We adopt proactive and strategic approaches to replenish our land bank and we have a strong project acquisition pipeline;
- Experienced management team with a strategic vision and proven track record;
- Precise product positioning and innovative design; and
- Diversified earnings base with a wide product offering and balanced business model.

You can find more detailed discussions of these competitive strengths in the section headed "Business — Competitive Strengths".

BUSINESS STRATEGIES

Our principal business strategies are to:

- Strengthen our leading market position in Shanghai and further expand our operations in Tianjin and Beijing;
- Selectively expand our business into other key economic cities with high growth potential;
- Increase our focus on integrated and high quality property developments in prime locations to promote our "Glorious Property" brand;
- Diversify income streams through the holding of investment properties; and
- Continue to apply our strategic vision and explore various ways to replenish and secure our future land bank.

You can find more detailed discussions of our principal strategies in the section headed "Business — Our Strategies".

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables summarise our consolidated financial information for each of the three years ended and as at 31 December 2006, 2007 and 2008 and the four months ended and as at 30 April 2009. We extracted this summary financial information from the Accountant's Report in Appendix I to this document and you should read the entire Accountant's Report, including the notes to the financial information included in Appendix I for more details.

(a) Consolidated income statements

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	1,718,132	1,791,942	3,948,959	975,811	933,980
Cost of sales	(1,091,112)	(1,164,818)	(2,293,339)	(462,566)	(480,847)
Gross profit	627,020	627,124	1,655,620	513,245	453,133
Other income	15,068	17,194	21,405	7,106	6,671
Other (losses)/gains, net[1]	—	(34,513)	825,563	(22,099)	735,117
Selling and marketing expenses	(46,534)	(77,426)	(150,494)	(46,347)	(34,278)
Administrative expenses	(100,187)	(105,666)	(214,818)	(65,071)	(90,251)
Finance costs	(73,702)	(97,225)	(54,479)	(18,061)	(11,376)
Profit before income tax	421,665	329,488	2,082,797	368,773	1,059,016
Income tax expenses	(162,481)	(221,394)	(827,806)	(194,047)	(285,478)
Profit for the year/period attributable to equity holders of the Company	259,184	108,094	1,254,991	174,726	773,538
Other comprehensive income:					
Gain/loss recognised directly in equity	—	—	—	—	—
Total comprehensive income for the year/period attributable to equity holders of the Company	259,184	108,094	1,254,991	174,726	773,538
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)					
— Basic and diluted	N/A	N/A	12.55	1.75	7.74

Note:

(1) Other (losses)/gains, net included recognition of fair value gains on investment properties of RMB846 million and RMB735 million for the year ended 31 December 2008 and for the four months ended 30 April 2009, respectively. These fair value gains are unrealised. See "Financial Information — Factors Affecting Our Results of Operations — Changes in Fair Value of Investment Properties."

(b) Consolidated balance sheets

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property and equipment	17,197	16,400	392,313	421,870
Investment properties	—	—	1,103,500	2,144,940
Intangible asset	—	—	—	2,441
Investment in an associate	—	—	4,500	4,500
Deferred income tax assets	65,737	58,960	26,820	31,180
	82,934	75,360	1,527,133	2,604,931
Current assets				
Properties under development	4,505,737	5,829,489	7,345,976	7,482,943
Completed properties held for sale	513,600	357,893	1,201,268	1,073,625
Inventories	—	—	—	5,719
Trade and other receivables and prepayments	4,490,087	3,107,299	2,595,899	2,429,835
Prepaid taxes	42,133	71,378	106,257	106,641
Financial assets at fair value through profit or loss	—	21,091	—	—
Restricted cash	97,630	66,690	84,468	96,379
Cash and cash equivalents	112,187	3,199,105	297,221	327,524
	9,761,374	12,652,945	11,631,089	11,522,666
Total assets	9,844,308	12,728,305	13,158,222	14,127,597

SUMMARY

	31 December			30 April
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
EQUITY				
Capital and reserves attributable to the equity holders of the Company				
Share capital	—	962	962	962
Reserves	1,607,958	(336,935)	918,056	1,691,594
Total equity/(deficit)	1,607,958	(335,973)	919,018	1,692,556
LIABILITIES				
Non-current liabilities				
Borrowings	2,671,890	2,317,730	537,000	609,560
Deferred income tax liabilities	—	—	172,937	351,091
	2,671,890	2,317,730	709,937	960,651
Current liabilities				
Advanced proceeds received from customers	1,060,271	4,480,950	3,742,816	3,756,823
Trade and other payables	3,215,657	1,438,661	1,185,235	1,025,065
Income tax payable	118,532	277,782	664,091	760,230
Borrowings	1,170,000	4,549,155	5,937,125	5,932,272
	5,564,460	10,746,548	11,529,267	11,474,390
Total liabilities	8,236,350	13,064,278	12,239,204	12,435,041
Total equity and liabilities	9,844,308	12,728,305	13,158,222	14,127,597
Net current assets	4,196,914	1,906,397	101,822	48,276
Total assets less current liabilities	4,279,848	1,981,757	1,628,955	2,653,207

(c) Consolidated statements of cash flows

	Year ended 31 December			Four months ended 30 April	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities					
Cash (used in)/generated from operations	(1,917,005)	2,387,579	(1,864,380)	(2,300,793)	413,876
Income tax paid	(40,898)	(84,612)	(271,300)	(28,675)	(15,929)
Interest paid	(251,744)	(342,144)	(590,730)	(102,707)	(46,777)
Net cash (used in)/generated from operating activities	(2,209,647)	1,960,823	(2,726,410)	(2,432,175)	351,170
Cash flows from investing activities					
Investment income	1,800	4,127	—	—	—
Purchases of property and equipment	(4,941)	(5,063)	(16,871)	(10,510)	(32,437)
Cash outflow in the construction of investment properties	—	—	—	—	(4,047)
Proceeds from disposals of property and equipment	8	—	963	—	233
Acquisition of subsidiary	—	—	—	—	(2,000)
Advances to and receipt of advances to related parties and third parties, net	(957,854)	1,763,559	791,445	622,113	(1,986)
Interest received	3,528	6,702	7,900	4,028	248
Net cash (used in)/generated from investing activities	(957,459)	1,769,325	783,437	615,631	(39,989)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	—	962	—	—	—
Deemed distribution to equity owner	—	(2,333,654)	—	—	—
Capital injections to subsidiaries by their then shareholders	680,000	124,377	—	—	—
Advances from and repayment of advances from related parties and third parties, net	787,812	(1,475,390)	(362,052)	(368,397)	14,501
Proceeds from borrowings	2,962,000	3,325,155	489,000	145,000	120,000
Repayment of borrowings	(1,320,110)	(3,965,315)	(1,062,620)	(468,980)	(415,350)
Proceeds from Notes borrowing	—	3,717,350	—	—	—
Net cash generated from/(used in) financing activities	3,109,702	(606,515)	(935,672)	(692,377)	(280,849)
Net (decrease)/increase in cash and cash equivalents	(57,404)	3,123,633	(2,878,645)	(2,508,921)	30,332
Cash and cash equivalents at beginning of the year/period	169,591	112,187	3,199,105	3,199,105	297,221
Exchange losses on cash and bank balances	—	(36,715)	(23,239)	(18,461)	(29)
Cash and cash equivalents at end of the year/period	112,187	3,199,105	297,221	671,723	327,524

We have incurred and will incur a significant amount of interest expense in relation to the Financing and the Shanghai Bay Arrangements. Substantially all of this interest expense has been or will be capitalised as properties under development rather than being expensed in our consolidated income statement at the time it is incurred. In future periods, such capitalised interest expense will be expensed in the consolidated income statement as a portion of cost of sales upon the sale of such properties. As a result, such capitalised interest expenses may adversely affect our Group's gross profit margin upon the sales of such properties in 2009 and future periods.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

Below we have provided a profit forecast solely in respect of our forecasted net profit for the year ending 31 December 2009. In order to provide you with greater transparency as to the basis of our profit forecast, we have disclosed in this section relevant information in respect of five of our major projects that will contribute more than 80% of our revenue for the year ending 31 December 2009. Such information is included in this document to assist the reader to better understand and assess the reasonableness of the assumptions on which our profit forecast is based.

Basis of preparation

The Directors have prepared the forecast of our Group's consolidated net profit attributable to equity holders of our Company for the year ending 31 December 2009 based on the audited consolidated results of our Group for the year ended 31 December 2008 and the four months ended 30 April 2009, the unaudited management accounts for the two months ended 30 June 2009, and our forecast of the consolidated results of our Group for the remaining six months of the year ending 31 December 2009. The forecast for the year ending 31 December 2009 has been prepared on the basis of accounting policies consistent with those adopted for the purpose of the Accountant's Reports in Appendix I to this document and the assumptions set forth below.

Principal assumptions for the profit forecast

The principal assumptions adopted by the Directors of the Company in preparing the profit forecast are as follows:

- There will be no material changes in the existing governmental policies, political, legal, financial or economic conditions in China, Hong Kong or any other country or territory in which we currently operate or which are otherwise material to our revenues;

- With respect to the real estate industry in particular, the PRC Government will not impose material changes or additional austerity measures to dampen sales or prices of the PRC real estate market;

- There will be no changes in legislation, regulations or rules in China, Hong Kong or any other country or territory in which we operate or with which we have arrangements or agreements, which may materially adversely affect our business;

- There will be no material change in the bases or rates of taxation in the countries or territories in which we operate, except as otherwise disclosed in this document; and

- There will be no material change in interest rates or foreign currency exchange rates from those prevailing;

- Specific assumptions in respect of calculation of the capital value of the investment properties as at 31 December 2009:

  (i) the current financial, economic and political conditions which prevail in the PRC and which are material to the rental income generated by the investment properties will remain unchanged;

  (ii) the conditions in which the investment properties are being operated and which are material to revenue and costs of the properties will be unchanged;

  (iii) the leases that expire will be renewed on normal commercial terms; and

  (iv) investment properties which are under construction will be developed and completed in accordance with our latest development plan.

  Such specific assumptions are consistent with those in the valuation undertaken by Jones Lang LaSalle Sallmanns Limited, our independent valuer in Appendix IV of the document.

Under HKFRS, changes in the fair value of investment properties will be reflected in our consolidated financial information, through our consolidated income statement. Changes in the fair value of our investment properties are accounted for as other gains/ losses, net in our consolidated income statement.

The investment properties were valued by our independent valuer as at 31 July 2009. The investment approach was adopted to assess the market value of the investment properties.

For investment properties under construction, the valuer has adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and has also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees expected to be incurred for completing the development.

For completed investment properties, the valuer has adopted an income approach which takes into account the rental income of the properties derived from the existing leases or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have then been capitalised to determine the market value at an appropriate capitalisation rate. Where appropriate, reference has also been made to comparable sale transactions as available in the relevant market.

The Group arrived at the estimated fair value gain on investment properties based on (i) the market value of such investment properties as at 30 April 2009 valued by the independent valuer and (ii) our estimated capital value as at 31 December 2009 based on the anticipated property-specific market trends of the properties carried out by the independent valuer. We expect the fair value of our investment properties as at 31 December 2009, and in turn any fair value changes, to continue to be dependent on market conditions and other factors that are beyond our control, and to be based on the market movement assumptions supplied by an independent professional valuer involving the use of assumptions that are, by their nature, subjective and uncertain.

In accordance with the Company's accounting policies, properties designated as investment properties should be measured at their fair values and the changes in fair value are recognised in the consolidated income statements. The fair value gain or loss of investment properties is estimated based on certain property valuation techniques which involve, *inter alia*, certain estimates, including comparable sales in the relevant market, current market rental and the forecasted rental movement for similar properties in a similar location and condition. The Company forecasts that rents for the retail and office property markets in Shanghai for the year ending 31 December 2009 will increase between 0-5% and 0-4%, respectively.

Summary of the property development of major projects

The following table provides a summary of the property development projects up to 31 July 2009 that together are projected to contribute more than 80% of the revenue of the Company in 2009 ("**Major Projects**"):

	Up to July 2009				
Key projects/project phases to be delivered in 2009	**Sales proceeds received**	**Pre-sales/sales GFA**	**2008 average selling price per sq.m. in respect of properties pre-sold/sold**	**First seven months of 2009 average selling price per sq.m. in respect of properties pre-sold/sold**	**Actual/Expected completion date**
	(RMB million)	**(sq.m.)**			
Shanghai Bay, Shanghai (Phase I)	1,407	53,243	29,581	31,292	Nov-09
Sunshine Venice, Shanghai (Phase IIIA)	4	560	8,478	9,173	Sep-06
Sunshine Venice, Shanghai (Phase IIIB)	1,178	122,717	13,293	15,898	Nov-08/Aug-09
Chateau De Paris, Shanghai (Phase II)	214	8,995	32,339	28,987	Aug-08
Shanghai Park Avenue, Shanghai	523	28,011	27,790	7,037	Apr-07
Sunshine Holiday, Tianjin (Phase II)	1	487	8,485	n/a	Sep-08
Sunshine Holiday, Tianjin (Phase IIIA)	567	77,199	8,238	7,143	Oct-09

As of 31 July 2009, the construction progress with respect to the major projects to be completed in 2009 is as follows (excluding those projects/phases that had been completed as at 31 July 2009):

Shanghai Bay Phase I: The project comprises four 31-32 storey blocks, two 28-storey blocks and one 24-storey block. We topped out the seven blocks between October and December 2007. In October 2007, we commenced working on interior and exterior decoration and installation of various equipment and facilities, which are expected to be completed by the end of November 2009.

Sunshine Venice Phase IIIB: The project comprises 28 blocks of buildings, from 3-storey townhouses to 25-storey residential buildings. Given the large scale nature of the project, we topped out each block at different dates, with the last block being topped out in May 2008. Work on interior and exterior decoration and installation of various equipment and facilities commenced in May 2008 and 8 blocks out of the 28 blocks had been completed by November 2008. We have obtained 13 blocks' certificate of completion and delivered such blocks to purchasers in the first half of 2009, an other 2 blocks are expected to be delivered in August 2009 and the remaining 5 blocks are expected to be delivered in the fourth quarter of 2009.

Sunshine Holiday Phase IIIA: The project comprises 8 blocks of 25-27 storey buildings and is expected to be completed by September 2009. Construction of the project commenced in September 2007. The 8 blocks were topped out between June and December 2008. Interior and exterior decoration and installation of various equipment and facilities for the 8 blocks were commenced in June 2008. We expect to obtain certificates of completion in October 2009.

Sensitivity analysis

(i) ***Sensitivity analysis on targeted average selling price***

The following table illustrates the sensitivity of the net profit attributable to the equity holders of our Company to the targeted average selling price for the year ending 31 December 2009.

% change in targeted selling prices per sq.m.	-15%	-10%	-5%	+5%	+10%
Impact on the net profit attributable to equity holders of our Company targeted for the year 2009 (RMB'000)	(487,000)	(327,000)	(161,000)	157,000	312,000

If the targeted average selling prices for all projects rise by 10%, the Group's net profit for the year ending 31 December 2009 will be RMB2,308,000 thousand, i.e. 15.6% higher than the Group's targeted 2009 net profit.

If the targeted average selling prices for all projects rise by 5%, the Group's net profit for the year ending 31 December 2009 will be RMB2,153,000 thousand, i.e. 7.9% higher than the Group's targeted 2008 net profit.

If the targeted average selling prices for all projects decline by 5%, the Group's net profit for the year ending 31 December 2009 will be RMB1,835,000 thousand, i.e. 8.1% lower than the Group's targeted 2009 net profit.

If the targeted average selling prices for all projects decline by 10%, the Group's net profit for the year ending 31 December 2009 will be RMB1,669,000 thousand, i.e. 16.4% lower than the Group's targeted 2009 net profit.

If the targeted average selling prices for all projects decline by 15%, the Group's net profit for the year ending 31 December 2009 will be RMB1,509,000 thousand, i.e. 24.4% lower than the Group's targeted 2009 net profit.

As 88.4% of the forecasted revenue has been pre-sold, the change in average selling price should only apply to those yet to be sold and therefore the actual impact on the Group's net profit in 2009 should be significantly smaller.

(ii) ***Sensitivity analysis on targeted GFA sold and delivered***

The following table illustrates the sensitivity of the net profit attributable to shareholders of our Company to the targeted GFA sold and delivered for the year ending 31 December 2009.

% change in targeted GFA sold and delivered................................	-15%	-10%	-5%
Impact on the net profit attributable to equity holders of our Company targeted for the year 2009 (RMB'000)	(266,000)	(177,000)	(89,000)

If the targeted GFA sold and delivered for all projects decline by 5%, the Group's net profit for the year ending 31 December 2009 will be RMB1,908,000 thousand, i.e. 4.5% lower than the Group's targeted 2009 net profit.

If the targeted GFA sold and delivered for all projects decline by 10%, the Group's net profit for the year ending 31 December 2009 will be RMB1,819,000 thousand, i.e. 8.9% lower than the Group's targeted 2009 net profit.

If the targeted GFA sold and delivered for all projects decline by 15%, the Group's net profit for the year ending 31 December 2009 will be RMB1,731,000 thousand, i.e. 13.3% lower than the Group's targeted 2009 net profit.

(iii) ***Sensitivity analysis on fair value changes of investment properties***

The total forecasted amount of fair value gain on investment properties for the year ending 31 December 2009 is RMB800 million and its related deferred taxation expense is RMB200 million. The following table illustrates the sensitivity of the net profit attributable to the equity holders of the Company (net of deferred tax effect) to levels of revaluation increase/decrease on investment properties for the year ending 31 December 2009:

Changes in revaluation increase percentage on investment properties compared to our estimated revaluation increase percentage on investment properties	-15%	-10%	-5%	5%	10%	15%
Impact on the net profit attributable to equity holders of our Company targeted for the year 2009 (RMB'000)	(90,000)	(60,000)	(30,000)	30,000	60,000	90,000

If the estimated fair value of investment properties rises/declines by 5%, the Group's net profit for the year ending 31 December 2009 will be RMB2,026,000 thousand/ RMB1,966,000 thousand, respectively, i.e. 1.5% higher/lower, respectively, than the Group's targeted 2009 net profit.

If the estimated fair value of investment properties rises/declines by 10%, the Group's net profit for the year ending 31 December 2009 will be RMB2,056,000 thousand/ RMB1,936,000 thousand, respectively, i.e. 3.0% higher/lower, respectively, than the Group's targeted 2009 net profit.

If the estimated fair value of investment properties rises/declines by 15%, the Group's net profit for the year ending 31 December 2009 will be RMB2,086,000 thousand/ RMB1,906,000 thousand, respectively, i.e. 4.5% higher/lower, respectively, than the Group's targeted 2009 net profit.

The above illustrations are intended for reference only and any variation could exceed the ranges given. The above sensitivity analyses are not meant to be exhaustive. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the targeted average selling price, GFA to be sold and delivered, and fair value changes of investment properties for the year ending 31 December 2009, the average selling price, GFA to be sold and delivered, and fair value changes of investment properties as at the relevant time may differ materially from our estimate and are dependent on market conditions and other factors which are beyond our control.

Profit forecast for the year ending 31 December 2009

Forecast consolidated net profit attributable to the Shareholders of our Company (net of fair value gains on investment properties (net of deferred tax effect))	Not less than RMB1,396.0 million
Forecast gross fair value gain on investment properties	RMB800.0 million
Less: Provision for deferred tax liabilities on fair value gain on investment properties	RMB(200.0 million)
Forecast fair value gain on investment properties (net of deferred tax)	RMB600.0 million
Forecast consolidated net profit attributable to the Shareholders of our Company	Not less than RMB1,996.0 million

DIVIDEND POLICY

Subject to the relevant law and our Articles, we, through a general meeting, may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by our Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. The PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries in the PRC may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries in the PRC may enter into in the future.

The amount of dividend eventually declared and distributed to our Shareholders will also depend upon our earnings and financial performance, operating requirements, then capital commitments and requirements and other conditions that our Directors may deem relevant or appropriate.

FUTURE PLANS

Future Plans

We intend to continue to strengthen our market position in Shanghai, Tianjin and Beijing. By maintaining a strong presence in these key economic cities, we believe we can enhance our brand profile and increase our pricing power and margins. We also intend to continue to expand our business into other high growth cities and into the hotel, retail and office property sectors in China to diversify and enhance the stability of our revenue streams. Our future plans are in line with our business model and long term strategies, details of which are set out in the section headed "Business — Our Strategies" in this document.

FINANCING

In November and December 2007, we issued promissory notes to the Original Investors in a total aggregate principal amount of approximately RMB3,717.4 million (the "Original Notes") and received US$495.7 million in proceeds therefrom. Notes was payable on 2 November 2009. Prior to redemption, interest accrued on the Original Notes at the rate of 10% per annum and was payable semi annually on 2 May and 2 November of each year. At the date of redemption of the Original Notes, the Company was required to pay interest at the rate of 23.5% per annum on the face amount of the

Original Notes less the amount of interest at 10% per annum previously paid by the Company. In connection with the subscription of the Original Notes, the Original Investors and their affiliates also received from one of our Controlling Shareholders a total of 700,000 Shares for no additional monetary consideration.

With an aim to further strengthen our capital structure, we and the Founder entered into the Deed of Amendment with, among others, the Investors, to restructure the Original Notes. Following such restructuring, (i) the denomination of the Original Notes was changed from RMB to US$; (ii) outstanding cash interest of US$27.2 million was paid and a portion of the Original Notes totalling US$192.8 million in principal amount was redeemed on 10 August 2009 and 17 August 2009, respectively; and (iii) the remaining outstanding amount of US$490 million was restructured into (a) Promissory Notes with an aggregate principal amount of US$325 million for a term of 18 months from the Calculation Start Date and (b) Convertible Notes with an aggregate principal amount of US$165 million. For further details of the terms and conditions of the Financing and the restructuring of the Original Notes, please refer to the section headed "History, Reorganisation and Group Structure — Financing" of this document.

We have incurred a significant amount of interest expense in relation to the Financing. Substantially all of this interest expense has been capitalised as properties under development rather than being expensed in our income statement at the time it was incurred. The amounts of capitalised interest under completed properties held for sale were approximately RMB8.5 million, RMB7.4 million and RMB57.3 million as at 31 December 2006, 2007 and 2008, respectively, and RMB38.5 million as at 30 April 2009. The amounts of capitalised interest under properties under development were approximately RMB266.0 million, RMB608.7 million and RMB1,488.5 million as at 31 December 2006, 2007 and 2008, respectively, and RMB1,868.6 million as at 30 April 2009. Please see Notes 10 and 11 to the Group's consolidated financial information as set out in Appendix I. In future periods, such capitalised and interest expense will be expensed in the consolidated income statements as a portion of cost of sales upon the sale of such properties. As a result, such capitalised interest expenses may adversely affect our Group's gross profit margin upon the sales of such properties in 2009 and future periods. Our capitalised interest included in cost of sales for the years ended 31 December 2007 and 2008 and the four months ended 30 April 2009 were RMB34.0 million, RMB74.7 million and RMB13.4 million, respectively.

RISK FACTORS

There are risks and uncertainties involved in our operations. These risks can be categorised as: (i) risks relating to our business; (ii) risks relating to the PRC real estate industry; and (iii) risks relating to the PRC. A detailed discussion of the risk factors is set forth in the section entitled "Risk Factors" in this document. Set forth below is a summary of these risks and uncertainties.

Risks Relating to Our Business

- We rely on the performance of external contractors and suppliers, including Shanghai Ditong, a connected person, to deliver our projects on time and up to our specified quality standards

- We have engaged Shanghai Ditong, a connected person, to provide construction services for substantially all our projects during the Track Record Period and going forward, our use of Shanghai Ditong will be subject to limitations, and we cannot assure you that Shanghai Ditong or other construction companies will perform construction services for us on comparable terms

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

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

- We are party to land grant contracts and long-term master agreements with PRC Government entities, which may not be implemented as agreed

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

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

- Because we derive our revenues principally from the sale of property, our results of operations may vary significantly from period to period

- We face significant property development risks before we realise any benefit from a project

- The appraisal value of the properties in the Property Valuation Report may be different from the actual realisable value and is subject to change

- Our results of operations include estimated fair value gains on investment properties, which are unrealised

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

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

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

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

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

- We 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 PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business
- Our operations may be adversely affected if any key member of our management leaves
- Potential liability for environmental problems could result in substantial costs
- We may encounter delays in delivering title documents after sale
- Our business may be adversely affected by future increases in interest rates
- We cannot assure you that we will be successful when expanding our commercial and residential property development and operation businesses into other high growth cities in China
- We do not have insurance to cover potential losses and claims in our operations
- We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result
- Any non-compliant GFA of our current uncompleted and future property developments will be subject to governmental approval and additional payments
- Our remittance of offshore funds into the PRC is subject to approval by the PRC government

Risks Relating to Our Industry

- Oversupply of real estate could drive down property prices
- Our operations are subject to extensive governmental regulation and are susceptible to changes in such regulations
- The PRC Government may reclaim land from us if we fail to comply with the terms of our land grant contracts
- Resettlement negotiations may add costs or cause delays to our development projects
- Our sales and pre-sales will be affected if mortgage financing becomes more costly or otherwise becomes less attractive
- Changes of laws and regulations with respect to pre-sales may adversely affect our cash flow position and financial performance

Risks Relating to the PRC

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

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

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

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

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