RISKS RELATING TO OUR BUSINESS

Our operations are subject to extensive government regulations and, in particular, we are susceptible to changes in policies related to the real estate industry in China and in regions where we operate

The real estate market in China is heavily regulated by the PRC government. As with other PRC property developers, we must comply with various requirements mandated by the PRC laws and regulations, including policies and procedures established by local authorities designed for the implementation of such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control of land, foreign exchange, taxation and foreign investment. In particular, these measures include restricting land supply for certain types of property developments, raising benchmark interest rates of commercial banks for consumer loans used to finance purchases of properties, increasing reserve ratios on deposits of commercial banks to decrease liquidity generally available in the market, restrictions on commercial banks to limit their ability to make loans to property developers, imposing additional taxes and levies on property sales and restricting foreign investments in the PRC property sector. Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of such policies. This refining and adjustment process may not necessarily have a positive effect on our operations or our business development. For example, in September 2007, the Ministry of Land and Resources promulgated regulations to require that a land use rights grantee may apply for land registration and obtain land use rights certificates only after the grantee has paid the land premium in full under the land grant contract. In October 2007, the PRC government revised its Catalog of Guidance on Industries for Foreign Investment to remove the development of ordinary residences from the foreign-investment-encouraged category while emphasizing that the development and construction of villas, premium office buildings and high-end hotels falls within the foreign-investment-restricted category. As compared with encouraged or permitted categories, approval of higher level of authorities may be required if the projects fall within the restricted category. As part of the PRC government measures to adjust the structure of the PRC residential housing market, the PRC government has promulgated rules to require that at least 70% of the total development and construction area of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 square meters. Departure from this requirement may be permitted in special circumstances and with approval from the MOHURD. It is also required that at least 70% of the land supply approved by any local government for residential property development during any given year must be used for developing low- to medium-cost and small- to medium-size units for sale as commodity housing or for low-cost rental. The current PRC laws and regulations also limit the maximum amount of the monthly mortgage payment to 50% of an individual borrower's monthly income and limit the maximum amount of all monthly debt service payments of an individual borrower to 55% of his or her monthly income. Furthermore, the PRC government has increased the minimum down-payment to 20% of the purchase price for first-time home buyers if such property has a unit floor area of less than 90 square meters, to 30% of the purchase price for first-time home buyers if such property has a unit floor area of 90 square meters or more, to 40% of the purchase price for second-time home buyers that use mortgage financing, to 45% for buyers of commercial-residential dual-purpose properties and to 50% for commercial property buyers. In October 2008, in order to combat the impact of the global economic downturn, the PBOC temporarily lowered the minimum lending rate for individual mortgage loans to 70% of the benchmark lending rate and lowered the minimum down payment ratio to 20% of the total purchase price. Such national policies and their adjustments are subject to more detailed implementation rules and guidelines issued by the relevant provincial or municipal government authorities. We cannot assure you that the PRC government or local regulatory authorities will not adopt additional and more stringent policies and regulations in the future. If we fail to adapt our operations to new policies and regulations that may come into effect from time to time with respect to the real estate industry, or if such policy changes disrupt our business or cause us to incur additional costs, our business prospects, results of operations and financial condition may be adversely affected.

You should read the various risk factors under the section entitled "Risks Relating to the Property Industry in China" below for more risks and uncertainties relating to extensive PRC regulations.

We are heavily dependent on the performance of the PRC real estate market, particularly in the cities and regions in which we develop our property projects and manage the properties we have developed

Our business and prospects depend on the performance of the real estate market in China and, particularly, in the cities and regions in which we develop our property projects, such as Shenzhen, Changsha, Lianyungang, Qingdao, Wuhan and their vicinities. While our residential properties business is more dependent on the general residential consumer market, our commercial properties business relies on the market segment of office buildings and retail malls, each in the localities of our operations. Any real estate market downturn in China generally or in the regions where we operate could adversely affect our business, results of operations and financial condition. As of June 30, 2009, we had 12 completed property projects and 14 projects under development or held for future development. Of the 12 completed projects, seven are located in the Shenzhen and Neighboring Area, two in Changsha, and one in each of Qingdao, Chongqing and Wuhan. Of the 14 projects under development or held for future development, five are located in the Shenzhen and Neighboring Area, three in Changsha, three in Qingdao and one in each of Wuhan, Chongqing and Lianyungang. The 12 completed projects have an aggregate site area of approximately 0.9 million square meters and an aggregate total GFA of approximately 1.9 million square meters. The 14 projects under development or held for future development have an aggregate site area of approximately 4.7 million square meters and an estimated aggregate total GFA of approximately 11.3 million square meters. There can be no assurance that the demand for new commercial or residential properties in the regions in which we operate and other regions in China will continue to grow. In addition, there can be no assurance that there will not be an over-supply of commercial and/or residential properties or an economic downturn in the property sectors in those regions and other parts of China. Any such over-supply or economic downturn may result in a decline in property sales and/or property prices on a regional or nationwide basis. Any adverse development in supply and demand with respect to commercial and/or residential properties or in property prices in the cities or regions where we operate in turn may adversely affect our business, results of operations and financial condition.

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

The current global economic slowdown and turmoil in the global financial markets that started in the middle of 2008 have resulted in general illiquid credit markets, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. The slowdown of worldwide economy, including that of China, has caused a rapid slide in property prices. The negative impact of the current global economic slowdown on our business is manifold. For example, the uncertain economic prospect and tightened credit markets have resulted in a lower demand for our properties, particularly in areas outside Shenzhen. With respect to Changsha Cote d'Azur, for which we conducted sales and pre-sales throughout the Track Record Period, the total GFA sold and pre-sold decreased from 32,304 square meters in 2007 to 12,607 square meters in 2008, and the total sales and pre-sales amounts also decreased from Rmb 146.1 million to Rmb 59.6 million. In Shenzhen, where we maintained the momentum in property sales, our operations would have achieved better results had there been no global financial crisis. 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 further decrease in the general demand for our products and a further erosion of their selling prices.

The current global financial markets turmoil and the tightening of credit due to the rampant lack of liquidity have also negatively impacted our liquidity and our ability to obtain additional financings. We have significantly scaled back our original expansion plan, not only because of the slowdown of the global economy and its anticipated impact on our industry, but also due to the tightened credit market that is making it difficult for us to access affordable financing for the capital expenditure and working capital needs in our expansion plan. The current global financial market crisis and the unavailability or limited availability of financing in China have adversely impacted, and will continue to adversely impact, our liquidity, capital expenditure financing and working capital. You will find additional information on our liquidity and financial condition in the section entitled "Financial Information — Liquidity and Capital Resources" in this document. If the current global economic slowdown and financial market crisis continue on a sustained basis, they will adversely impact the demand for our products, adversely affect our ability to obtain necessary financing for our operations, and negatively impact our financial condition and results of operations.

We may not always be able to obtain suitable land for development due to the PRC government's control over land supply to property developers as well as the uncertainties related to land acquisition through secondary market or equity acquisition

We derive our revenue principally from the sale of both residential and commercial properties that we have developed. We keep some of our commercial properties as investment properties for rent in the future. We must maintain or increase our land bank in strategic locations at an appropriate pace in order to ensure our sustainable business growth. Our commercial property developments are located in designated CBDs for office buildings and in prime shopping districts for our shopping mall properties. Our residential properties tend to be located in areas either with easy access to transportation or near scenic areas. Based on our current rate of property development, we believe we have sufficient land bank for property development for approximately the next five years. To have a steady stream of developed properties available for sale and continuous growth in the long term, we need to replenish and increase our land bank that is suitable for commercial and residential development. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was Rmb 1,369.9 million, Rmb 990.8 million, Rmb 2,149.6 million and Rmb 2,178.7 million, respectively, with our sales of commercial properties accounting for 99.0%, 19.1%, 16.7% and 7.2% of our total revenue from property development and our sales of residential properties accounting for 0.4%, 78.9%, 82.4% and 92.8% of our total revenue from property development during these respective periods. Our ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond our control. The supply of substantially all land in China is controlled by the PRC government. Thus the PRC government land supply policies have a direct impact on our ability to acquire land use rights for development and our costs of acquisition. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers may obtain land for property development. The PRC government also controls land supply through zoning, land usage regulations and other means. All these measures further intensify the competition for land in China among property developers. For example, since 2002, the PRC government has been granting land use rights on a nationwide basis through a mandatory public tender, auction and listing-for-sale system, which applies to all land use rights for commercial use, tourism, entertainment and commodity housing development. Although the regulation does not prevent privately held land use rights from being traded in the secondary market, the PRC government's policy to grant state-owned land use rights at competitive market prices is likely to increase the acquisition cost of land bank. Secondary market land acquisitions and equity interest acquisitions are not without risks. For example, we acquired the land parcels underlying the Wuhan Houhu Village Project through the acquisition of the equity interest in Wuhan Zhenghe from a third party who claimed to have secured the right to acquire the land use rights underlying the Wuhan Houhu Village Project prior to the introduction by the PRC government of the public tender, auction and listing-for-sale system. We have paid the acquisition consideration to the transferor and have received the land use rights certificates for the Wuhan Houhu Village Project from the relevant PRC land authorities, but we cannot assure you that the contractual arrangement between the local government and Wuhan Zhenghe was valid and proper. Although the local land bureau has confirmed our payment of the land premium and taxes relating to such land and its due issuance of the land use rights certificates in writing in August 2009, there is no assurance that we will not forfeit our land use rights certificates for such land parcels if there existed irregularities sufficient enough to cause such consequences. For further details on our acquisition of the Wuhan Houhu Village Project, you may refer to the section entitled "Business — Our Property Projects — Properties Held for Future Development." If we fail to acquire sufficient land bank suitable for commercial or residential development in a timely manner and at acceptable prices, our business prospects and competitive position may be adversely affected and our business strategies, growth potential and performance may also be adversely affected.

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

We have entered into various contractual arrangements with a view to facilitating possible acquisitions of the land use rights to certain parcels of land located in several cities in China. As of June 30, 2009, these land parcels occupied an aggregate site area of approximately 3.0 million square meters. These contractual arrangements are not land grant contracts or project company acquisition agreements pursuant to which land use rights can be secured with reasonable certainty. We agreed to enter into these arrangements largely because we historically acquired land use rights through similar contractual arrangements. As these land-related contracts often involve multiple government approvals and relatively complicated procedures, it is not uncommon to take years to acquire the underlying land, if at all, under normal circumstances. For example, in August 2007, we entered into a similar contract to acquire land use rights for a residential project in Qingdao city. Despite our efforts in assisting in the preparatory work and our payment for various preliminary items during the process pursuant to the contract, we were outbid by a third party at the land auction. We cannot assure you that the relevant PRC government authorities will grant us the land use rights or issue the relevant land use rights certificates in respect of these parcels of land. Nor can we assure you that our contractual arrangements will eventually result in our acquisition of any land use rights or in entry into any land grant contract with the relevant PRC government authorities. You will find more information on such contractual arrangements under the section entitled "Business — Our Property Projects — Other Land-related Contractual Arrangements" in this document. If we fail to obtain or experience delay in obtaining the land use rights with respect to these parcels of land, our business, results of operations and financial condition may be adversely affected.

We have made substantial payments in connection with land-related contractual arrangements, we may suffer losses as a result of default by any counterparty in its obligation to refund our payments if the land acquisition fails to materialize

We have prepaid an aggregate amount of approximately Rmb 1,287.7 million as of June 30, 2009 in the form of deposits, advances, share capital contribution, consideration for equity interest acquisition, and land premium, which represented 70.9% of our net assets as of June 30, 2009. These payments are unsecured and paid directly to the counterparty or to the project company as share capital instead of an escrow account. The timeframe and method for the refund were not specified and there is no mechanism in place to prevent any potential misuse of these funds by the counterparty or to ensure funds available when refund is due.

The collection process may be time consuming in China and may divert our management attention and financial resources especially if we have to protect our claims through litigation in the event of default. If our counterparties default in their obligations to refund our down payments or deposits, our results of operations and financial condition may be adversely affected.

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

We may be required to undertake and pay for demolition of existing buildings and resettlement of original residents with respect to our future urban redevelopment projects in Shenzhen. Generally, we negotiate and enter into agreements with entities representing the villagers, and pursuant to the agreements we are required to compensate such villagers in accordance with applicable laws and regulations. In addition to providing the villagers with comparable newly-built properties, the compensation generally includes a monthly stipend calculated in accordance with formulas published by the relevant local authorities. These formulas take into account the location, type and GFA of property subject to demolition, local income level and many other factors. There can be no assurance, however, that the local authorities will not change or adjust the formulas without sufficient advance notice or the villagers will agree to the compensation arrangements despite such government-sanctioned formulas. In addition, according to our PRC counsel, the parcels of land we intend to acquire under these programs, pursuant to which we cooperate with entities representing the villagers to participate in redevelopment projects, subject to approvals by competent government authorities, are not subject to the tender-auction-listing rules. Therefore, our costs associated with the acquisition of these parcels of land are generally lower than those acquired through the tender-auction-listing process. We cannot assure you that the local authorities will not change the practice and subject the land acquired under those programs to the tender-auction-listing rules. If that happens, our land costs may be subject to a substantial increase, which can adversely affect our cash flow, financial condition and results of operations.

We have incurred and will continue to incur a significant amount of interest expense in relation to our bank borrowings and we may not have adequate financing to fund our land acquisitions and property developments

Property development is capital intensive. We finance our property projects primarily through a combination of pre-sale and sale proceeds, borrowings from financial institutions and internally generated funds. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our borrowings were Rmb 2,623.0 million, Rmb 5,142.9 million, Rmb 5,720.4 million and Rmb 6,276.1 million, respectively. We have incurred and will continue to incur a significant amount of interest expense in relation to our bank borrowings. Substantially all of this interest expense has been or will be capitalized as properties under development rather than being expensed in our consolidated income statement at the time it is incurred. The amounts of capitalized interest under completed properties held for sale were approximately Rmb 7.2 million, Rmb 18.3 million, Rmb 107.2 million and Rmb 80.6 million as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively. The amounts of capitalized interest under properties under development were approximately Rmb 25.7 million, Rmb 53.6 million, Rmb 133.6 million and Rmb 141.9 million as of December 31, 2006, 2007, 2008 and June 30, 2009, respectively. In future periods, such capitalized 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 capitalized interest expense may adversely affect our gross profit margin upon the sale of such properties in 2009 and future periods. Our capitalized interest included in cost of sales for the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009 were Rmb 17.3 million, Rmb 16.9 million, Rmb 48.2 million and Rmb 99.2 million, respectively.

Our ability to procure adequate financing for land acquisitions and property developments depends on a number of factors, some of which are beyond our control, such as general economic conditions, credit availability from financial institutions, and monetary policies in China. The PRC government has over the years implemented a number of measures to restrain money supply and credit availability especially with respect to the property development sector although the government took various temporary measures to combat the global economic downturn and financial market crisis since the middle of 2008. For example:

- The PBOC has increased the reserve requirement ratio for commercial banks 16 times between July 2006 and June 2008, from 7.5% in the first half of 2006 to 17.5% effective as of June 2008, which limited the amount the commercial banks in China were able to lend. In response to the global economic downturn the PBOC subsequently decreased the reserve requirement by 2% to 4% for different types of banks;

- The CBRC has issued orders to prohibit PRC commercial banks from granting loans to property projects that have not obtained the relevant land use rights certificates, construction land planning permits, construction work planning permit and construction permits;

- Commercial banks may not grant loans to property developers to pay off land premiums;

- The CBRC has issued guidelines to require that no less than 35% of the total investment in a property project must be funded by the developer's own capital; and

- The PRC government issued regulations to (i) restrict the grant or extension of credit facilities to property developers that hold a large amount of idle land or vacant commodity properties and (ii) prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for their loans.

These and other government actions and policy initiatives have further limited our ability and flexibility in using bank loans to finance our property projects. We cannot assure you that the PRC government will not introduce other initiatives which may further limit our access to capital and the ways we finance our property development. We cannot assure you that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration or that our business, financial condition and results of operations will not be adversely affected as a result of such and other government actions and policy initiatives.

Our financing costs are subject to changes in interest rates

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. The PBOC has adjusted the benchmark lending rates for PRC commercial banks a number of times in past few years. For example, the PBOC raised the benchmark one-year lending rate from 5.58% as of the end of 2005 to 7.47% as of the end of 2007. Such tightening measures caused interest rates to increase, although the PBOC, in response to the global economic downturn and financial market crisis, lowered the benchmark one-year lending rate to 5.31% toward the end of 2008. While we do not believe such changes in the Renminbi lending rates have had or will have a material adverse effect on our ability to obtain adequate financing for our operations or on our overall financial condition, the global economic downturn and financial markets crisis did cause significant negative impact on our business operations, as we have disclosed in the risk factor entitled "Current global economic slowdown, crisis in the global financial markets and volatility of the property prices have negatively impacted, and may continue to negatively impact, our business and our ability to obtain necessary financing for our operations" above. We cannot, however, assure you that lending rates will remain unchanged or will not increase. During the year ended December 31, 2008, the average interest rate of our bank borrowings was 7.09%. In addition, increases in interest rates may affect our residential property customers' ability to secure mortgages on acceptable terms, or at all, which in turn may affect their ability to purchase our properties. We cannot assure you that the PBOC will not further raise lending rates and that our business, financial condition and results of operations will not be adversely affected as a result.

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

In accordance with the provisions of the PRC regulations on LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property, with certain exemptions for the sale of ordinary residential properties if the appreciated values do not exceed 20% of the deductible expense items as defined in the relevant LAT regulations. Sales of luxury residential properties and commercial properties are not eligible for such exemption. Pursuant to a circular issued by the State Administration of Taxation, effective February 1, 2007, LAT obligations must be settled with the relevant tax bureaus within specified timeframes of the completion of the property project. Accordingly, we have settled LAT payments on all of our completed property projects. You may find a more detailed description of the PRC regulations on LAT in the section entitled "Taxation — Mainland China Taxation — Our operations in mainland China — Land appreciation tax" in Appendix V to this document.

We have been prepaying LAT with reference to our pre-sale proceeds since 2006 after the Shenzhen municipal government adopted rules requiring such prepayments. We made LAT provisions of Rmb 149.3 million, Rmb 79.7 million, Rmb 284.1 million and Rmb 217.3 million for 2006, 2007 and 2008 and the six months ended June 30, 2009, respectively. Although we believe that we have made LAT provisions in accordance with all relevant PRC tax laws and regulations and our LAT provisions for 2006, 2007 and 2008 and the six months ended June 30, 2009, as reflected in our consolidated financial information included in the accountant's report in Appendix IA to this document, are sufficient to cover our LAT liabilities in the respective periods, we cannot assure you that our provisions will be sufficient to cover our LAT liabilities as determined by the relevant PRC tax authorities. For instance, we cannot assure you that the relevant tax authorities will agree with the basis on which we have calculated our LAT liabilities. Our results of operations, cash flow and financial condition may be materially adversely affected if our LAT liabilities as finally determined by the relevant tax authorities are substantially higher than our LAT provisions.

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

As of June 30, 2009, we completed 12 property developments with a total GFA of 1.9 million square meters, seven of which are located in the Shenzhen and Neighboring Area. Currently we have 14 projects under development or held for future development with an estimated total GFA of 11.3 million square meters in eight strategically selected cities across China. Although our planned projects are carefully chosen after rounds of screening, review and deliberation, significant increases in GFA under development may place a substantial strain on our managerial and financial resources. To succeed in such expansion, we will need to recruit and train new managers and other employees and build our operations and reputation in these new regional markets within a short period of time. Since we have primarily concentrated our prior property developments in Shenzhen, our knowledge, experience and mode of operations may not be readily applicable to the new markets. In addition, our expansion plans are based on our forward-looking assessment of market prospects, and we cannot assure you that our market assessment will turn out to be accurate, that we can execute our contemplated expansion plan successfully or that we will succeed in integrating our expanded operations. Neither can we assure you that our expanded operations will generate adequate returns on our investments or positive operating cash flow in the foreseeable future or at any time at all.

While we will continue to expand our business operations in the regions where we currently have operations, we intend to further explore selected fast-growing regional centers in other parts of China. We have limited knowledge of the conditions of these local property markets and little or no experience in property development in these regions. In addition, as we enter into new markets, we may not have the same level of familiarity with contractors, business practices and customs and customer tastes, behavior and preferences as compared to the cities where we are an established property developer. Therefore, we may not be able to successfully leverage our experience and current knowledge as we expand our business operations into new regional markets. Moreover, when we enter into new regional markets, we may face intense competition from developers with an established presence and market share in those markets. We acquired a number of project companies during the Track Record Period and will consider suitable acquisition opportunities to effect our expansion plans in the future. Any failure to leverage our experience and knowledge, or failure to understand the regional property markets in other parts of China that we target for expansion, or failure to integrate our current or future acquisitions with our existing operations may have an adverse effect on our business, financial condition and results of operations.

Our business will be adversely affected if we fail to obtain, or experience material delays in obtaining, necessary government approvals for any major property development

The property industry in China is heavily regulated by the PRC government. Property developers must comply with various laws and regulations of the PRC government, including rules issued by local governments to enforce these laws and regulations. To develop and complete a property project, we must apply for various licenses, permits, certificates and approvals, including government approval of the relevant urban redevelopment plans, land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion with relevant government authorities. Before a government authority issues any certificate or permit, we must first meet specific conditions. We cannot guarantee that we will not encounter serious delays or other difficulties in fulfilling such conditions, or that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry. There may also be delays on the part of the relevant regulatory bodies in reviewing our applications and granting approvals. Therefore, in the event that we fail to obtain, or encounter significant delays in obtaining, the necessary government approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be adversely affected.

We maintain a significant amount of indebtedness and a deterioration of our cash flow position may materially adversely affect our ability to service our indebtedness and to continue our operations

We maintain a significant amount of indebtedness to finance our operations. As of December 31, 2006, 2007 and 2008 and June 30, 2009, our aggregate outstanding borrowings was Rmb 2,623.0 million, Rmb 5,142.9 million, Rmb 5,720.4 million and Rmb 6,276.1 million, respectively. Our gearing ratio, calculated by net debt divided by total capital, as of the same dates, was 53.0%, 75.0%, 76.7% and 70.0%, respectively. Of our total outstanding borrowings of Rmb 6,276.1 million as of June 30, 2009, approximately Rmb 2,290.3 million was repayable within 12 months and approximately Rmb 3,985.8 million was repayable after 12 months. There can be no assurance that the market conditions will continue to remain relatively favorable to our operations or that we will be able to generate sufficient cash inflow from continuous operations to service our indebtedness. We rely on pre-sale proceeds of residential and commercial properties as a principal source of funding for our operations. Should our pre-sale be significantly limited or otherwise adversely affected as a result of changes in the relevant PRC rules and regulations, or significant economic downturn in China or in the cities and regions where we operate, our cash flow position and our ability to service our debts may be adversely affected. We may also be called upon to honor our contingent liabilities if our guaranteed third-party indebtedness is in default. Such third-party indebtedness includes the mortgage loans of our customers that we guarantee in favor of the mortgage banks as we disclosed in the risk factor entitled "We guarantee repayment obligations of mortgage loans of our customers and may become liable to mortgagee banks if our customers default on their mortgage loans" below. If we are unable to make scheduled payments in connection with our debt and other fixed payment obligations as they become due, we may need to renegotiate such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or on a timely basis or that we could refinance our obligations on acceptable terms, or at all. If financial institutions decline to provide new financing facilities to us or to refinance our existing loans upon their maturity as a result of our credit risk and we fail to raise financing through other means, our financial condition, cash flow position and our business prospects may be adversely affected.

We had negative operating cash flow during the Track Record Period and, if we are unable to meet our financial obligations, our business, financial condition and results of operations will be materially and adversely affected

We had negative operating cash flow of Rmb 2,133.4 million and Rmb 327.3 million in 2007 and 2008, respectively while our operating cash flow was positive in 2006 and the six months ended June 30, 2009. Our negative operating cash flow was primarily attributable to the long-term and capital-intensive nature of property development, our land acquisitions and business expansion during the relevant periods. As disclosed in "Financial Information — Liquidity and Capital Resources — Operating activities" in this document, we applied internal operating cash flow and bank borrowings to finance our operating and investing activities during the Track Record Period.

Negative operating cash flow requires us to acquire sufficient financing to meet our current financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations or cannot develop our projects as planned and, as a result, our business, financial condition and results of operations will be adversely affected.

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

We engage third-party contractors to provide various services, including design, pile setting, foundation, construction, equipment installation, electromechanical engineering and pipeline engineering. We generally select third-party contractors through a tender process. We endeavor to employ companies with a good reputation, strong track record, performance reliability and adequate financial resources, and we have implemented strict quality control procedures to closely monitor the construction progress. We cannot, however, guarantee that any such third-party contractor will provide satisfactory services at the required quality level. If the performance of any third-party contractor is not satisfactory, we may need to replace such contractor or take other remedial actions, which could adversely affect the cost structure and development schedule of our projects. In addition, as we are expanding our business into other regional markets in China, there may be a shortage of third-party contractors that meet our development and quality requirements in such regions and we may not be able to engage sufficient quality third-party contractors in such regions. Moreover, our third-party contractors may undertake projects from other developers, engage in risky undertakings or otherwise encounter financial or other difficulties, which may adversely affect their ability to complete our property projects on time, within budget or at all. Any of these factors could have an adverse impact on our reputation, credibility, financial position and business operations.

Our results of operations may vary significantly from period to period

We derive the majority of our revenue from the sale of properties that we have developed. In accordance with our accounting policy, we recognize revenue upon the completion and delivery of the properties to purchasers, which may typically take 12 or more months after the commencement of the pre-sale. As a result, our results of operations may vary significantly from period to period due to the construction timetables and timing of sales and delivery of our various development projects. In addition, our business is subject to seasonal variations. For example, our delivery of properties in the first quarter of each year is negatively impacted by long vacations at the end of the year and during the Chinese New Year holidays. Therefore, our revenue and profit recognized upon delivery of properties in the first half of a year are often much lower than in the second half.

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. Our investment properties include certain carparks and Guangzhou Diwang Shopping Arcade. Under HKFRS, 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 valuations are primarily based on a direct comparison approach, under which our investment properties are directly compared with other comparable properties of similar size, character and location, in order to provide a fair comparison of capital values. Our investment properties were revalued by DTZ Debenham Tie Leung Limited, an independent property valuer, as of June 30, 2009 on an open market, existing use basis which reflected market conditions on such date. Based on this valuation, we recognized the aggregate fair market value of our investment properties on our consolidated balance sheets, and recognized fair value gains on investment properties and the relevant deferred tax on our consolidated income statements. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the fair value gains on our investment properties were Rmb 69.2 million, Rmb 82.6 million, Rmb 41.0 million and Rmb 35.0 million, respectively, and accounted for approximately 17.8%, 19.0%, 6.9% and 4.5%, respectively, of our profit before tax.

The significant increase in the fair market value of our investment properties in the Track Record Period was primarily due to the addition of our new investment properties and the overall appreciation of properties in Guangzhou and Shenzhen. Fair value gains or losses do not, however, change our cash position as long as the relevant investment properties are held by us, and thus do not increase our liquidity despite increased profit. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanization rate and disposable income level, in addition to any government regulations, can substantially affect the fair value of our investment properties and affect the supply and demand in the PRC property market. All these factors are beyond our control and we cannot assure you that changes in market conditions will continue to create fair value gains on our investment properties at the previous levels or at all, 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 our industry experiences a downturn as a result of the PRC government policies aimed at "cooling-off" the PRC property market, or otherwise. Any such decrease in the fair value of our investment properties would adversely affect our profitability.

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

We had 21,069 square meters of investment properties as of June 30, 2009 and expect to increase our investment property portfolio in the future. Real estate investments are illiquid and as a result, our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We cannot predict whether we will be able to sell any or all of our investment properties for the price or on the terms acceptable to us. We also cannot predict the length of time needed to find purchasers to complete the sale of such investment properties. In addition, we may also need to expend funds to maintain properties, correct defects or make improvements before our investment properties could be sold. We cannot give any assurances that such funds would be available.

Furthermore, we may not be able to convert our investment properties to alternative uses if they become unprofitable due to competition, age, demand, supply and other factors. Any conversion of investment properties to alternative uses will generally require substantial capital expenditure for re-fitting or renovation which we cannot assure would be available when needed. These and other factors that impede our ability to respond to adverse changes in the performance of our investment properties may adversely affect our business, financial condition and results of operations.

Changes of PRC laws and regulations with respect to pre-sale may adversely affect our cash flow position and business performance

Our operations significantly rely on cash flows from pre-sales of properties as an important source of funding for our project development. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence the pre-sale of properties and the pre-sale proceeds may only be used to finance the relevant property developments. In August 2005, the PBOC issued a report entitled "2004 Real Estate Financing Report," in which it recommended discontinuation of the practice of pre-selling uncompleted properties as it creates significant market risks and generates transactional irregularities. This and other PBOC recommendations have not been adopted by the PRC government. However, there can be no assurance that the PRC government will not adopt such recommendations and abolish the practice of pre-selling uncompleted properties or implement further restrictions on property pre-sales, such as imposing additional conditions for obtaining pre-sale permits or imposing further restrictions on the use of pre-sale proceeds. Any such measures will adversely affect our cash flow position and force us to seek alternative sources of funding to finance our project developments.

We guarantee repayment obligations of mortgage loans of our customers and may become liable to mortgagee banks if our customers default on their mortgage loans

As we pre-sell properties before their actual completion of construction, consistent with the PRC industry practice, domestic banks require us to guarantee repayment obligations of our customers' mortgage loans. Our guarantee obligations for such mortgage loans continue until we complete the relevant properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to the mortgagee banks, which generally takes place one year after we deliver possession of the relevant properties to the purchasers, at which time such guarantees are released. If a purchaser defaults on a mortgage loan during our guarantee period, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the defaulted mortgage loans. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the result of evaluations by the mortgagee banks relating to such individual customers.

As of December 31, 2006, 2007 and 2008 and June 30, 2009, our outstanding guarantees in respect of our customers' mortgage loans amounted to Rmb 908.2 million, Rmb 606.5 million, Rmb 533.4 million and 1,287.7 million, respectively, which represented 72.2%, 44.3%, 37.2% and 70.9% of our net assets, respectively. During the Track Record Period and up to the Latest Practicable Date, we encountered one incident of default by purchasers, where the mortgagee bank sued a customer of Excellence Century City for payment in the amount of Rmb 19,259 plus interest. The lawsuit was still pending as of the Latest Practicable Date. As of June 30, 2009, our outstanding guarantees in respect of our customers' mortgage loans were approximately Rmb 606.5 million. Should substantial defaults occur and if we are called upon to honor our guarantees, our financial condition and results of operations may be adversely affected.

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

Mortgage is becoming an increasingly important means of financing by property purchasers in China. A significant portion of our purchasers rely on mortgages to finance their purchases. An increase in interest rates may significantly increase the cost of mortgage financing and adversely affect the affordability of properties. In addition, the PRC government and commercial banks may also increase the down-payment requirement, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive, or less available or less attractive, to potential property purchasers. Under current PRC laws and regulations, purchasers of residential properties generally must pay at least 20% of the purchase price of the properties before they can finance their purchases through mortgages. Since May 2006, the PRC government has generally increased the minimum amount for down-payments to 30% of the purchase price for first-time home buyers if such property has a unit floor area of 90 square meters or more.

For second-time home buyers that use mortgage financing, the PRC government-sanctioned minimum down-payment has generally increased to 40% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark interest rate. For commercial property buyers, banks are now not allowed to finance the purchase of any pre-sold properties. The minimum down-payment for commercial property buyers has increased to 50% of the purchase price, with minimum mortgage loan interest rates at 110% of the relevant PBOC benchmark interest rate and maximum maturities of no more than 10 years. If the availability or attractiveness of mortgage financing is reduced or limited, many of our prospective customers may not be able to purchase our properties and, as a result, our business, liquidity and results of operations could be adversely affected.

In line with industry practice, as we have disclosed in this document, we provide guarantees to banks for mortgages they offer to our purchasers until we complete the relevant properties and the property ownership certificates and certificates of other interests with respect to the relevant properties are delivered to the mortgagee banks. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and these banks would not accept any alternative guarantees by third parties, or if no third party is available or willing to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks and other financial institutions during sales and pre-sales of our properties. Such difficulties in financing could result in a substantially lower rate of sale and pre-sale of our properties, which would adversely affect our cash flow, financial condition and results of operations. We are not aware of any impending changes in laws, regulations, policies or practices which will prohibit such practice in China. However, there can be no assurance that such changes in laws, regulations, policies or practices will not occur in China in the future.

We may suffer losses not covered by insurance

We do not carry comprehensive insurance against all potential losses or damages with respect to our properties before their delivery to customers nor do we maintain insurance coverage against liability from tortious acts or other personal injuries related to our project constructions. We believe that such liabilities should be borne primarily by third-party construction companies. However, we cannot assure you that we will not be sued or held liable for damages due to such tortious acts and other personal injuries. Moreover, there are certain losses for which insurance is not available on commercially practicable terms in China, such as losses suffered due to earthquake, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in the course of our operations and property development, we may not have sufficient financial resources to remedy our damages or to satisfy any potential obligations. In addition, any substantial payment we may be required to make to cover such losses, damages or liabilities may have an adverse effect on our business, results of operations and financial condition.

We may not be able to complete our development projects on time or at all

Property development projects require substantial capital expenditures prior to and during the construction period, and construction of a property project may take over a year or longer before it may generate positive cash flow through pre-sales or sales. Meanwhile, the progress and costs for a development project can be adversely affected by many factors, most of which are beyond our control. These factors include:

- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation of existing residents and/or demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions;
- changes in government policies; and
- economic downturn and decrease in consumer sentiment in general.

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

Our failure to meet all requirements for the delivery of completed properties and issuance of property ownership certificates may lead to compensatory liability to our customers

Once a property project has passed the requisite completion inspections, we are required to deliver such completed properties to our customers within the timeframe set out in the property sale and purchase agreements. Delays in project completion caused by factors such as adverse weather conditions and shortages of raw materials or skilled labor may affect our ability to deliver properties to our customers within the specified timeframe. We may become liable for monetary penalties to our customers for delays in property delivery in such circumstances. Delays in project completion may have an adverse impact on our reputation and business operations.

According to PRC law, property developers must meet various requirements within 90 days after delivery of property or such other time period provided in property sale and purchase agreements for the customers to apply for property ownership certificates, including passing various government clearances, formalities and procedures. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for the application and approval process. We usually specify in the relevant contracts that we will deliver the property ownership certificates to individual property buyers within 210 to 240 days from the date we obtain the certificates of completion. Our specified timeframe is in compliance with the relevant government regulations, and we have not experienced any significant difficulties in fulfilling our obligations to property buyers. Under current PRC regulations, we are required to submit requisite government approvals in connection with our property developments, including land use rights documents and various construction related permits, to the local bureau of land resources and housing administration within 30 days after the receipt of the certificate of completion for the relevant properties and to 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 and proof of payment of deed tax, together with the general property ownership certificate, for the bureau's review and its issuance of the individual property ownership certificates in respect of the properties purchased. Delay by the various administrative authorities in reviewing the relevant applications and granting approval as well as other factors beyond our control may affect the delivery of the general as well as individual property ownership certificates on a timely basis. Under current PRC laws and regulations and under our sales and purchase agreements, we are required to compensate our customers for delays in completing our deliverables. We have experienced delays in relation to delivery of completed properties and have paid approximately Rmb 1.3 million to compensate our customers for such delays during the Track Record Period. We cannot assure you that such delays will not occur with respect to our property projects in the future. In case of serious delays on one or more property projects, our business and reputation will be harmed.

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 the property valuation report prepared by DTZ Debenham Tie Leung Limited, independent professional surveyors and property valuers, in Appendix IV to this document is based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the appraised value of our properties and land bank is based, include that:

- we will develop and complete projects on a timely basis in accordance with our latest development proposals provided to DTZ Debenham Tie Leung Limited and set out in the property valuation report;
- 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 demolition and resettlement costs and obtained all land use right certificates and transferable land use rights without any payment obligation of additional land premium and demolition and resettlement costs.

If we fail to obtain the approvals from regulators necessary for the development of our projects, some assumptions used by DTZ Debenham Tie Leung Limited in reaching the appraisal values of our properties will prove inaccurate. Therefore, the appraised 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 property holdings.

As for properties which we do not wholly own, their appraised values are allocated to us according to our attributable ownership in the relevant project companies.

As of the date of this document, PRC properties without proper land use right certificates were not assigned any commercial value for purposes of issuing any property valuation report. The Property Valuation Report makes reference to 7 piece of land under the section entitled "Summary of Valuations — Group VI — Property interests contracted to be acquired by the Group in the PRC" that we, as of August 31, 2009, had entered into land grant contracts or equity transfer agreements but had not paid the land premiums in full or satisfied other conditions for obtaining the relevant land use rights certificates. You should not rely on the estimated value of approximately Rmb 18,931.8 million attributable to us as described in the Property Valuation Report, because the issue by the government of the relevant land use rights certificates depends on our timely payment of the requisite land premiums and many other conditions, some of which are beyond our control.

The PRC government may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts

Under the PRC laws and regulations, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, specified use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, and/or reclaim our land. 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 issue a warning notice to us and impose a land idle fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years, the land may be subject to reclamation by the PRC government unless the delay in development is caused by government actions or force majeure. Moreover, notwithstanding that the commencement of the land development is in line with the land grant contract, if the developed GFA on the land is less than one-third of the total proposed GFA of the project or if the total invested capital is less than one-fourth of the total investment of the project and the suspension of the development of the land is over one year in time without government approval, the land may be be treated as idle land. In September 2007, the Ministry of Land and Resources issued a new notice to further enhance the control of land supply, to require developers to develop land according to the terms of the land grant contracts, and restrict or prohibit any violating developers from participating in future land biddings. In January 2008, the State Council issued a Notice on Promoting the Land Saving and Efficient Use 《關於促進節約集約用地的通知》 to escalate the enforcement of the current rules on idle land management. This notice states, among other things, that the Ministry of Land and Resources and other authorities are required to formulate the implementation rules concerning the levy of additional land appreciation fees (增值地價) on idle land. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land 《關於嚴格建設用地管理促進批而未用土地利用的 通知》 in August 2009, which reiterates the current rules on idle land. As of June 30, 2009, we have properties held for future development with a total site area of approximately 4,045,276 square meters. As identified below, we have not yet commenced development for some of these properties for more than one or two years from the commencement dates stipulated in the relevant land grant contracts and have not received extension for such properties from the relevant authorities. We have also suspended development of a project without the consent of the land grantor.

No.	Project	Location	Site Area	Stipulated commencement date	Idle period	Total land premium	Paid land premium	Whether Group has breached agreed development plan other than timeframe	Whether Group has received notice of fine or forfeiture
			(m^2)			*(Rmb in millions)*	*(Rmb in millions)*		
1	Qingdao Azure Archipelagos (Phases 2 to 5)	Qingdao, Shandong Province	362,964(1)	April 30, 2007	More than 2 years(1)	114.3(1)	114.3	No	No
2	Huizhou Luofushan Project	Huizhou, Guangdong Province	597,329	July 18, 2008	More than 1 year but less than 2 years(2)	192.0	192.0	No	No
3	N/A	Shuangliu County, Sichuan Province	60,503	None(3)	More than 2 years(3)	N/A(3)	N/A(3)	No	No
4	Shanghai Chengbang Villa (Phase 1)	Shanghai	82,687	N/A(4)	N/A(4)	12.3	12.3	No	No

(1) The land consists of two parcels. The site area and land premium provided here are aggregated amounts. We initially won the auction for a whole tract of land, including these two parcels, but subsequently signed several land grant contracts with respect to different parcels of this tract of land in accordance with planning requirements. While construction has commenced on this tract of land as a whole, it has not yet commenced on the two parcels in question because the tract has a rather sizeable site area. We have received preliminary confirmation from local authorities indicating that this land should not be classified as idle land, but such confirmation is subject to further approval of relevant authorities.

(2) This land is currently subject to only land idle fee, not reclamation. This land is located in the vicinity of a scenic and historic area. The overall planning of this scenic and historic area is currently subject to revision by the local governmental authorities. Such revision resulted in the need for adjustments of certain infrastructures in the vicinity of this area. As a result of these pending adjustments, we have been unable to commence construction on the land.

(3) We acquired this land from a third party for a total consideration of Rmb 27.0 million pursuant to a court decision without signing any land grant contract. We received the land use rights certificate on July 23, 2007. When we held the land for future development, an earthquake hit Sichuan Province in May 2008. We subsequently decided not to develop this project as a result of the earthquake risks and signed an agreement in June 2009 to transfer the land to a third independent party. The total transfer price was approximately Rmb 44.5 million, which was based on our initial land acquisition cost, preliminary expenditures on the land and our interest expenses. Pursuant to the agreement, we plan to first transfer the land use rights to Excellence Chengdu and then transfer our 100% equity interest in Excellence Chengdu to the third party. We are currently preparing the documentation for transferring the land use rights to Excellence Chengdu and expect to complete the equity transfer of Excellence Chengdu to the third party by the end of 2009. Our PRC legal counsel have confirmed that the contemplated transfer is legal and not in violation of any PRC laws and regulations. We have not commenced construction on this land.

This land is recorded under the land use rights during the Track Record Period in the accountant's report in Appendix IA to this document. The book value of the land is Rmb 27.0 million. Since we have made arrangements to transfer this land to a third party, this land is included in neither the Property Valuation Report nor our land bank. We did not make any provision for the Rmb 27.0 million paid for the land as a result of the Sichuan earthquake because the earthquake did not cause any actual damage to the land. Our decision to transfer the land to a third party is based on our consideration of future commercial risks. We have not made other provisions for this land because (i) we have made arrangements to transfer this land to a third party, who has released us from any liability for land idle fee or reclamation after the contemplated transfer, and (ii) we believe the third party has sufficient financial capability in releasing us from such liabilities.

(4) We acquired this project in September 2009 by purchasing a 100% equity interest in Shanghai Detian, which owns the project. The development of phase 1 of this project commenced in October 2005 and was suspended in June 2006. The total GFA of phase 1 under development has exceeded one third of the proposed total GFA and our actual investment in phase 1 has exceeded 25% of the total investment approved by the relevant government authority. Based on the above, our PRC legal counsel are of the view that phase 1 should not be deemed as idle land. Under the land grant contract with respect to the land of phase 1 of this project, if Shanghai Detian suspends the development of the project for more than two years without the consent of the land administrative authorities, the government may recover the land use rights. We have submitted our application for adjusting the project planning to the relevant government authority, which has given preliminary approval to our adjustment plan. As a result, our PRC legal counsel are of the view that the government should not recover from us the land use rights for phase 1 of this project.

Our total investment costs incurred for the above land Nos. 1 to 4 are Rmb 508.3 million. As of the Latest Practicable Date, none of the land Nos. 1 to 4 incurred any land idle fees. We have made arrangements to transfer the above land No. 3 to a third party. For land Nos. 1 and 2, we are in the process of consulting relevant authorities with a view to seeking extension of the commencement dates for construction. For land No. 4, we are in the process of re-submitting application in order to resume the development. However, we cannot assure you that we will be able to eventually obtain such extension or approval despite that we have received preliminary confirmation from local authorities indicating land No. 1 should not be classified as idle land. If we are unable to obtain such extension for land No. 2, we may incur a land idle fee in the amount of up to Rmb 38.4 million. If land Nos. 1, 3 and 4 are subject to reclamation, we may not only lose the opportunity to develop the property projects on such land, but may also lose all our past investments in the land in the total amounts of Rmb 114.3 million, Rmb 27.0 million and Rmb 175.0 million, respectively. If land No. 2 remains idle for more than 2 years and we fail to obtain extension of the commencement dates or other approval from relevant authorities, such land parcels may be subject to forfeiture, in which case we may lose all our past investments in the land in the total amounts of Rmb 192.0 million. There can be no assurance that circumstances leading to reclamation, land idle fees or significant delays in our development schedules will not arise in the future.

The PRC government has implemented restrictions on the funding abilities of PRC property developers, which could adversely affect our ability and speed in deploying the funds we raise for our business in China

In July 2007, the SAFE issued the Notice Regarding the Publication of the List of the First Batch of Property Development Projects with Foreign Investment that Have Properly Registered with MOFCOM《國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知》. Pursuant to this notice, SAFE (i) will not process foreign debt registrations or foreign debt applications for settlement of foreign exchange submitted by real estate enterprises with foreign investments that obtained authorization certificates from the relevant commerce authorities and registered with MOFCOM on or after June 1, 2007 and (ii) will not process foreign exchange registrations (or change of such registrations) or applications for settlement and sale of foreign exchange under the capital account submitted by real estate enterprises with foreign investments that obtained approval certificates from local government commerce departments on or after June 1, 2007 but did not register with MOFCOM. This regulation restricts the ability of foreign-invested real estate companies to raise funds offshore for the purpose of injecting such funds into their PRC subsidiaries by way of shareholder loans. Nonetheless, the SAFE notice does not restrict property developers from receiving foreign capital by way of increase of registered capital of the existing foreign-invested companies or the establishment of new foreign-invested project companies, provided that such increase in registered capital or new company establishment has been duly approved by local branches of MOFCOM and registered with or approved by MOFCOM.

We are subject to the notice and have fully complied with its requirements. Subsequent to June 1, 2007, we have registered with MOFCOM the increases of registered capital contribution to our four existing foreign-invested subsidiaries in China and the establishment of two new foreign-invested subsidiaries in China. We intend to inject the net proceeds from this [●] through capital contribution to our newly registered PRC subsidiaries and increased capital contribution to our other PRC subsidiaries. Because of the various timing requirements under the current MOFCOM rules relating to foreign investments in China, we may have to re-apply for approvals from the relevant PRC authorities before we may inject the net proceeds from the [●] into our operations in China. We cannot assure you that we will be able to obtain in a timely manner such approvals or the required registration with MOFCOM. Failure to obtain, or significant delays in obtaining, such approvals or registration may adversely affect our development plans and our operations. Further, we cannot assure you that the PRC government will not introduce new policies and regulations that may further restrict our ability to inject funds raised overseas into China for our operations.

Our success depends on the continued services of our senior management team and other key personnel

Our success and growth depend on the continued services provided by our executive Directors and members of our senior management team. Competition for such managerial talents is intense in the PRC property development sector. We are heavily dependent on Li Wa, Chairman of the Board, and our senior management members, including Li Xiaoping, Vice Chairman of the Board and our president. All of them have extensive experience in the PRC property industry, with in-depth knowledge of various aspects of property development. In case any senior management member leaves and we fail to find and hire a suitable substitute, our business may be adversely impacted. Moreover, along with our steady growth and expansion into other regional markets in China, we will need to employ, train and retain suitable skilled and qualified manages and other employees on a much larger geographical scale. If we cannot attract and retain suitable personnel, our business and future growth will be adversely affected.

We may not be able to protect our brand, trademarks and other intellectual property rights, which could have a material and adverse impact on our business

We believe that the success of our business depends in part on our continued ability to use and promote our brand and trademarks. To this extent, we rely on the intellectual property laws in China to protect our intellectual properties and any unauthorized use of our intellectual properties could materially and adversely affect our business and reputation.

It is difficult to monitor the unauthorized use of our intellectual properties. Although we have taken what we believe to be appropriate measures to protect our brand, trademarks and other intellectual properties, there can be no assurance that such measures will be adequate to prevent unauthorized use by third parties. Moreover, the application of laws governing intellectual property rights in China is uncertain and evolving and if we are unable to adequately protect our brand, trademarks and other intellectual properties, their value may be compromised and we may even lose our rights, which would adversely affect our business. In addition, the applications for registration of many of our trademarks are still pending. There can be no assurance that such applications will be approved in a timely manner or at all.

We may not be able to control the individual or collective decisions of certain tenants and property owners of our commercial properties, which may be adverse to our interests

We have in the past sold and will continue to sell units within our commercial complexes, including offices in our office buildings, and retail shop outlets in our shopping malls, to purchasers in order to realize better cash flow and free up capital for reinvestment. As the title to such units or outlets vests in the purchases, there can be no assurance that we will be able to control the decision-making process relating to these commercial complexes, including the individual and collective decisions of such property owners or their tenants. If we are unable to control the manner of use of such units or outlets or the way we would operate our commercial complexes in the absence of such difference in opinion or interest, we may not be able to implement the intended use of such units or outlets and such failure may have a material adverse effect on the reputation, operations and value of our commercial complexes.

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

We provide property management services to the owners of our residential and commercial projects through our wholly owned property management subsidiary, Excellence Property Management. We believe that property management is an integral part of our business and critical to the successful marketing and promotion of our property developments. Under PRC laws and regulations, the property owners have the right to change the property management service provider upon the consent of a certain percentage of property owners. If owners of properties that we have developed choose to terminate our property management services, or our customers are unsatisfied with our property management services, our reputation and property sales may be adversely affected.

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

We may from time to time be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction companies, original residents, partners and purchasers. You will find more information in the section entitled "Our Business — Legal Proceedings" in this document. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management's attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that may result in liabilities and cause delays to our properly developments.

We have not fully paid the registered capital of some of our wholly owned subsidiaries in China

The current PRC law requires that the registered capital of a wholly foreign owned enterprise be paid in full by instalments pursuant to its articles of association within two years of its establishment in China. As of the date of this document, we have not fully paid the registered capital of Lianyungang Tianqian, Lianyungang Tianjun, Shenzhen Xinjinze and Shenzhen Xinweiran and Shenzhen Dongrunze in accordance with their initial instalment payment dates.

In accordance with the Notice on Carrying out Joint Annual Review for Year 2009 of Foreign Invested Enterprises《關於開展2009年外商投資企業聯合年檢工作的通知》jointly issued by the MOFCOM, the Ministry of Finance, the State Administration of Taxation, SAIC, the National Bureau of Statistics and SAFE and based on our inquiries with the Lianyungang industry and commerce authority, the time period for paying up the remaining registered capital of Lianyungang Tianqian and Lianyungang Tianjun has been extended to the end of 2009. According to the approvals issued by the Trade and Industry Bureau of Futian District of Shenzhen (深圳市福田區貿易工業局), the time period for paying up the remaining registered capital of Shenzhen Xinjinze and Shenzhen Xinweiran has been extended to May 23, 2010 and June 4, 2010, respectively. The time period for paying up the second installment of registered capital of Shenzhen Dongrunze was up to October 15, 2009. We have transferred requisite funds to Shenzhen Dongrunze to make the second installment payment in full and are currently in the process of completing the relevant procedures for such capital injection required by the PRC Law. The remaining registered capital of Lianyungang Tianqian, Lianyungang Tianjun, Shenzhen Xinjinze and Shenzhen Xinweiran that has not been paid as of the date of this document was approximately US$11.2 million, US$11.2 million, HK$8.5 million and HK$8.5 million, respectively. The second installment of registered capital of Shenzhen Dongrunze is HK$4.5 million.

Our Original Shareholders, Li Wa and Li Xiaoping, are related to each other and have substantial control over our company and their interests may not be aligned with the interests of our other shareholders

Li Wa, our founder and Chairman of the Board, and Li Xiaoping, Vice Chairman of the Board and our president, who are brothers, beneficially owned 95.0% and 5.0%, respectively, of our outstanding share capital upon completion of our Reorganization and will beneficially own approximately 71.25% and 3.75%, respectively, of our outstanding share capital upon completion of the [●], assuming no exercise by the [●] of their [●], or approximately 67.69% and 3.56%, respectively, of our outstanding share capital if the [●] exercise their [●] in full. As a result, Li Wa and Li Xiaoping, by virtue of their controlling ownership of our share capital as well as their positions on our Board, they will be able to exert significant influence over our business and otherwise on matters of significance to us and other shareholders by voting at the general meetings of shareholders or at the meetings of our Board, including:

- election of Directors;
- selection of senior management;
- amount and timing of dividend payments and other distributions;
- acquisition of or merger with another entity;
- overall strategic and investment decisions;
- issuance of securities and adjustment to our capital structure; and
- amendments to our Memorandum and Articles.

The interests of Li Wa and Li Xiaoping may differ from the interests of other shareholders and they are free to exercise their votes according to their interests. In connection with this [●], each of our Original Shareholders has given an undertaking in the Deed of Non-competition that it and its affiliates, other than our company, will not engage in property development business that may compete with us. To the extent the interests of each of our Original Shareholders has conflict with the interests of other shareholders, the interests of other shareholders can be disadvantaged and harmed.

If we cannot continue to obtain qualification certificates, our business may be adversely affected

As a precondition to engage in property development and property management in China, a company engaging in property development and property management must obtain a qualification certificate and must generally renew it on an annual basis. According to the PRC regulation on qualification of property developers issued in 2000, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be extended for not more than two years through renewal. If, however, the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. More established developers must also apply for renewal of their qualification certificates mostly on an annual basis. It is mandatory under government regulations that developers must fulfill all statutory requirements before they may obtain or renew their qualification certificates. Before commencing business operations, entities engaged in property management are required to obtain qualification certificates of property management enterprises.

We conduct property development through project companies. These project companies must also hold valid qualification certificates to be able to conduct their business. We, including all our project companies, have fully complied with the rules and regulations with regard to obtaining or renewing qualification certificates. However, there can be no assurance that we or our project companies will continue to be able to obtain or renew our qualification certificates in a timely manner, or at all, as and when they expire. If we or our project companies do not possess valid qualification certificates, the government will refuse to issue pre-sale and other permits necessary for the conduct of the property development business. In addition, the government may impose a penalty on us and our project companies for failure to comply with the relevant licensing requirements. If we or any of our project companies are unable to meet the relevant requirements, and therefore unable to obtain or renew the qualification certificates, our business and financial condition could be adversely affected.

We rely principally on dividends paid by our subsidiaries to fund our cash and financing requirements, 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

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we may incur. If any of our subsidiaries incurs debt in its own name, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries on a consolidated basis only out of their retained earnings, if any, determined in accordance with the PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on the PRC accounting standards each year for their reserve fund in accordance with the requirements of relevant laws and provisions in their respective articles of associations. As a result, our PRC subsidiaries may be restricted in their ability to transfer any portion of their net income to us in the form of dividends. Any limitation on the ability of our subsidiaries to pay dividends to us could materially adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business. Under the new PRC Enterprise Income Tax Law and its implementation regulations, PRC income tax at the rate of 10% is applicable to dividends paid by PRC enterprises to "non-resident enterprises" (enterprises that do not have an establishment or place of business in China, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) subject to the application of any relevant income tax treaty that China has entered into, which provides for a lower withholding tax rate. A company incorporated in Hong Kong will be subject to withholding tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in the PRC subsidiary at the time of the distribution, or at 10% if it holds less than a 25% interest in the PRC subsidiary. If we or our non-PRC subsidiaries are considered "non-resident enterprises," any dividend that we or any such non-PRC subsidiary receive from our PRC subsidiaries may be subject to PRC taxation at the 10% rate (or the lower treaty rate).

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

We are a Cayman Islands holding company with substantially all of our operations conducted through our operating subsidiaries in China. Under the new PRC Enterprise Income Tax Law that took effect on January 1, 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax law purposes and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation regulations issued by the State Council relating to the new PRC Enterprise Income Tax Law, a "de facto management body" is defined as the body that has the significant and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated a circular to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being PRC enterprises. It, however, remains unclear how the tax authorities will treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by a PRC individual resident and a Hong Kong permanent resident as is in our case. Although we are currently not treated as a PRC resident enterprise by the relevant PRC tax authorities, substantially all of our management is currently based in China and will remain in China in the future. As a result, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes and subject to the uniform 25% enterprise income tax as to our global income. You should also read the risk factor entitled "— Dividends payable by us to our foreign investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws" below. If we are treated as such a PRC resident enterprise under the PRC tax law, we could face adverse tax consequences.

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

Under the new PRC Enterprise Income Tax Law and its implementation regulations issued by the State Council, to the extent such dividends for earnings derived since January 1, 2008 are sourced within China and we are considered a "resident enterprise" for PRC tax law purposes, then PRC income tax at the rate of 10% is applicable to dividends payable by us to investors that are "non-resident enterprises" so long as any such "non-resident enterprise" investor does not have an establishment or place of business in China or, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. A lower withholding tax rate may apply if such "non-resident enterprise" is incorporated in a jurisdiction that has entered into an income tax treaty or agreement with China that allows a lower withholding. Similarly, any gain realized on the transfer of the Shares by such "non-resident enterprise" investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China and we are considered a "resident enterprise" in China. If we are required under the new tax law to withhold PRC income tax on our dividends payable to our foreign shareholders who are "non-resident enterprises," or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our Shares might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or regions.

RISKS RELATING TO THE PROPERTY INDUSTRY IN CHINA

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

Along with the economic growth in China, investments in the property sectors have increased significantly in the past few years. In response to concerns over the increase in property investments, from 2004 to the first half of 2008, the PRC government introduced various policies and measures to curtail property developments, including:

- requiring real estate developers to finance, with their internal resources, at least 35% of the total investment property projects;

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

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

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

- requiring that at least 70% of the total development and construction area of residential projects approved or constructed on or after June 1, 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 square meters and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the MOHURD;

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

- requiring any second-time home buyer to pay an increased minimum amount of down-payment at 40% of the purchase price of the underlying property and an increased minimum mortgage loan interest rate at 110% of the relevant PBOC benchmark lending interest rate;

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

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

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

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

Although since the middle of 2008, in order to combat the impact of the global economic slowdown, the PRC government has adopted measures to encourage consumption in the residential property market and to support real estate development, we cannot assure that the PRC government will not change or modify these temporary measures in the future. For more information on the various restrictive measures taken by the PRC government, you should refer to "Appendix VI — Summary of PRC Laws Relating to the Property Sector" in this document. These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China and adversely affect our business and prospects.

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

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and PRC laws and regulations provide for remedies with respect to breaches of such undertakings. For example, if we pre-sell a property project and we fail to complete that property project, we will be liable to the purchasers for their losses. Should we fail to complete a pre-sold property project on time, our purchasers may seek compensation for late delivery pursuant to either their contracts with us or relevant PRC laws and regulations. If our delay extends beyond a specified period, our purchasers may terminate the pre-sale contracts and claim compensation. We have experienced delays in relation to delivery of completed properties and have paid approximately Rmb 1.3 million to compensate our customers for such delays during the Track Record Period. However, we cannot assure you that we will not experience delays in completion and delivery of our projects in the future.

The real estate market in China is volatile

The PRC real estate market is volatile and may experience undersupply or oversupply and significant property price fluctuations. The PRC central and local governments frequently adjust monetary, fiscal or other economic policies to prevent and curtail the overheating of the economies, which may affect the real estate market in China. From time to time, the central and local governments make policy adjustments and adopt new regulatory measures in an effort to control the overdevelopment in the real estate market in China. The central and local governments have taken a variety of measures to discourage speculation in the residential property market and to increase the supply of affordable housing. Such policies may lead to changes in market conditions, including price instability and an imbalance of supply and demand in respect of commercial, residential, retail and hotel properties which may materially and adversely affect our business and financial condition. We cannot assure you that there will not be overdevelopment in the real estate markets in China, which may cause an oversupply of properties that depress the price and result in an undersupply of potential development sites or increase the cost of land acquisitions in the markets where we operate. Such effects may adversely affect our business and financial condition.

Intensified competition may adversely affect our business and our financial position

In recent years, many property developers, including overseas property developers, have entered into the property development markets in the regions of China where we have operations. Our existing and potential competitors include domestic developers, as well as developers from Hong Kong and elsewhere. Some of them may have greater marketing, financial, technical or other resources than us and greater economies of scale, broader name recognition and more established relationships in certain markets. Competition among property developers may cause an increase in land premiums and raw material costs, shortages in quality construction contractors, surplus in property supply leading to decreasing property prices, further delays in issuance of government approvals and higher costs to attract or retain talented employees. Moreover, residential property markets across China are influenced by various other factors, including changes in economic conditions, banking practices and consumer sentiments. If we fail to compete effectively, our business operations and financial condition could be adversely affected.

Potential liability for environmental damages could adversely affect our business and financial condition

We are subject to a variety of laws and regulations concerning the protection of health and environment. The particular environmental laws and regulations that apply to any given project development site vary greatly according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Efforts taken to comply with environmental laws and regulations may result in delays in development, may cause us to incur substantial compliance costs and can prohibit or severely restrict project development activity in environmentally-sensitive regions or areas. As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and we are required to submit an environmental impact assessment report to the relevant government authorities for approval before commencement of construction. Although the environmental audits conducted by the relevant PRC environmental protection agencies to date have not revealed any environmental violations that we believe would have a material adverse effect on our business, financial condition or results of operations, it is possible that there are potential environmental liabilities of which we are unaware. In addition, we cannot ensure that our operations will not result in environmental liabilities or that our contractors will not violate any environmental laws and regulations in their operations that may be attributed to us.

RISKS RELATING TO CHINA

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

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

- political structure;
- the amount and degree of the PRC government involvement and control;

- growth rate and degree of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. Although we believe these reforms will have a positive effect on China's overall and long-term development, we cannot predict whether changes in the PRC economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to slow down certain segments of the economy, including the real estate industry, that the government believed to be overheating, such as 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. These actions, as well as other actions and policies of the PRC government could cause a decrease in the overall level of economic activity, and in turn have an adverse impact on our business and financial condition.

Changes in PRC foreign exchange regulations may adversely affect the value of your investment

The PRC government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive all our operating revenue in Renminbi. 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 government authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Subsequent to this [●], we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from this [●] in the form of registered capital of 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, the transfer of funds between us and our subsidiaries in China is subject to approval by PRC government authorities in the case of an increase in registered capital. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions and the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other amounts to us, or to satisfy their foreign currency denominated obligations.

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

The value of Renminbi depends, to a large extent, on China's domestic and international economic, financial and political developments and government policies, as well as the currency's supply and demand in the local and international markets. For over 10 years from 1994, the conversion of Renminbi into foreign currencies were based on exchange rates set and published daily by the PBOC in light of the previous day's inter-bank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The official exchange rate for the conversion of Renminbi into the U.S. dollar was largely stable until July 2005. On July 21, 2005, the PBOC revalued Renminbi by reference to a basket of foreign currencies, including the U.S. dollar. As a result, the value of Renminbi appreciated by more than 2% on that day. Since then, the PRC central bank has allowed the official Renminbi exchange rate to float against a basket of foreign currencies. 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 Renminbi will increase the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Conversely, any depreciation of Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Fluctuation of the value of Renminbi will also affect the amount of our foreign debt service in Renminbi terms since we have to convert Renminbi into foreign currencies to service our indebtedness denominated in foreign currencies.

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

Our core business is conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedent value and can only be used as a reference. Additionally, PRC written statutes 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, due to the fact that 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 the PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how an application or case is presented 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 limit the legal protections available to foreign investors including you.

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

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may adversely affect our financial condition and results of operations.

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

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

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

Almost all of our executive Directors and executive officers reside within mainland China, and substantially all of our assets and substantially all of the assets of those persons are located within mainland China. Therefore, it may be difficult for investors to effect service of process upon us or those persons inside mainland China or to enforce against us or them in mainland 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 and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.