OVERVIEW

We are one of the leading property developers in the Pearl River Delta region, which is one of the most economically dynamic regions in China. "佳兆業" ("Kaisa") is a well-known brand in the Pearl River Delta region. We were ranked among the "Top 10 Valuable Real Estate Brands" in southern China for each of 2006, 2007 and 2008 by the China Real Estate Top 10 Research Team. Headquartered in Shenzhen, the special economic zone adjacent to Hong Kong, we are primarily engaged in the development of large-scale residential properties and integrated commercial properties. We are well recognized in Shenzhen with a proven track record of successfully bringing to market reputable residential properties. In 2008, we were ranked second in the comprehensive annual ranking list of qualified real estate development enterprises in Shenzhen published by the Shenzhen Municipal Committee of Planning and Land Resources (formerly known as the Shenzhen Municipal Bureau of Land Resources and Housing Management). Our well-established position in the Pearl River Delta region is supported by our geographically diversified development portfolio, including projects in Shenzhen, Guangzhou, Dongguan, Huizhou and Zhuhai. Leveraging our success in the Pearl River Delta region, we have also expanded into other areas in China, including Shanghai and Jiangyin, both in the Yangtze River Delta region, Chengdu in the Chengdu-Chongqing region and Changsha in the Central China region. In July 2009, we completed Jiangyin Lake View Place Phase 1, which became a milestone in our expansion into the Yangtze River Delta region. With our developmental experience and the dedication that we have demonstrated throughout our operational history, we intend to enter into other regions, including the Pan-Bohai Bay Rim. We believe "Kaisa" symbolizes our high quality property developments and high standards of industry practice and encapsulates our devotion to customer satisfaction.

We focus primarily on development of the following:

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

- *Commercial properties.* Our integrated commercial properties are generally located in CBDs in select cities in China. Since 2005, we have increased the commercial property development in our portfolio. Guangzhou Jinmao, our completed commercial project, is located in a prime location within Guangzhou's CBD and consists of a premium grade office building and retail space. Our other three commercial projects are expected to consist of a mixture of office building and retail space.

As of September 30, 2009, we had a total of 31 property development projects, including completed properties, properties under development and properties for future development, in nine cities in China. As of September 30, 2009, we had completed properties with a total GFA of approximately 2,563,414 sq.m., and had a land bank with an estimated total GFA of approximately 12,457,974 sq.m., including completed properties held for sale with a total GFA of approximately 228,673 sq.m., properties under development with an estimated total GFA of approximately 1,388,764 sq.m. and properties for future development with an estimated total GFA of approximately 10,840,538 sq.m.

For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was RMB2,398.7 million, RMB2,239.4 million, RMB3,110.4 million and RMB2,473.7 million, respectively. The profit attributable to equity holders of our Company for the same period was RMB493.3 million, RMB483.4 million, RMB500.9 million and RMB368.0 million, respectively. For the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, our revenue was primarily generated from sales of our developed properties, which amounted to approximately 99.0%, 93.6%, 94.8% and 97.2% of our revenue, respectively. Our remaining revenue for the year ended December 31, 2006 and the six months ended June 30, 2009 included rental income and income from our property management services; our remaining revenue for the years ended December 31, 2007 and 2008 included income from our project consultancy services, rental income and income from our property management services.

Our investment properties consist of commercial properties, under operating leases, that are held for long-term yields or for capital appreciation or both, and that are not occupied by us. 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, net of corresponding deferred tax, were RMB173.8 million, RMB27.4 million, RMB226.9 million and RMB211.0 million, respectively, and accounted for approximately 35.2%, 5.7%, 45.3% and 57.4% of our profit for the respective time periods. The fair values of our investment properties as of December 31, 2006, 2007 and 2008 and June 30, 2009 were determined by Savills Valuation and Professional Services Limited, independent professional valuers, on an open market for existing use basis. Property valuation involves the exercise of professional judgment and the use of certain bases and assumptions, including an assessment of the existing market conditions as of December 31, 2006, 2007 and 2008 and June 30, 2009, expected rental from future leases in light of current market conditions and appropriate capitalization rates. The fair values of our investment properties may fluctuate from time to time and affect our profits.

We have historically contracted out construction works of all our development projects to construction contractors, and intend to continue to outsource substantially all of our construction works. We cooperate with Centaline, our primary sales partner, to jointly promote our developed properties in different regional markets in China. We generally enter into one-year non-exclusive sales agency agreements for Centaline's sales agency services in mainland China, and one-year exclusive sales agency agreements for Centaline's sales agency services in Hong Kong, both on a project-by-project basis. Pursuant to these agreements, Centaline's project teams assist with our marketing and sales. In mainland China, both we and Centaline may conduct on-site sales through the respective on-site sales representatives. Project managers from us and Centaline are jointly responsible for monitoring the overall sales and supervising their respective sales representatives, who are subject to the relevant joint sales administration agreements entered into between Centaline and us. In general, the price, discount and all other conditions of sales conducted by Centaline and us for the same project are identical. Centaline has exclusive right to conduct sales in Hong Kong for our projects in China. Under these agreements, Centaline is generally entitled to a sales commission upon completion of the sale pursuant to the relevant property purchase contract. During the years ended December 31, 2006, 2007 and 2008 and the six months ended June 30, 2009, the percentage of proceeds from property sales through Centaline's agency services in the total property sales proceeds was approximately 68.4%, 48.9%, 74.6%

and 71.5%, respectively, and the commission expenses paid to Centaline were approximately RMB12.1 million, RMB5.9 million, RMB8.8 million and RMB10.9 million, respectively. Centaline successfully procured individual purchasers in respect of all nine of our completed projects and most of our projects for which we have commenced pre-sale as of the Latest Practicable Date. Going forward, we will continue to improve the management of our sales through our dedicated sales team and intend to continue to engage Centaline and other professional property sales agencies to provide marketing and sales services for our property projects in China.

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

During the Track Record Period, as advised by our PRC legal adviser, we were in compliance in all material aspects with the relevant PRC laws, regulations and requirements relating to real estate development, including the regulations that mandate the possession of relevant valid licenses, certificates and permits. During the Track Record Period we have paid overdue taxes, late payment fees and related penalty fines aggregating less than RMB8.0 million, and all of which have been settled as of the Latest Practicable Date. For further details see the section entitled "Business — Compliance with Relevant PRC Laws, Regulations and Requirements" in this document.

On August 24, 2007, we and CSS entered into a credit agreement, under which CSS agreed to make available to our Company a 36-month US$25 million term loan. On September 12, 2007, we and a number of financial investors amended and restated the credit agreement whereby (i) the amount of the Loan was increased to US$200 million, and (ii) detachable warrants were issued to the Warrantholders (other than Forum). As a result of the global economic slowdown and crisis in the global financial markets in 2008, we were in breach of certain terms and covenants of the credit agreement dated September 12, 2007 at the end of each of the two measurement periods ended December 31, 2008 and June 30, 2009. We have obtained the waiver from the Lenders with respect to breach of these terms and covenants. On October 24, 2009, we and the Lenders entered into an amendment agreement, pursuant to which various terms of the Credit Agreement were amended and restated. For more detail, see the section entitled "History, Reorganization and Group Structure — Strategic Investments" in this document.

OUR COMPETITIVE STRENGTHS

We believe we have the following competitive strengths:

- Well-established position and brand in the Pearl River Delta region and increasing presence in other promising real estate markets in China
- Responsiveness to market trends and innovative approach to business operation
- Acquisition of large parcels of land at relatively low cost and land reserves sufficient to support our contemplated development needs for the next five years
- Experienced and long-serving senior management team and continuous recruitment of management talent
- Relationship with key strategic investors

You can find a more detailed discussion of our competitive strengths in the section entitled "Business — Our Competitive Strengths" in this document.

OUR BUSINESS STRATEGIES

Our goal is to become one of the leading property developers in China. To achieve this goal, we plan to:

- Continue to focus on developments in the Pearl River Delta region and further expand into select strategic cities in other regions in China
- Continue to focus on residential and commercial property development while enhancing property diversification
- Continue to expand our land reserves to sustain our growth
- Further enhance asset turnover and cost efficiency through standardized product lines and scalable business model
- Further enhance our brand recognition

You can find a more detailed discussion of our principal business strategies in the section entitled "Business — Our Business Strategies" in this document.

SELECTED PROPERTY PROJECT INFORMATION

The table below sets forth project-by-project information for our 31 property development projects as of September 30, 2009:

No.	Project	Location	Type[(1)]	Project phase	Site area	Total GFA	Total GFA: Completed properties	Total GFA: Under development	Total GFA: For future development	Interest attributable to us
					(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)		
	The Pearl River Delta region									
1	Woodland Height (桂芳園)	Shenzhen	Residential	1–8	160,514	580,135	580,135	—	—	100%
2	Mocha Town (可園)	Shenzhen	Residential	1–7	185,724	735,299	735,299	—	—	100%
3	Shenzhen Kaisa Center (深圳佳兆業中心)[(2)]	Shenzhen	Residential	—	5,966	98,241	98,241	—	—	100%
4	Shenzhen Lake View Place (深圳水岸新都)	Shenzhen	Residential	1–5	182,064	388,626	388,626	—	—	100%
5	Xiangrui Garden (香瑞園)	Shenzhen	Residential	—	57,984	143,796	143,796	—	—	100%
6	Mingcui Garden (茗萃園)	Shenzhen	Residential	1–4	102,375	389,839	290,428	87,881	11,530	100%
7	Jincui Garden (金翠園)	Shenzhen	Residential	—	9,066	104,285	—	104,285	—	100%
8	Shangpin Garden (上品雅園)	Shenzhen	Residential	—	45,829	230,923	—	230,923	—	100%
9	Li Langlu (李朗路項目)	Shenzhen	Residential	—	69,941	104,910	—	—	104,910	100%
10	Fenglong Center (豐隆中心)	Shenzhen	Commercial	—	14,411	142,000	—	—	142,000	48.7%
11	Nan'Ao Kangbao (南澳康保項目)	Shenzhen	Residential	—	73,305	44,000	—	—	44,000	100%
12	Guangzhou Jinmao (廣州金貿項目)[(2)]	Guangzhou	Commercial	—	12,788	149,736	149,736	—	—	100%
13	Guangzhou Kaisa Plaza (廣州佳兆業廣場)	Guangzhou	Commercial	—	7,106	117,575	—	117,575	—	100%
14	Guangzhou Jiangnan Boulevard (廣州江南大道)	Guangzhou	Residential	—	8,579	53,809	—	—	53,809	100%
15	Zhongyang Haomen (中央豪門)	Dongguan	Residential	1–4	70,938	387,602	69,166	174,853	143,583	100%
16	Dongjiang Haomen (東江豪門)	Dongguan	Residential	1–3	86,324	262,060	—	64,351	197,709	100%
17	Dijingwan (帝景灣)	Dongguan	Residential	—	43,884	122,118	—	122,118	—	100%
18	Yantian (雁田)	Dongguan	Residential	1–2	54,548	136,370	—	—	136,370	80%
19	Jincheng Heights (錦城山莊)	Huizhou	Residential	1–2	89,998	267,995	—	—	267,995	100%
20	Huizhou Kaisa Center (惠州佳兆業中心)	Huizhou	Residential	1–3	69,044	539,686	—	104,644	435,042	100%
21	Yuan Zhou (園洲項目)	Huizhou	Residential	—	20,400	61,200	—	—	61,200[(5)]	100%
22	Tonghu (惠州潼湖項目)	Huizhou	Residential	1–4	731,487	731,487	—	—	731,487[(5)]	100%
23	Boluo (惠州博羅項目)	Huizhou	Residential	1–10	1,663,969	4,326,319	—	—	4,326,319	100%
24	Wanzai (灣仔項目)	Zhuhai	Residential	—	21,123	52,808	—	—	52,808	100%
	The Chengdu-Chongqing region									
25	Shuangliu (華陽項目(雙流))	Chengdu	Residential	1–3	182,666	767,197	—	—	767,197	100%
26	Lijing Harbor (麗晶港)	Chengdu	Residential	1–6	150,071	716,465	—	205,819	510,646	100%
27	Chengdu Shangmao Garden (成都商貿園)	Chengdu	Commercial	1–2	133,269	493,095	—	—	493,095	100%
	The Central China region									
28	Changsha Lake View Place (長沙水岸新都)	Changsha	Residential	1–6	673,536	1,685,702	—	80,055	1,605,647	100%
	The Yangtze River Delta region									
29	Jiangyin Lake View Place (江陰水岸新都)	Jiangyin	Residential	1–3	225,530	338,295	107,986	63,788	166,521	100%
30	Jiangyin Zongbu Garden (江陰總部經濟園)	Jiangyin	Residential	1–3	158,240	465,990	—	—	465,990	100%
31	Shanghai Shanhuwan Garden (上海珊瑚灣雅園)	Shanghai	Residential	1–4	104,796	155,152	—	32,472	122,680	100%
	Total (exclusive)[(3)]				**3,909,355**	**10,691,657**	**2,563,414**	**1,388,764**	**6,739,479**	
	Total (inclusive)[(4)]				**5,415,475**	**14,792,715**	**2,563,414**	**1,388,764**	**10,840,538**	

Notes:

(1) Our residential properties include apartments, serviced apartments and townhouses, often with complementary commercial facilities, restaurants and community facilities. Please see the section entitled "Business — Description of Our Property Development Projects" in this document for a description of each project.

(2) This project is a renovation development of a once distressed and partially completed property.

(3) Excluding Fenglong Center, a portion of the land with a site area of approximately 1,270,342 sq.m. for Boluo, Guangzhou Jiangnan Boulevard, Yantian and Jiangyin Zongbu Garden for which we have not obtained the land use rights certificates, but have entered into land grant contracts or obtained confirmation from the relevant land and resources bureau that we have been selected as the winner of the public listing-for-sale process.

(4) Including the projects excluded by note (3) above.

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

We had a total saleable GFA of approximately 338,967 sq.m. of completed properties held for sale as of December 31, 2008. The table below sets forth certain information, as of September 30, 2009, for our property projects or project phases which have been or are expected to be completed in the year ending December 31, 2009:

Project	Location	Project phase	Total GFA or estimated total GFA	Total saleable GFA or estimated saleable GFA	Saleable GFA				Interest attributable to us	Completion time or estimated completion time
					Residential	Office	Retail	Car parking space		
			(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)		
Xiangrui Garden (香瑞園)	Shenzhen	—	76,502	51,068	50,082	—	986	—	100%	February 2009[1]
Mingcui Garden (茗萃園)	Shenzhen	2	102,527	97,871	88,620	—	9,251	—	100%	August 2009
Jiangyin Lake View Place (江陰水岸新都)	Jiangyin	1	107,986	87,297	87,297	—	—	—	100%	July 2009[2]
Zhongyang Haomen (中央豪門)	Dongguan	1	69,166	67,445	60,834	—	6,611	—	100%	June 2009
Zhongyang Haomen (中央豪門)	Dongguan	2	66,485	65,300	59,881	—	5,418	—	100%	December 2009
Total			422,666	368,981	346,715	—	22,267	—		

Notes:

(1) We had completed a portion of this project in December 2008 with a total GFA of 67,294 sq.m. and the remaining portion in February 2009 with a total GFA of 76,502 sq.m.

(2) We had completed a portion of this project phase in April 2009 with a total GFA of 71,254 sq.m. and the remaining portion in July 2009 with a total GFA of 36,733 sq.m.

SUMMARY FINANCIAL AND OTHER INFORMATION

The following tables summarize our consolidated historical financial information during the Track Record Period. The summary of consolidated balance sheet data as of December 31, 2006, 2007 and 2008 and June 30, 2009 and the summary of consolidated statements of comprehensive income data and the summary of consolidated cash flow statement data for the years ended December 31, 2006, 2007 and 2008 and for the six months ended June 30, 2008 and 2009 included in the following tables are derived from, and should be read in conjunction with, our audited consolidated financial information included in the Accountants' Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with HKFRS.

Selected Consolidated Statements of Comprehensive Income Data

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Revenue	2,398,660	2,239,360	3,110,446	1,287,736	2,473,732
Cost of sales	(1,826,484)	(1,265,501)	(2,243,354)	(881,836)	(1,874,108)
Gross profit	572,176	973,859	867,092	405,900	599,624
Other gains/(losses), net	3,134	10,422	(116,216)	90,074	(482)
Selling and marketing costs	(83,786)	(59,346)	(151,821)	(68,169)	(70,174)
Administrative expenses	(81,518)	(157,243)	(165,721)	(85,568)	(99,389)
Change in fair value of investment properties	231,742	36,500	302,557	575,369	281,397
Change in fair value of financial derivatives	—	(18,642)	27,221	(25,646)	(19,925)
Operating profit	641,748	785,550	763,112	891,960	691,051
Finance income	12,576	9,029	7,243	4,660	1,792
Finance costs	(30,222)	(52,438)	(117,642)	(60,673)	(108,401)
Finance costs — net	(17,646)	(43,409)	(110,399)	(56,013)	(106,609)
Share of results of associated companies	(65)	(1)	—	—	—
Profit before income tax	624,037	742,140	652,713	835,947	584,442
Income tax expenses	(130,695)	(258,770)	(151,800)	(203,482)	(216,480)
Profit for the year/period	493,342	483,370	500,913	632,465	367,962
Profit attributable to:					
Equity holders of the Company	493,342	483,369	500,921	632,469	367,972
Minority interest	—	1	(8)	(4)	(10)
	493,342	483,370	500,913	632,465	367,962

Selected Consolidated Balance Sheet Data

	As of December 31,			As of June 30,
	2006	2007	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Assets				
Non-current assets	660,561	606,220	1,469,462	1,780,093
Current assets	5,071,179	9,862,884	11,827,731	12,221,388
Total assets	5,731,740	10,469,104	13,297,193	14,001,481
Equity and Liabilities				
Non-current liabilities	1,421,067	3,071,213	3,148,164	2,877,388
Current liabilities	3,667,686	4,788,784	7,047,556	7,654,658
Total liabilities	5,088,753	7,859,997	10,195,720	10,532,046
Total equity	642,987	2,609,107	3,101,473	3,469,435
Total equity and liabilities	5,731,740	10,469,104	13,297,193	14,001,481

Selected Consolidated Cash Flow Statement Data

	Year ended December 31,			Six months ended June 30,	
	2006	2007	2008	2008	2009
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Net cash (used in)/generated from operating activities	(27,931)	(1,243,453)	(1,986,928)	(1,399,042)	62,373
Net cash used in investing activities	(581,983)	(550,010)	(930,028)	(879,939)	(237,860)
Net cash generated from financing activities	893,602	2,861,440	1,982,226	1,190,467	231,124
Net increase/(decrease) in cash and cash equivalents	283,688	1,067,977	(934,730)	(1,088,514)	55,637
Cash and cash equivalents at the end of the year/period	570,262	1,624,780	679,271	521,617	734,253

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2009

We have prepared the following profit forecast for the year ending December 31, 2009 on certain bases and assumptions. You should read the bases and assumptions in Appendix III to this document when you analyze our profit forecast for the year ending December 31, 2009.

Forecasted consolidated profit for the year attributable to our equity holders before the changes in fair values of investment properties and Detachable Warrants	RMB[●] million (HK$[●] million)
Forecasted increase in fair value of investment properties (net of deferred tax effect).	RMB[●] million
Forecasted increase in fair value of Detachable Warrants (net of deferred tax effect).	RMB[●] million
Forecasted consolidated profit for the year attributable to our equity holders	RMB[●] million (HK$[●] million)

Bases and Assumptions on Forecast Fair Value Change of Investment Properties

The forecast fair value change of our investment properties was estimated by the independent valuer on the basis of (i) the valuations of the investment properties for the Track Record Period and (ii) the anticipated property-specific market trends of each of our investment properties. The valuations of the investment properties for the Track Record Period have been valued on the basis of the capitalization of the net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties. The direct comparison method has also been used by the independent valuer in cross-checking the market value derived from the income capitalization approach. Under the direct comparison method, reference is made to recent comparable sale transactions, where available, with adjustments made for the factors including size, location, time and amenities when comparing the properties sold against the investment properties. The anticipated property-specific market trends are in line with the average of the range of performance expectations indicated in the independent valuer's analysis of market trends with respect to the specific locations of commercial units in Shenzhen and Guangzhou, where our investment properties are located. Below are the material assumptions on the forecast fair value of investment properties:

- the then prevailing financial, economic and political conditions in the PRC which are material to the rental income generated by the investment properties remain unchanged;
- the conditions in which the investment properties are being operated and which are material to revenue and costs of the properties remain unchanged;
- property-specific factors such as the building facilities, building specification, ventilation system, ancillary supporting retail services, quality of property management and tenant's profile remain unchanged; and
- the leases of any lease-expired units of the properties will be renewed on normal commercial terms.

The assumptions above are consistent with the approach adopted by the independent valuer in valuing our properties for the purpose of our audited consolidated financial information for the Track Record Period and the Property Valuation Report in Appendix IV to this document.

Bases and Assumptions on Forecast Value of Financial Derivatives

In August 2007, we entered into a 36-month US$25,000,000 term loan. On September 12, 2007, the terms of the loan (the "Loan") were amended and restated whereby (i) the amount of the Loan was increased to US$200,000,000 and (ii) detachable warrants were issued to the Warrantholders (other than Forum). See the section entitled "History, Reorganization and Group Structure — Strategic Investments" in this document. The Loan with detachable warrants that contains liability, warrants and options are classified as long-term loan liabilities, equity instruments and financial derivatives, respectively. The financial derivatives consist of Tranche B Warrants, options held by the Lenders and options held by our Company in accordance with the terms and conditions of the Loan with detachable warrants. See the section entitled "Financial Information — Indebtedness — Long-term loan with detachable warrants" in this document. We engaged an independent appraiser to assist us in determining the fair value of the financial derivatives as of June 30, 2009. The forecast value of the financial derivatives has been estimated on the basis of projected valuations that is consistent, as far as practicable, with the basis of valuation which has been adopted by the independent appraiser in valuing these financial derivatives for the purpose of our audited consolidated financial information as of June 30, 2009. The forecast value was estimated after consideration of a number of factors, including: effective interest rate, probability of the consummation of the qualifying initial public offering, the average interest rate for five-year to seven-year term China treasury bonds and the expected [●]. In determining the forecast value of the financial derivatives, we adopted the generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Below are the material assumptions adopted on the forecast value of the financial derivatives:

- the Loan is assumed to bear an effective interest rate of approximately 12.5%;
- the effective interest rate of the financial derivatives is assumed to be constant throughout the valuation period;
- the number of trading days per year is assumed to be 260;
- we are assumed to be able to meet the liabilities arising from the Loan at the maturity date and credit risk involved will be negligible;
- the discount rate is assumed to be constant during the borrowing period; and
- in particular, in calculating the value of the Lenders' option of Tranche B Warrants and prepayment of 25% of the Loan as at the [●], the probability of a qualifying initial public offering as defined in the Credit Agreement is assumed to be 100%. Our option of early repayment of the Loan in the event of a qualifying at each interest payment date is assumed to be zero, as the probability of exercising such option by us is minimal.

Sensitivity Analysis

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

The following table illustrates the sensitivity of the net profit attributable to equity holders of our Company to the targeted average selling price for the year ending December 31, 2009 by applying such sensitivity analysis to the six-month period ending December 31, 2009 including, for such analysis, the pre-sold properties for the four-month period ended October 31, 2009.

% change in targeted selling prices per sq.m.	–15%	–10%	–5%	+5%	+10%	+15%
Impact on the net profit attributable to equity holders of our Company targeted for the year 2009 (RMB millions).	[●]	[●]	[●]	[●]	[●]	[●]

If the targeted average selling prices for all projects rise by 15%, our Group's net profit for the year ending December 31, 2009 will be RMB[●] million, i.e. 18% higher than our Group's targeted 2009 net profit.

If the targeted average selling prices for all projects rise by 10%, our Group's net profit for the year ending December 31, 2009 will be RMB[●] million, i.e. 12% higher than our Group's targeted 2009 net profit.

If the targeted average selling prices for all projects rise by 5%, our Group's net profit for the year ending December 31, 2009 will be RMB[●] million, i.e. 6% higher than our Group's targeted 2009 net profit.

If the targeted average selling prices for all projects decline by 5%, our Group's net profit for the year ending December 31, 2009 will be RMB[●] million, i.e. 6% lower than our Group's targeted 2009 net profit.

If the targeted average selling prices for all projects decline by 10%, our Group's net profit for the year ending December 31, 2009 will be RMB[●] million, i.e. 11% lower than our Group's targeted 2009 net profit.

If the targeted average selling prices for all projects decline by 15%, our Group's net profit for the year ending December 31, 2009 will be RMB[●] million, i.e. 18% lower than our Group's targeted 2009 net profit.

As over 95% of the forecasted revenue for the period has been pre-sold, the change in average selling price should only apply to those yet to be sold and therefore the actual impact on our Group's net profit in 2009 should be significantly smaller than that reflected above.

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

The following table illustrates the sensitivity of the net profit attributable to equity holders of our Company to the targeted GFA sold and delivered for the year ending December 31, 2009 by applying such sensitivity analysis to the six-month period ending December 31, 2009 including, for such analysis, the pre-sold properties for the four-month period ended October 31, 2009.

% change in targeted GFA sold and delivered	–15%	–10%	–5%
Impact on the net profit attributable to equity holders of our Company targeted for the year 2009 (RMB millions)	[●]	[●]	[●]

If the targeted GFA sold and delivered for all projects declines by 5%, our Group's net profit for the year ending December 31, 2009 will be RMB[●] million, i.e. 2% lower than our Group's targeted 2009 net profit.

If the targeted GFA sold and delivered for all projects declines by 10%, our Group's net profit for the year ending December 31, 2009 will be RMB[●] million, i.e. 4% lower than our Group's targeted 2009 net profit.

If the targeted GFA sold and delivered for all projects declines by 15%, our Group's net profit for the year ending December 31, 2009 will be RMB[●] million, i.e. 7% lower than our Group's targeted 2009 net profit.

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

The total forecasted amount of fair value change on investment properties for the year ending December 31, 2009 is RMB[●] million and its related deferred taxation expense is estimated to be RMB[●] million. The following table illustrates the sensitivity of the net profit attributable to the equity holders of our Company (net of deferred tax effect) to fair value change of investment properties for the year ending December 31, 2009:

Changes in revaluation increase percentage on investment properties compared to our estimated revaluation increase percentage on investment properties	–15%	–10%	–5%	5%	10%	15%
Impact on the net profit attributable to equity holders of our Company targeted for the year 2009 (RMB millions)	[●]	[●]	[●]	[●]	[●]	[●]

If the forecast fair value of investment properties rises/declines by 5%, our Group's net profit for the year ending December 31, 2009 will be not less than RMB[●] million, respectively, i.e. 2% higher/ lower, respectively, than our Group's targeted 2009 net profit.

If the forecast fair value of investment properties rises/declines by 10%, our Group's net profit for the year ending December 31, 2009 will be not less than RMB[●] million, respectively, i.e. 4% higher/ lower, respectively, than our Group's targeted 2009 net profit.

If the forecast fair value of investment properties rises/declines by 15%, our Group's net profit for the year ending December 31, 2009 will be not less than RMB[●] million, respectively, i.e. 6% higher/lower, respectively, than our Group's targeted 2009 net profit.

The above sensitivity analyses are intended for reference only, and any variation could exceed the ranges given. Investors should note in particular that (i) these sensitivity analyses are not intended to be exhaustive and are limited to the impact of respective changes in targeted average selling price for all projects, targeted GFA sold and delivered and fair value change of investment properties for the year ending December 31, 2009 as well as the impact of future changes in share price and (ii) the profit forecast is subject to further and additional uncertainties generally. We have considered for the purposes of the profit forecast what we believe is the best estimate of targeted average selling price for all projects, targeted GFA sold and delivered and fair value change of investment properties and the financial derivatives embedded in our long-term loan with detachable warrants as at December 31, 2009. However, targeted average selling price for all projects, targeted GFA sold and delivered and fair value change of investment properties and the financial derivatives embedded in our long-term loan with detachable warrants and/or any changes of targeted average selling price for all projects, targeted GFA sold and delivered and fair value change of investment properties and the financial derivatives embedded in our long-term loan with detachable warrants as at the relevant time may differ materially from our estimate, and is dependent on market conditions and other factors that are beyond our control. Our profit forecast involves estimates and assumptions in this regard which may prove to be incorrect.

Progress of pre-sales of properties as of November 18, 2009

According to our historical sales statistics, as of November 18, 2009, we had achieved contracted sales of RMB6,069.5 million to be recognized as our revenue in or after the year ending December 31, 2009, including RMB2,404.8 million which was recognized as our revenue in the six months ended June 30, 2009. For information on the GFA which have been pre-sold, please refer to the summary table entitled "Properties Under Development" in the section entitled "Business" in this document.

CAPITAL RESOURCES AND CASH MANAGEMENT

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

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

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

We monitor our capital and indebtedness level by reviewing our gearing ratio, which is equal to net debt divided by total capital. Our gearing ratio, as of December 31, 2006, 2007 and 2008 and June 30, 2009, was 74%, 53%, 65% and 63%, respectively. See the section entitled "Financial Information — Indebtedness — Gearing Ratio" in this document for further discussion on the change in our gearing ratio during the Track Record Period. Going forward, we aim to maintain a gearing ratio of between 50% and 70%. We also monitor our indebtedness level generally through monthly review of our management accounts including balance sheets, income statements and cash flow statements to assess our financial condition and maintain our indebtedness at a reasonable level.

As of June 30, 2009, our total commitment for property development expenditure amounted to RMB4,591.7 million. We expect to repay our outstanding bank loans and other indebtedness in accordance with the repayment schedules of the respective loan agreements. We expect to have continuous access to bank loans in the foreseeable future. Although there may not be sufficient funding from our operations to support the repayment of our indebtedness, as indicated by the continuous operating cash outflows in 2006, 2007 and 2008 and the six months ended June 30, 2009, we believe we have sufficient working capital to meet our cash requirements and foreseeable debt repayment obligations for the 12 months from the date of this document.

FINANCIAL GUARANTEES

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

Each of our guarantees is generally issued from the date of the grant of the relevant mortgage loan and released upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property and (ii) the issuance of property ownership certificate of the mortgaged property, which is generally available within six months to one year after the purchaser takes possession of the relevant property. As of December 31, 2006, 2007 and 2008 and June 30, 2009, the outstanding guarantees for mortgage loans of the purchasers of our properties amounted to RMB1,267.5 million, RMB873.9 million, RMB1,629.0 million and RMB2,444.1 million, respectively. The fluctuation in our financial guarantees during the Track Record Period was in line with our pre-sales and sales activities and affected by the timing of our property delivery. We had outstanding financial guarantees of RMB2,138.4 million as of September 30, 2009, and expect that most of such outstanding guarantees will be released by the end of 2010. Our Directors consider that if a default occurs, the net realizable value of the related property can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalties, and therefore no provision has been made in the financial statements for these guarantees. During the Track Record Period, we have not experienced any instances where we had to honor our guarantee obligations as a result of a failure by our customers to repay their mortgage loans.

We had the following financial guarantees as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2006	2007	2008	2009	2009
	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions)	(RMB millions) (unaudited)
Guarantees in respect of mortgage facilities for certain purchasers of the property units	1,267.5	873.9	1,629.0	2,444.1	2,138.4

OTHER BORROWINGS

In 2005, we sold 1,804 retail units in Phase 6 of the Woodland Height project to 1,443 independent third-party purchasers, and granted put options to them under the relevant sale and purchase agreements. The exercise price was equal to the purchase price set forth in the relevant sale and purchase agreement. We also entered into a cooperation agreement with each purchaser under which each purchaser agreed to entrust us to provide leasing management services for 10 years from 2005 to 2015 and we guaranteed an annual return of 8% on the purchase price of these units for the same period. Prior to the expiration of the put options, these transactions, as a whole, are deemed to be financing arrangements, and are recorded as other borrowings with an interest rate of 8% per annum. We entered into those financing arrangements for the following purposes: (i) increasing our cash inflows in 2004 and 2005, (ii) facilitating the sales of the units by granting to the purchasers put options and providing to them our leasing management services, and (iii) retaining the right to manage these units which we expect to have long-term growth potential for leasing. The rental income we received from these retail units, however, did not cover our payment of the guaranteed 8% annual return during the Track Record Period. Our rental income derived from these units was RMB6.0 million in 2006, RMB8.3 million in 2007, RMB10.5 million in 2008 and RMB5.7 million in the six months ended June 30, 2009. Finance cost of RMB21.9 million, RMB21.8 million, RMB21.8 million and RMB10.9 million has been charged to our income statement in 2006, 2007, 2008 and the six months ended June 30, 2009, respectively, as a result of our payment of the guaranteed 8% annual rate of return. Unless a purchaser exercises his or her put option during the option period from December 31, 2009 to March 1, 2010, we will continue to be obligated to pay at the guaranteed 8% annual rate of return for the remaining term of each relevant cooperation agreement. As of June 30, 2009, all of the retail units were rented. See the section entitled "Financial Information — Indebtedness — Borrowings" in this document.

DIVIDENDS AND DIVIDENDS POLICY

No dividend was paid or declared by our Company in 2007 and 2008 and the six months ended June 30, 2009.

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

Except so far as the rights attaching to, or the terms of issue of, any Shares may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any of our Shareholders or in respect of any Shares all sums of money (if any) then payable by him or her to us on account of calls or otherwise. In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend on the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our Shareholders; and
- any other factors which our Board may deem relevant.

Our Company may not pay or make any dividend or other distribution in cash or in specie with respect to its share capital at any time prior to [●] (except for the payment of the special dividend permitted under the Credit Agreement); at any time while an event of default (or any event or circumstance which, with the giving of notice, lapse of time, determination of materiality or fulfilment of any other applicable condition (or any combination of the foregoing) would constitute an event of default) is continuing; or if the payment or making of such dividend or distribution might result in the occurrence of such default under the Credit Agreement.

Our Board has an absolute discretion to recommend any dividend for any year. There is no assurance that dividends of any amount will be declared or distributed in any year.

OTHER CONTRACTUAL ARRANGEMENTS

As of September 30, 2009, we had entered into 22 contractual arrangements with a view to facilitating potential acquisitions of land use rights or to enhancing our future expansion into the relevant markets. None of these contractual arrangements are land grant contracts. As of September 30, 2009, we had pre-paid a total amount of RMB1,207.2 million and had outstanding commitments with a total amount of RMB1,967.4 million for our contractual arrangements. Our PRC legal adviser has confirmed that the underlying agreements for these 22 contractual arrangements are legal under PRC law. See the section entitled "Business — Other Contractual Arrangements" in this document.

The following table sets forth certain information for our 22 contractual arrangements as of September 30, 2009:

No.	Contractual Arrangement[1]	Location	Date of Agreement[2]	Site Area	Estimated total investment/ cost[3]	Payments/ Costs incurred as of September 30, 2009	Additional cost to be incurred[4]
				(sq.m.)	(RMB millions)	(RMB millions)	(RMB millions)
Contractual arrangements relating to cooperative or joint development							
1.	Contract for cooperative development of an old plant area	Dongguan, Guangdong Province	January 2007	89,145	167.0	78.6	88.4
2.	Agreement for the joint development in Guangdong Tangquan Forest[5].	Huizhou, Guangdong Province	July 2007	500,000	400.0	12.4	387.6
Contractual arrangements relating to redevelopment[6]							
3.	Contract for the redevelopment of an old urban area. . . .	Shenzhen, Guangdong Province	March 2004	1,000,000	N/A[6]	11.3	N/A[6]
4.	Contract for the redevelopment of an old urban area. . . .	Shenzhen, Guangdong Province	July 2004	400,000	N/A[6]	—	N/A[6]
5.	Contract for the redevelopment of an old village area . . .	Shenzhen, Guangdong Province	August 2004	290,000	N/A[6]	—	N/A[6]
6.	Contract for the redevelopment of an old urban area. . . .	Shenzhen, Guangdong Province	August 2004	265,000	N/A[6]	—	N/A[6]
7.	Contract for the redevelopment of an old urban area. . . .	Shenzhen, Guangdong Province	September 2004	74,500	N/A[6]	—	N/A[6]
8.	Contract for renovation of an old village area.	Shenzhen, Guangdong Province	April 2006	210,000	N/A[6]	2.2	N/A[6]
9.	Contract for a redevelopment project	Shenzhen, Guangdong Province	August 2006	230,000	N/A[6]	10.0	N/A[6]

No.	Contractual Arrangement[1]	Location	Date of Agreement[2]	Site Area	Estimated total investment/ cost[3]	Payments/ Costs incurred as of September 30, 2009	Additional cost to be incurred[4]
				(sq.m.)	(RMB millions)	(RMB millions)	(RMB millions)
10.	Contract for the redevelopment and joint development of an old urban area	Shenzhen, Guangdong Province	September 2006	90,000	N/A[6]	5.0	N/A[6]
11.	Contract for the redevelopment of an industrial area	Shenzhen, Guangdong Province	September 2007	76,300	N/A[6]	2.4	N/A[6]
12.	Option deed in connection with a redevelopment project	Shenzhen, Guangdong Province	April 2008 (as supplemented by a supplemental deed signed in January 2009)	321,824	816.1	466.2	349.9
Contractual arrangements relating to project transfers							
13.	Contract for the transfer of interest in a parcel of land .	Shenzhen, Guangdong Province	July 2004	26,667	8.0	8.0	—
14.	Land use rights transfer contract . .	Dongguan, Guangdong Province	August 2005	260,000	131.3	131.3	—
15.	Contract for the transfer of interest in a parcel of land and	Shenzhen, Guangdong Province	September 2005	300,000	600.0	183.0	417.0
	Cooperation agreement in connection with the contract for the transfer of interest in a parcel of land .	—	March 2006	—	—	—	—
16.	Contract for a development project in a forest area . . .	Huizhou, Guangdong Province	March 2007	133,333	14.4	8.7	5.7
17.	Contract for the transfer of contract rights and interests.	Dongguan, Guangdong Province	September 2007	7,000	13.0	13.0	—
18.	Contract for an industrial park project	Huizhou, Guangdong Province	November 2007	2,000,001	205.0	65.0	140.0
A contractual arrangement relating to infrastructure development							
19.	Contract for the construction of the Huidong section of Fu Kun Route of Highway G324 (Huancheng North Road)	Huidong, Guangdong Province	October 2007	—	189.5	48.6	140.9

No.	Contractual Arrangement[1]	Location	Date of Agreement[2]	Site Area	Estimated total investment/ cost[3]	Payments/ Costs incurred as of September 30, 2009	Additional cost to be incurred[4]
				(sq.m.)	(RMB millions)	(RMB millions)	(RMB millions)
Contractual arrangements relating to primary land development							
20.	Primary land development contract	Pi County, Sichuan Province	September 2006	229,460	96.8	96.8	—
21.	Primary land development contract	Shenyang, Liaoning Province	October 2007	3,873,335	463.0	43.0	420.0
A contractual arrangement completed subsequent to September 30, 2009							
22.	Contract for a joint development project	Dongguan, Guangdong Province	January 2007	16,186	39.7	21.7	18.0
	Total					1,207.2	

Notes:

(1) *Except for "Agreement for the joint development in Guangdong Tangquan Forest" listed as item 2, each counterparty to the relevant contractual arrangements is an independent third party.*

(2) *This refers to the date of the earliest agreement for the particular contractual arrangement, as applicable.*

(3) *Based on our internal estimates and records. The total investment was primarily estimated based on the consideration under the relevant agreement. The estimate also took into account the related transactional cost and expenses that might be necessary for implementing the relevant agreement. With respect to each of the arrangements listed as item 1, the consideration was primarily for carrying out the redevelopment work on the respective land. With respect to the arrangement listed as item 2, the consideration was primarily for establishing the project company, utilizing forest resources and developing various properties and facilities. With respect to the arrangement listed as item 12, the estimated total investment primarily included the consideration for purchasing the option and costs incurred and to be incurred during the negotiation with a party who has interest in the relevant land and in other related land acquisition efforts. With respect to each of the arrangements listed as items 13 to 18, the consideration primarily represented the prices for the transfer of the relevant projects. With respect to each of the arrangements listed as item 19, the consideration primarily consisted of the required amount of investments for construction of the relevant infrastructure. With respect to each of the arrangements listed as items 20 to 21, the consideration primarily consisted of the required amounts of investments for the relevant land development works.*

(4) *Based on our internal estimates and records.*

(5) *Tangquan Linchang, the other party to the agreement, is a 20% shareholder of Huizhou Kaisa Tangquan and is therefore our connected person.*

(6) *As of the Latest Practicable Date, resettlement compensation negotiations with the existing residents had not been completed. We are in the process of applying to relevant governmental authorities for these redevelopment projects to be approved as old urban area redevelopment projects. Due to the high level of uncertainty and the preliminary nature of these contractual arrangements, we cannot reliably ascertain or estimate the total investment or additional costs to be incurred.*

Hotel Operation, Redevelopment and Development

We intend to enter into the hotel development and redevelopment business. In May 2009, we acquired Keyu Golden Bay Resort located in Shenzhen and currently operate the hotel through our own hotel management team. We intend to redevelop Keyu Golden Bay Resort to further enhance its attractiveness to individual and corporate customers and increase its marketability. In addition, we intend to develop one hotel in each of Chengdu, Huizhou and Jiangyin. We plan to engage internationally recognized hotel management companies to manage our hotels upon the completion of development or redevelopment. We expect the revenue contribution from our hotels in the aggregate to be less than 5% of our total revenue for the next three years. For more details, see the section entitled "Business — Hotel Operation, Redevelopment and Development" in this document.

RISK FACTORS

Risks Relating to Our Businesses

- We are heavily dependent on the performance of the PRC real estate market, particularly in the Pearl River Delta region
- We may not always be able to obtain land reserves that are suitable for development
- We may not always be able to obtain land use rights certificates with respect to certain parcels of land in connection with which we have entered into various contractual arrangements
- We may not have adequate financing to fund our land acquisitions and property projects
- Our LAT provisions and prepayments may not be sufficient to meet our LAT obligations
- We experienced net cash outflows from operating activities during the Track Record Period and maintain a significant amount of indebtedness, which may materially and adversely affect our liquidity and our ability to service our indebtedness
- The recent 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 profitability, business and our ability to obtain necessary financing for our operations
- Our operations are subject to seasonal fluctuations
- We are subject to certain restrictive covenants and certain risks normally associated with debt financing which may limit or otherwise adversely affect our operation
- We may be adversely affected by the performance of third-party contractors
- We may be adversely affected by our joint developer's default in the two joint development projects for which we do not hold land use rights for all the land
- We may be adversely affected by our lack of experience in one infrastructure development project and the additional facilities involved in the joint development in Guangdong Tangquan Forest
- We may not be able to effectively manage our expansion and growth
- We may not be able to effectively expand into the hotel operation, redevelopment and development business

- The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely impact our profitability
- We guarantee mortgage loans of our customers and may be liable to the mortgagee banks if our customers default on their mortgage payments
- We may suffer losses from certain financing arrangements we entered into, under which we guaranteed an annual return for a period of 10 years
- We may suffer certain losses not covered by insurance
- We may not be able to complete our development projects according to schedule or on budget
- Our profitability and results of operations are affected by changes in interest rates
- The national and regional economies in China and our business may be adversely affected by natural disasters or other catastrophic events
- The appraised value of our properties in Property Valuation Report may be different from the actual realizable value and is subject to change
- We may have to compensate our customers if we fail to meet all requirements for the delivery of completed properties and the issuance of property ownership certificates
- The PRC Government may impose fines on us or take back our land if we fail to develop a property according to the terms of the land grant contract
- Our acquisition of companies holding land use rights may be unsuccessful and our acquisition agreements may not provide us with sufficient protection against potential liability
- We may be required to relocate existing residents and pay demolition and resettlement costs associated with our future property developments and such costs may increase
- A deterioration in our brand image could adversely affect our business
- Our success depends on the continued services of our senior management team
- Property owners may terminate our engagement as the provider of property management services
- We may be involved from time to time in disputes, administrative, legal and other proceedings arising out of our operations and may face significant liabilities as a result
- We are subject to legal and business risks and our business may be adversely affected if we fail to obtain or maintain the required qualification certificates and other requisite government approvals

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

Risks Relating to the Real Estate Industry in China

- Our operations are subject to extensive governmental regulations, and the PRC Government may introduce further measures to curtail growth in the property sector
- The property industry in China is still at a relatively early stage of development, and there is a significant degree of uncertainty in the market as a whole
- Oversupply of properties could drive prices down and adversely affect our business
- Changes of PRC laws and regulations with respect to pre-sales may adversely affect our business
- We are exposed to pre-sale related contractual and legal risks
- The total GFA of some of our developments may exceed the original permitted GFA and the excess GFA is subject to governmental approval and payment of additional land premium
- The terms on which mortgage loans are available, if at all, may affect our sales
- Intensified competition may adversely affect our business and our financial condition
- Our results of operations may vary significantly from period to period
- Potential liability for environmental damages could result in substantial cost increases
- The construction business and the property development business are subject to claims under statutorily mandated quality warranties

Risks Relating to China

- PRC economic, political and social conditions, as well as governmental policies, could affect our business and prospects
- Governmental control of currency conversion and changes in foreign exchange regulations in China may limit our ability to utilize our revenue and to obtain adequate financing effectively, and may adversely affect the ability of our PRC subsidiaries to pay dividends or other payments 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
- Our income tax obligations may increase, dividends from our PRC subsidiaries may be subject to withholding tax under PRC tax laws and we may be subject to PRC tax under the New Tax Law

- 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

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

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

- The national and regional economies in China and our prospects may be adversely affected by a recurrence of SARS or an outbreak of other epidemics, such as avian flu

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme in which certain eligible participants may be granted options to acquire Shares. Our Directors believe that the Share Option Scheme will assist in our recruitment and retention of quality executives and employees. A summary of the principal terms of the Share Option Scheme is set forth under "Share Option Scheme" in Appendix VII entitled "Statutory and General Information — Other Information" to this document.

STRATEGIC INVESTMENTS

Senior Secured Term Loan Facility and Detachable Warrants

A credit agreement (the "First Credit Agreement") was entered into between our Company, Da Chang, Da Feng, Da Zheng, the Intermediate Holding Company, the Business Holding Companies, the Project Holding Companies named therein, Kaisa Holdings, Kaisa Technology, Cornwell Holdings, Regal Silver, Woodland Height, Success Take, Leisure Land and CSS on August 24, 2007 (the "First Credit Agreement Date") pursuant to which CSS agreed to make available to our Company a term loan facility of up to US$25 million. On September 12, 2007 (the "Credit Agreement Date"), our Company, Da Chang, Da Feng, Da Zheng, the Intermediate Holding Company, the Business Holding Companies, the Project Holding Companies named therein, Kaisa Holdings, Kaisa Technology, Cornwell Holdings, Regal Silver, Woodland Height, Success Take and Leisure Land entered into a Credit Agreement with the Lenders named therein, who are independent from and not connected with the Company and its subsidiaries, pursuant to which the First Credit Agreement was amended and restated such that the Lenders agreed to make available to our Company a term loan facility in an aggregate amount of US$200 million. On October 24, 2009, our Company, Da Chang, Da Feng, Da Zheng, the Intermediate Holding Company, the Business Holding Companies, the Project Holding Companies named therein, Kaisa Holdings, Kaisa Technology, Cornwell Holdings, Regal Silver, Woodland Height, Success Take Leisure Land CSS, Kamsara, ML, Forum, PMA Credit Opportunities Fund, PMA Temple Fund, PMA Focus Fund, and Diversified Asian Strategies Fund entered into an amendment agreement (the "Amendment Agreement"), pursuant to which various terms of the Credit Agreement were amended and restated. The principal terms of the Credit Agreement (as amended and restated) are set out in the section headed "History, Reorganization and Group Structure — Strategic Investments — Senior secured term loan facility" of this document.

The Amendment Agreement as compared with the Credit Agreement dated September 12, 2007

The main amendments made to the Credit Agreement by the Amendment Agreement are set out as follows:

No.	Subject	Original terms	Amended terms
1.	Maturity date	August 24, 2010	December 1, 2010
2.	Interest payment date	"Interest Payment Date" means each of the following dates: (a) the respective dates falling 6 months, 12 months, 18 months, 24 months, 30 months and 36 months after the drawdown date (but excluding any such date if it falls after August 24, 2010) and provided that if any such date is not a business day, the business day immediately succeeding that date in the same calendar month (or, if there is no such succeeding business day in the same calendar month, the business day immediately preceding that date) shall be an Interest Payment Date); and (b) August 24, 2010.	"Interest Payment Date" means each of December 31, 2009, March 31, 2010, June 30, 2010, September 30, 2010 (provided that if any such date is not a business day, the business day immediately succeeding that date in the same calendar month (or, if there is no such succeeding business day in the same calendar month, the business day immediately preceding that date) shall be an Interest Payment Date) and December 1, 2010.
3.	Repayment	The Loan must be repaid in full by our Company on August 24, 2010.	Our Company must repay the Loan on the following dates in the following amounts: • US$30,000,000 by October 27, 2009; • US$20,000,000 by December 31, 2009; • US$14,000,000 by March 31, 2010; • US$14,000,000 by June 30, 2010; • US$14,000,000 by September 30, 2010; and • The balance of the outstanding Loan in full by December 1, 2010.
7.	Financial Covenant	Our Company must ensure that the ratio of Consolidated Total Borrowings as at the end of each Measurement Period falling on or after December 31, 2008 to Consolidated EBITDA for such Measurement Period does not exceed 4:1.	Covenant deleted

No.	Subject	Original terms	Amended terms
8.	Financial Covenant	Our Company must ensure that the ratio of Consolidated EBITDA to Consolidated Interest Expense for each Measurement Period does not fall below: (A) in the case of the Measurement Period ending on December 31, 2007 or June 30, 2008, 2.5:1; and (B) in the case of any other Measurement Period, 3:1.	Covenant modified such that our Company must ensure that the ratio of Consolidated EBITDA to Consolidated Interest Expense for each Measurement Period does not fall below: (A) in the case of the Measurement Period ending on December 31, 2007 or June 30, 2008, 2.5:1; and (B) in the case of any other Measurement Period, 1.5:1.
9.	Financial Covenant	Our Company must ensure the ratio (expressed as a percentage) of Consolidated Total Borrowings to Consolidated Total Capitalisation does not, as at the end of each Measurement Period, exceed: (A) in the case of the Measurement Period ending on June 30, 2008, 80 per cent.; (B) in the case of the Measurement Period ending on December 31, 2008, 65 per cent. (if an IPO occurs during that Measurement Period) or 70 per cent. (if no IPO occurs during that Measurement Period); and (C) in the case of any Measurement Period ending after December 31, 2008, 65 per cent.	Covenant modified such that: (A) in the case of the Measurement Period ending on June 30, 2008, 75 per cent.; (B) in the case of the Measurement Period ending on December 31, 2008, 65 per cent. (if an IPO occurs during that Measurement Period) or 75 per cent. (if no IPO occurs during that Measurement Period); and (C) in the case of any Measurement Period ending after December 31, 2008, 60 per cent. (if an IPO has occurred during that or any previous Measurement Period) or 75 per cent. (if no IPO occurred during that or any previous Measurement Period).

The Warrants

In connection with the Loan, on the Credit Agreement Date, our Company issued the Warrants to the original Warrantholders pursuant to warrant instruments dated September 12, 2007 (as amended and restated on October 27, 2009) executed by our Company, Da Chang, Da Feng and Da Zheng. The Warrants were issued to the original Warrantholders in return for their participation in the Loan under the Credit Agreement. The Tranche A Warrants are exercisable at a price of RMB0.10 per Share and the Tranche B Warrants are exercisable for nil consideration. The principal terms of the Warrants are set out in the section headed "History, Reorganization and Group Structure — Strategic Investments — Detachable Warrants" of this document. The Tranche A Warrants confer upon holders thereof (the "Tranche A Warrantholders"), in respect of each Tranche A Warrant, the right (the "Tranche A Subscription Right") to subscribe [●] Warrant Shares. The Tranche B Warrants confer upon holders thereof, in respect of each Tranche B Warrant, the right (the "Tranche B Subscription Right," together with the Tranche A Subscription Right, the "Subscription Rights") to subscribe [●] Warrant Shares.

Restrictive covenants

We are subject to certain restrictive covenants under the Credit Agreement. Details of which are set out in the section headed "History, Reorganization and Group Structure — Strategic Investments — Senior secured term loan facility" of this document.

Breach of certain covenants and waiver

The global economic slowdown and financial crisis led to a lower demand for our Company's products, in turn leading to fewer completed properties being delivered and lower ASP achieved. This resulted in lower cash flow and revenue for the year ended December 31, 2008. In addition, capital expenditure, including payments for land, construction cost and land payment under the contractual arrangements incurred in 2008 has adversely affected our financial position, which led to the abovementioned breaches of financial covenants under the Credit Agreement. We have sought and the Lenders have granted waiver with respect to breach of these financial covenants, namely (i) our ratio of Consolidated Total Borrowings to the Consolidated EBITDA for each of the two measurement periods ended December 31, 2008 and June 30, 2009 exceeding 4:1, (ii) the ratio of Consolidated EBITDA to Consolidated Interest Expense for each of the two measurement periods ended December 31, 2008 and June 30, 2009 falling below 3:1, (iii) the ratio of Consolidated Total Borrowings to consolidated total capitalisation (as defined in the Credit Agreement) for each of the two measurement periods ended December 31, 2008 and June 30, 2009 exceeding 70% and 65% respectively and (iv) our failure to ensure that the amount outstanding to the credit of the debt service reserve account is not less than the balance as prescribed by the Credit Agreement. (i) The ratio of Consolidated Total Borrowings to the Consolidated EBITDA for each of the two measurement periods ended on December 31, 2008 and June 30, 2009 was 6.5:1 and 6.1:1 respectively, therefore exceeding 4:1, (ii) the ratio of Consolidated EBITDA to Consolidated Interest Expense for each of the two measurement periods ended on December 31, 2008 and June 30, 2009 was 1.9:1 and 2.1:1 respectively, therefore falling below 3:1, (iii) the ratio of Consolidated Total Borrowings to consolidated Total Capitalisation (as defined in the Credit Agreement) for each of the two measurement periods ended on December 31, 2008 and June 30, 2009 was 70.2% and 67.3% respectively, therefore exceeding 70% and 65% respectively and (iv) our Company failed to deposit US$8,848,888.89 into the debt service reserve account, therefore failing to ensure that the amount standing to the credit of the debt service reserve account is not less than the balance as prescribed by the Credit Agreement. In addition, we have also sought and the Lenders have granted waiver with respect to our breach of the following non-financial covenants, namely (a) failure to deliver compliance certificates, which are certificates to be provided by our Company to the facility agent to the lender establishing compliance by our Group of the covenants under the Credit Agreement, in connection with our Group's audited financial statements for the year ended December 31, 2008 and unaudited financial statements for the six months period ended June 30, 2009 in compliance with the requirements under the Credit Agreement, (b) failure to deliver financial statements of our Group for the year ended December 31, 2008 and unaudited financial statements of our Group for the six months period ended June 30, 2009 in compliance with the requirements under the Credit Agreement, (c) failure on the part of our Company to discharge all pre-existing security interest prior to the date of the Credit Agreement, (d) failure on the part of our Company to have newly formed or acquired offshore subsidiaries provide the same guarantee and security package to the Lenders equivalent to the guarantee and security package provided by all existing offshore subsidiaries of our Company; and (e) failure on the part of our Company to comply with requirements under relevant security documents to register certain security interests created under those security documents with the relevant governmental authorities. Our Company confirmed that the breaches of the non-financial covenants as stated in (a) and (b) are due to the fact that the audited financial statements of our Company could not be finalized in the absence of a successful restructuring of the Loan. The audited financial statements could not be finalized because our management was working towards the completion of the restructuring, without which the going concern basis for the preparation of financial information could not be readily ascertained. This matter was brought to the Lenders' attention before the deadlines of the submission of the compliance certificates and the audited financial statements and our Company has continuously communicated with the Lenders and provided the relevant financial information to the Lenders at their request. The breaches as stated in (c), (d) and (e) were due to oversight and were not intentional. In respect of (e) above, we have instructed our external Hong Kong legal counsel to proceed with the registration of the security interests in accordance with the procedures set out in the relevant laws and regulations. The Controlling Shareholders have agreed to indemnify us, our Directors and officers against all penalties (statutory or otherwise) that may be levied against us or any of our Directors and officers as a result of the breach of the non-financial covenant stated in (e) above.

Measures to ensure ongoing compliance with the covenants

The abovementioned breaches of financial and non-financial covenants will not trigger any default of existing loan agreements entered into by our Group and it is therefore not necessary for our Group to re-negotiate on our Group's loans that contain cross default provisions. Please refer to the section entitled "History, Reorganization and Group Structure — Domestic Bank Loans With Cross Default Provisions" in this document for further information on loan agreements which our Group has entered into and which contain cross default provisions. The abovementioned breaches of financial covenants under the Credit Agreement were due to the global economic slowdown and financial crisis, rather than a lack of internal controls within our Group. As the overall economy further recovers and the real estate industry further improves in China, we believe our financial position will be further strengthened. Hence, we do not expect any future default of the financial and non-financial covenants to occur under the Credit Agreement. The legal consequence of future breaches by our Company of the financial and non-financial covenants in the Credit Agreement is that the Lenders may (i) demand that all or part of the Loan, together with accrued interest and other amounts accrued under the Credit Agreement and related financing documents, such as the charge over accounts, the security deed and the additional security deed entered into by our Company as collateral for the Loan, be immediately due and payable, and/or (ii) enforce all or part of the security in connection with the Credit Agreement. To ensure ongoing compliance with the financial covenants, meetings will be held by the senior management of our Company on a regular basis to monitor and discuss issues in connection with the ongoing compliance of the financial covenants with reference to the monthly financial reports of our Group and cash flow, sales, bank loan balance reports of our Group. Also, we will prepare our financial budget to ensure that it is compatible with the financial covenants. In particular, as our Company is required to deposit amounts into the debt service reserve account on or before the date falling three months before each interest payment date to ensure that the amount standing to the credit of the debt service reserve account is not less than the required debt service reserve account balance as prescribed by the Credit Agreement on that date, we will closely monitor our financial budget and cash flow to ensure that the amount standing to the credit of the debt service reserve account complies with such requirement. Furthermore, we will closely monitor market conditions based on market reports in different regions and information from investors on market conditions to assess the impact on our Group's profitability and hence the impact on our Group's ongoing compliance with the financial covenants. In particular, our Company will closely monitor our financial budget and cash flow to ensure that our Company deposits such amounts into the debt service reserve account on or before the date falling three months before each interest payment date, so that the amount standing to the credit of the debt service reserve account is not less than the required debt service reserve account balance as prescribed by the Credit Agreement on that date. To ensure ongoing compliance with the non-financial covenants, the company secretary and the legal department of our Company will closely monitor the ongoing compliance of such covenants and hold regular meetings to ensure that our Company has adhered to the relevant covenants in accordance with the timelines prescribed under the Credit Agreement. Our Company will engage external legal advisers to ensure due compliance with the non-financial covenants as and when necessary.

For details, please refer to the sub-paragraph headed "Rights of the Lenders and restrictive covenants" in the paragraph headed "Strategic Investments — Senior secured term loan facility" in the section headed "History, Reorganization and Group Structure" of this document.

Investment Agreement and Share Purchase Agreement

On November 16, 2007, pursuant to the Share Purchase Agreement, the Investor Shareholders subscribed an aggregate of 869.565217 new Shares at an aggregate subscription price of US$200 million. The proceeds from such issue of new Shares were principally applied towards funding our land acquisitions. On the same day, the Investor Shareholders purchased an aggregate of 434.782609 existing Shares (the "Purchased Shares") from Da Chang, Da Feng and Da Zheng at an aggregate purchase price of US$100 million. After the subscription of new Shares and purchase of the Purchased Shares by the Investor Shareholders, the Investor Shareholders held an aggregate of 1,304.347826 Shares, representing approximately 12% of the then issued share capital of our Company as enlarged by the issue of the new Shares. Immediately after completion of the Investment Agreement and the Share Purchase Agreement, our Company became owned as to approximately 29.04% by Da Chang, as to approximately 29.92% by Da Feng, as to approximately 29.04% by Da Zheng, as to approximately 5% by Baytree, as to approximately 1.91% by CAGP, as to approximately 0.09% by CAGP III, as to approximately 0.2% by Forum, as to approximately 3% by Longhill, as to approximately 0.90% by PMA and as to approximately 0.90% by RECP.

The Subscription Price was agreed after arm's length negotiations with the Investor Shareholders.